

Audit and Governance Committee Terms of Reference

Drafted following review at 27th September 2018 meeting

Membership: 11 Members

- 103 The success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining apolitical also places a duty on members not to make inappropriate use of information provided to the Committee for other purposes.
- 104 The Committee is composed of 11 Members, comprising 10 members of the Council and one independent voting member (a member who is not a Councillor) with the Chairman and Vice-Chairman being appointed at full Council. The co-option of an independent member is intended to bring additional knowledge and expertise to the Committee and reinforce its political neutrality and independence. To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.

Statement of Purpose

- 105 The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 106 It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- 107 It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 108 It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 109 It promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

Governance, risk and control

- 110 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 111 To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 112 To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
- 113 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 114 To monitor the effective development and operation of risk management in the council.
- 115 To monitor progress in addressing risk related issues reported to the committee.
- 116 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
- 117 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 118 To monitor the counter-fraud strategy, actions and resources.
- 119 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 120 To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Internal Audit

- 121 To approve the internal audit charter.

- 122 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations
- 123 To approve 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.
- 124 To approve significant interim changes to the risk-based internal audit plan and resource requirements
- 125 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 126 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 127 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 128 To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) 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 Annual Governance Statement.

- 129 To consider summaries of specific internal audit reports as requested.
- 130 To receive 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 authority or there are concerns about progress with the implementation of agreed actions.
- 131 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 132 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.
- 133 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit

- 134 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.
- 135 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 136 To consider specific reports as agreed with the external auditor.
- 137 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 138 To commission work from internal and external audit.
- 139 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

- 140 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.

- 141 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

- 142 To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- 143 To report to full 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.
- 144 To publish an annual report on the work of the committee.

Related Functions

- 145 To approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.
- 146 Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.
- (a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.
- (b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.

Working Groups

- 147 The Committee may establish standing and time-bound working groups (which may but need not be politically balanced) to consider any matters within the terms of reference of the Committee.

Standards Arrangements

- 148 The Committee is responsible for the Council's standards arrangements which seek to:
- (a) promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity);
 - (b) ensure that Members receive advice and as appropriate on the Members Code of Conduct; and
 - (c) grant dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.
- 149 Council on 22nd October 2015 approved a procedure to be followed when considering a complaint that an elected member of the Council or of a town or parish council within its area has failed to comply with the Council's Code of Conduct. The full procedure is available from the Monitoring Officer.

Hearing Sub Committee

- 150 The Hearing Sub-committee is a Sub-Committee of the Council's Audit and Governance Committee appointed to consider complaints under the procedure referred to in Chapter 4, Part 1, Paragraph 28 of the Constitution. It has 3 members drawn from a cross party panel of 15 members of the Council. An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views are sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.
- 151 The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.