

Report sponsor: Chair of Audit and Governance Committee
Report author: Head of Internal Audit

Committee Terms of Reference

Purpose

- 1.1 This report provides details of the changes to the Committee's Terms of Reference proposed by the Committee's Terms of reference Working Group.

Recommendations

- 2.1 Members are asked to consider the current Audit and Governance Committee Terms of Reference attached at Appendix 1 and provide appropriate comment or amendments.
- 2.2 If Members agree the revised Committee Terms of Reference, they refer them to Council for approval.
- 2.3 Subject to 2.1 and 2.2, to agree to the request of the Working Group that the three additional reports detailed in paragraph 4.7 are included in future Committee Work Programmes.

Reasons

- 3.1 To ensure that the Council maintains an effective Audit and Governance Committee.

Supporting information

- 4.1 The Terms of Reference for the Committee were last reviewed in February 2019, although minor changes to wording was agreed in November 2020.
- 4.2 The Terms of Reference were reviewed by a Working Group and were again based on the suggested Audit Committee terms of reference contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities and Police" (published May 2018). The working group comprised of Councillors West, Care, Grimadell and Bettany together with an Independent Committee Member (Philip Sunderland) and the Head of Internal Audit.
- 4.3 The amended Terms of Reference is attached at Appendix 1. All amendments are shown in red.

- 4.4 The Working Group asked the Head of Internal Audit to research other Council's Audit Committee Terms of Reference and to identify any areas that were not included in this Committee's Terms of Reference. This research identified three areas for possible inclusion. The Working Group agreed that these should be referred to the full Committee for consideration as to whether to include in the Terms of Reference. The three areas were:
- To consider the exercise of officers' statutory responsibilities and of functions delegated to officers.
 - To receive assurance reports on the effectiveness of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct and behaviour.
 - To review the Council's compliance with its own and published national standards and controls.
- 4.5 Members should consider the implications of changes to the terms of reference, and ensure that these result in added value, proportionate to the additional resource required to fulfil them. In considering the changes, Members should also consider how they would seek the required assurance of changes to the terms of reference in practice.
- 4.6 Members need to be satisfied that the Committee's terms of reference cover all the key functions of an audit committee. The CIPFA Position Statement on Audit Committees (2018) is reproduced at Appendix 2 to assist in this.
- 4.7 If the changes to the Terms of Reference are agreed, the Working Group has also asked that the following are included in future work programmes of the Committee:
- A report on the level and adequacy of insurance arrangements – also to highlight number of claims etc
 - An annual report outlining all activity involving the Council by external regulators
 - An annual report on assurance around partnership governance

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 None

Legal implications

8.1 None

Climate implications

9.1 None

Other significant implications

10.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)	Cllr West	18/01/2022
Background papers:	None	
List of appendices:	Appendix 1 – Revised Terms of reference Appendix 2 – CIPFA Position Statement on Audit Committees	

Audit and ~~Accounts~~ Governance Committee

Terms of Reference

Statement of purpose

The Audit and ~~Accounts~~ Governance Committee is a key component of the Council's corporate governance. It provides a high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit and ~~Accounts~~ Governance Committee is to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Meetings

The Committee will meet at least four times a year. The Chair of the committee may convene additional meetings as he/she deems necessary. The Head of the Paid Service, Section 151 Officer or the Head of Internal Audit may ask the Committee to convene further meetings to discuss particular issues.

The Audit and ~~Accounts~~ Governance Committee, the Head of Internal Audit and External Audit have the opportunity for informal briefing sessions.

The Audit and ~~Accounts~~ Governance Committee is authorised to discharge the following functions:

Governance, Risk, Control

1. To review the council's arrangements for corporate governance against the good governance framework and consider quarterly governance reports and assurances.
2. To review and approve the authority's Annual Governance Statement (AGS).
3. To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
4. To review any issue referred to it by the chief executive or a strategic director, or any council body.
5. To consider, approve and monitor the Council's risk management framework and to seek assurances on its effectiveness.

6. To consider the Council's arrangements for the mitigation of risk including receiving assurance on the adequacy of the Council's Insurance portfolio.
7. To review, approve and monitor the Council's Counter Fraud policies and Whistleblowing Policy, and to seek assurance on the assessment of fraud risks and the potential harm to the Council from fraud, bribery and corruption.
8. To monitor progress in addressing risk-related issues reported to the Committee.
9. To consider the council's compliance with its own and other published standards and controls.
10. Review the governance and assurance arrangements for any Council owned companies, significant partnerships or other collaborations.
11. To consider reports from external regulators (e.g. Ofsted, Care Quality Commission, Local Government Ombudsman) that impact on the Committee's areas of responsibility and to receive an annual report providing an overview of all external regulator activity at the Council during the year.

Internal Audit

12. To consider and approve the annual internal audit plan, including internal audit's resource requirements.
13. To approve the internal audit charter
14. To approve significant interim changes to the annual audit plan and resource requirements.
15. To consider (periodic) reports from the Head of Internal Audit on internal audit's performance during the year. These will include
 - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work,
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP),
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough to be included in the AGS.
16. To consider the Head of Internal Audit's annual report, including

- the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement
- the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.

17. To consider summaries of specific internal audit reports as requested.
18. To consider reports dealing with the management and performance of the providers of internal audit services.
19. To consider reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
20. In conjunction with the Council's s151 Officer, to commission work from internal audit.
21. To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
22. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
23. To provide free and unfettered access to the Chair of Committee for the Head of Internal Audit, including the opportunity for informal briefings with the Committee.

External Audit

24. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by the Public Sector
25. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance and such specific reports as are agreed with external audit.
26. To comment on the scope and depth of external audit work and to ensure it gives value for money.
27. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
28. In conjunction with the Council's s151 Officer, to commission work from external audit.

29. To provide free and unfettered access to the Chair of the Committee for the External Auditor, including the opportunity for informal briefings with the Committee.

Financial reporting

30. To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
31. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

Treasury Management

32. To consider the robustness of the Council's treasury management strategy, policies and procedures before their submission to Cabinet, to ensure that controls are satisfactory.
33. To review the treasury risk profile and adequacy of the treasury management procedures.

Accountability Arrangements

34. To present an annual report on the work of the Committee to the Council, providing an opinion on the adequacy and effectiveness of the Council's governance, risk and control frameworks.

Review period of terms of reference

It is good practice to review the Committee's terms of reference on an annual basis.

Date of Last Review

~~November 2020~~ **October 2021**

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
 - act as the principal non-executive, advisory function supporting those charged with governance
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
 - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4 The core functions of an audit committee are to:
 - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - in relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework
 - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
 - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption

- consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

5 An audit committee can also support its authority by undertaking a wider role in other areas including:

- considering governance, risk or control matters at the request of other committees or statutory officers
- working with local standards and ethics committees to support ethical values
- reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
- providing oversight of other public reports, such as the annual report.

6 Good audit committees are characterised by:

- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
- a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- unbiased attitudes – treating auditors, the executive and management fairly
- the ability to challenge the executive and senior managers when required.

7 To discharge its responsibilities effectively the committee should:

- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018), available from www.cipfa.org.uk/publications