

Audit Committee Annual Reports

Briefing from the CIPFA Better Governance Forum

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Current CIPFA Guidance

CIPFA's Position Statement¹ states that audit committees should report regularly on their work and at least annually report an assessment of their performance. Further guidance on holding the audit committee to account is provided in *Audit Committees, Practical Guidance for Local Authorities and Police*². The aspects to consider include:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control within the authority.

Preparing an Annual Report

An annual report can form part of the way in which the committee provides an account to its stakeholders. In preparing an annual report consideration should be given to the principal audience and primary purpose. Is it an assurance report to the governing body or is it a public document aiming to explain the work of the committee to a wider group of stakeholders? Although both are acceptable the different audiences are likely to influence the style and content of the document.

Examples of content:

- Explanation of the role of the committee.
- Statement of any guidance that has been adopted or compliance with any statutory requirements.
- Outline of the work of the committee in the year including:
 - how the terms of reference have been met
 - how the committee has added value/outcomes.

¹ CIPFA 2013 <http://www.cipfa.org/services/networks/better-governance-forum/corporate-governance-documentation/cipfa-position-statement-on-audit-committees>

² CIPFA 2013 <http://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book>

- Members of the committee and relevant background, attendance record.
- Training or development activity to support the committee members.
- Results of any performance assessment or evaluation, eg self-assessment, external review.
- Forward look, identifying forthcoming challenges the committee anticipates or planned changes to its composition etc.

Pitfalls to Avoid

Some annual reports reproduce their terms of reference or other documentation. While helpful to the user who wants to know more about the committee, this approach does tend to make the report lengthier and less focused on the issues that have arisen during the year. It is perhaps better to include internet links to terms of reference, agendas and minutes. Other pitfalls to avoid include:

- a lengthy narrative of the business of the committee but with little identification of the value added by the committee or the outcomes of its work
- adopting a generic template that varies little year on year, giving limited detail about the year just passed.

The Better Governance Forum is keen to promote sharing of annual reports. If you are happy to share your organisation's annual report with other Forum members please email a copy to Diana.melville@cipfa.org and we will include it on our website. You can view copies on our website here: <http://www.cipfa.org/services/networks/better-governance-forum/corporate-governance-documentation/audit-committee-annual-reports>