

## Part 7 – Terms of Reference

# Audit & Governance Committee

## Terms of Reference

### Governance

Audit and Governance Committee is an advisory committee of the Council with some specific decision-making powers. The committee is supported by the authority's Governance Board and makes recommendations to Council for decision.

The committee has delegated authority to approve the Council's accounts, capital outturn, treasury management arrangements and the annual governance statement.

### Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

The committee is designated (under s.27 (1) of the Localism Act 2011) as the body who will determine complaints and appeals under the Councillor's Code of Conduct, as set out in the Code of Conduct Complaints Procedure.

### Membership

The Council will appoint up to 6 Councillors to the committee. The membership may not include an executive member or a member appointed by the Leader to assist the executive (sometimes known as junior cabinet members or cabinet commissioners).

The committee will appoint two non-voting co-opted members for no more than two consecutive four-year terms, who may receive an allowance as agreed under the members' allowance scheme. The co-opted members will not form part of the quorum of the committee.

### 1. Governance, risk and control

- 1.1 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- 1.2 To monitor the effective development and operation of risk management in the council.
- 1.3 To monitor progress in addressing risk-related issues reported to the committee.
- 1.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

**Commented [IB1]:** Revised Terms of Reference that follow the CIPFA suggested terms of reference for local authorities

**Commented [IB2]:** Added from CIPFA terms to set out the committee's position in the governance structure of the Council.

**Commented [IB3]:** Added from LBWF terms to reflect the existing delegations to the committee

**Commented [IB4]:** Added from LBWF terms to reflect local choice

**Commented [IB5]:** Amended from 9. 6 would mean that with two independent members, the total committee size will not exceed 8 as recommended by CIPFA

**Commented [IB6]:** This is an increase of one in line with the CIPFA recommendations

**Commented [IB7]:** This is recommended to be produced and reviewed annually by CIPFA. <https://www.cipfa.org/services/networks/better-governance-forum/corporate-governance-documentation/demystifying-the-local-code-of-governance>

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- 1.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's financial management code.
- 1.6 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 1.7 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 1.8 To monitor the counter fraud strategy, actions and resources.
- 1.9 To review the council's whistleblowing policy and effectiveness of whistleblowing arrangements.
- 1.10 To receive reports on any relevant issue referred to it by the Chief Executive, Chief Finance Officer (Section 151 officer), Monitoring Officer, or another body of the council.
- 1.11 To monitor the delivery of elections and electoral registration and to recommend to Council for adoption, changes to the parliamentary and borough polling schemes.
- 1.12 To maintain oversight of the council's constitution and related protocols and procedures, and recommend any changes to the Council for adoption.
- 1.13 To review policies and compliance related to the council's procedure rules and scheme of delegation.
- 1.14 To review the governance and assurance arrangements for significant partnerships or collaborations, including those of companies where the local authority has an interest and joint ventures.

**Commented [IB8]:** Added from existing ToR and referenced throughout the CIPFA guidance (para 11)

**Commented [IB9]:** Added from existing ToR (paras 2 and 12).

**Commented [IB10]:** Added from existing ToR (para 5)

**Commented [IB11]:** Added from existing ToR (para 7)

**Commented [IB12]:** Added from existing ToR (para 13)

**Commented [IB13]:** Inserted to make specific reference for 60 Bricks and WF Services

## 2. Financial and governance reporting

### Governance reporting

- 2.1 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- 2.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

### Financial reporting

- 2.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 2.4 To review 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.
- 2.5 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

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### 3. Treasury management

Council has nominated the committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

- 3.1 To monitor the treasury management policy, procedures, risk profile and risk management processes.
- 3.2 To receive the treasury management strategy and plan, mid-year review and annual report and recommend these reports to Council.

### 4. Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

#### External audit

- 4.1 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 PSAA or the authority's auditor panel as appropriate.
- 4.2 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 4.3 To consider specific reports as agreed with the external auditor.
- 4.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 4.5 To consider additional commissions of work from external audit.
- 4.6 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 4.7 To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

**Commented [IB14]:** This is a new inclusion from the latest CIPFA guidance

**Commented [IB15]:** This is a new inclusion from the latest CIPFA guidance

**Commented [IB16]:** This is a new inclusion from the latest CIPFA guidance

#### Internal audit

- 4.8 To be consulted on internal audit's strategy and approach as detailed in the internal audit charter.
- 4.9 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 4.10 To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 4.11 To note significant interim changes to the risk-based internal audit plan and resource requirements.
- 4.12 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

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- 4.13 To consider any impairments to the independence or objectivity of the chief internal auditor arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 4.14 To consider reports from the chief internal auditor on internal audit's performance during the year, including the performance of external providers of internal audit services. 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
  - 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 that it must be included in the Annual Governance Statement.
- 4.15 To consider the chief internal auditor'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 (these will indicate the reliability of the conclusions of internal audit)
  - 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 (these will assist the committee in reviewing the AGS).
- 4.16 To consider summaries of specific internal audit reports as requested, and where recommendations have not been implemented.
- 4.17 To receive reports outlining the action taken where the chief internal auditor has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 4.18 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.
- 4.19 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.
- 4.20 To provide free and unfettered access to the audit committee chair for the chief internal auditor, including the opportunity for a private meeting with the committee.

**Commented [IB17]:** This is new in the CIPFA guidance when compared with our current ToR

**Commented [IB18]:** Current ToR wording is 'monitoring of management action and escalation'

**Commented [IB19]:** These words are an addition within our current ToR compared with the new CIPFA version

**Commented [IB20]:** This is new in the CIPFA ToR

**Commented [IB21]:** This is new in the CIPFA ToR

## 5. Accountability arrangements

- 5.1 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and

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effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

- 5.2 To report to the Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 5.3 To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA position statement.

## 6. Supporting corporate improvement programmes

- 6.1 To support implementation of corporate improvement programmes following external inspections, peer reviews or other interventions in its assurance role.
- 6.2 To receive the annual letter of the Local Government and Social Care Ombudsman, reports of the Housing Ombudsman, and the annual complaints monitoring report.

Commented [IB22]: Taken from existing ToR

## 7. Standards

- 7.1 The Committee will act as a pool of members to sit on sub-committees established for the purpose of determining complaints under the Councillors' Code of Conduct and Complaints Procedure set out in Part 9 of the Constitution.
- 7.2 Sub-Committees will normally consist of 3 members (excluding independent members) and must be politically balanced. Due to the strict timetables in the Complaints Procedure, Sub-Committees will be established by Director of Governance and Law in accordance with the nominations by the relevant political groups.

Commented [IB23]: Taken from existing ToR