

**Audit and Risk Management Committee****Tuesday, 22 November 2019**

<b>REPORT TITLE:</b>	<b>CIPFA Guidance on Audit Committees – review to committee terms of reference</b>
<b>REPORT OF:</b>	<b>Director of Governance &amp; Assurance (Monitoring Officer)</b>

**REPORT SUMMARY**

- 1.1 The purpose of this report is to present the Chartered Institute of Public Finance & Accountancy (CIPFA) publication Audit Committees: Practical Guidance for Local Authorities and Police (2018), and associated Position Statement, for review and comment.
- 1.2 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies and recognises that audit committees are a key component of governance, setting out guidance on the function and operation of audit committees in local authorities. It also includes a suggested terms of reference and Members are asked to consider revising the Audit and Risk Management Committee's constitution and terms of reference to be in accord with this national guidance.

**RECOMMENDATIONS****That the Audit and Risk Management Committee:**

1. **Note the revised CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) and identify any areas where further development of the arrangements operating at Wirral Council might be required.**
2. **Consider:**
  - (a) **an alteration to the make-up of the Audit and Risk Management Committee to include the appointment of an independent person as per the 2018 Position Statement;**
  - (b) **updating the Committee's current terms of reference to those suggested by the 2018 Position Statement (attached at Appendix A); and**
  - (c) **the impact that a change to a committee system might have on the role and function of the committee, including the option to combine audit, governance and standards functions in one committee, taking into account example alternatives from other authorities (as attached at Appendix C)**

**making any observations or recommendations to the Standards and Constitutional Oversight Committee's Governance Working Group accordingly.**

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 To ensure that the Council maintains an effective Audit and Governance Committee.
- 1.2 CIPFA's Publication - Practical Guidance for Local Authorities and Police 2018 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.
- 1.3 This publication incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) (attached as Appendix D), which sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement.
- 1.4 The revised and updated 2018 edition takes into account the development of audit committees since the original edition as well as incorporating the legislative changes that have affected the sector since 2013. It includes additional guidance and resources to support those acting as audit committee members in local authorities and those working with and supporting the committee's development. The key changes contained within CIPFA's latest guidance relate to the following areas that relate to the recommendation to the Committee:
  - a. inclusion of an independent member on the Committee;
  - b. additional guidance on how the Committee can oversee independence, objectivity and performance of Internal Audit and support the effectiveness of the internal audit process;
  - c. additional guidance on how the committee can support independence of the external auditor and monitor the external audit process.
- 1.5. CIPFA's latest guidance has also made some additions to the suggested terms of reference for Audit Committees.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Other options are discussed in generality. Beyond the Position Statement, there are no other 'best practice' options to be considered.
- 2.2 The overarching purpose of an Audit Committee is to provide to those charged with governance, independent assurance on the adequacy and integrity of:
  - the governance and control environment;
  - the Risk Management Framework, and
  - the annual financial reporting process.

It is good practice to regularly review the terms of reference of the Committee in relation to these objectives and to do so in the light of the most up to date professional position statement.

### **3.0 BACKGROUND INFORMATION**

3.1 CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement. The guidance it contains covers:

- The Core Functions of an Audit Committee
- Possible Wider Functions of an Audit Committee
- Independence and Accountability
- Membership and Effectiveness

3.2 The Guidance highlights that there have been a number of significant developments in governance and audit practice since 2013 which have emphasised the importance of the audit committee. Key developments include:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016);
- updates to the Public Sector Internal Audit Standards in 2016 and 2017; and
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

### **3.3 Purpose of an Audit Committee**

3.3.1 The Position Statement notes the purpose of audit committees as follows:

- 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.
- 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 internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3.3.2 The Position Statement sets out the core functions of an audit committee along with possible wider functions that a committee can undertake. It notes that organisations should adopt a model that establishes the committee as independent and effective and advises that 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;
- have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups; and
- be directly accountable to the Authority's governing body (Full Council).

3.3.3 The Position Statement notes the role of the Chief Finance (S.151) Officer and that officer's overarching responsibility for discharging the requirement for sound financial management under s.151 of the Local Government Act 1972. The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) emphasises the importance of having an effective audit committee to support the s.151 officer. The s.151 officer in a local authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Position Statement also notes that an essential role for the audit committee is to oversee Internal Audit, helping to ensure that it is adequate and effective. Both these elements are also set out in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN).

### 3.4 Core Functions of an Audit Committee

3.4.1 The Guidance sets out the core functions of the audit committee and includes a model terms of reference for the committee which is attached at Appendix A to this report.

3.4.2 The core functions include the following areas:

- i. **Good governance and the Annual Governance Statement** - be satisfied that the Authority's assurance statements, including the Annual Governance Statement (AGS), properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Authority's objectives. Support initiatives to identify and evaluate key areas of assurance.
- ii. **Internal Audit:** - oversee its independence, objectivity, performance and professionalism; support the effectiveness of the Internal Audit process; and promote the effective use of Internal Audit within the assurance framework in the following ways:
  - receive confirmation of the organisational independence of the Internal Audit activity;
  - approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the Head of Internal Audit has been asked to undertake any additional roles/ responsibilities outside of internal auditing;
  - receiving communications from the Head of Internal Audit on Internal Audit's performance relative to its plan and other matters; and
  - giving approval to Internal Audit for any significant additional consulting services not already included in the audit plan, prior to Internal Audit accepting an engagement.
- iii. **Risk management** - consider the effectiveness of the Authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.

- iv. **Control environment** - monitor the effectiveness, 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.
- v. **External Audit** - consider the reports and recommendations of External Audit and inspection agencies and their implications for governance, risk management or control. The guidance includes advice around appointment of auditors following the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the Local Audit and Accountability Act 2014. The Audit Committee's role in relation to the external audit process has three principal aspects:
  - providing assurance that the external auditor team maintains independence following its appointment (examples of threats noted on Page 21 of the Position Statement);
  - receiving and considering the work of external audit; and
  - supporting the quality and effectiveness of the external audit process.

3.4.3 The Audit Committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA (the new appointing body) or the auditor panel (in England) or from audit quality reviews by the Financial Reporting Council. With regard to non-audit services, audit committees should monitor the approval of non-audit work and, in England, take into account the oversight of either PSAA or the auditor panel as appropriate.

- vi. **Effective relationships** - support the 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.
- vii. **Financial statements** - 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. The guidance highlights the revised reporting timetable and includes: Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) which includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval. (Page 23 of the Position Statement)
- viii. **Partnership governance and collaboration agreements** – where an organisation of which the Authority is a partner does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely to be the audit committee of the accountable body in order to support the CFO (Page 24 of the Position Statement).

### **3.5 Possible Wider Functions & New Core Function Area – Governance and Ethical Values**

- 3.5.1 This section of the Guidance has been updated to include reference to the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) Framework and in particular regarding “Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law”
- 3.5.2 As the Audit Committee has a key role in supporting good governance, support for the ethical framework of the authority is also important. Public sector entities are accountable not only for how much they spend but also for the ways they use the resources with which they have been entrusted. With its core role in supporting good governance, support for the ethical framework of the Authority is also important for the audit committee. In addition, public sector organisations have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire entity can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.
- 3.5.3 The Audit Committee’s primary role in relation to standards and ethical conduct is to satisfy itself that there are appropriate arrangements in place, particularly in support of the AGS.

### **3.6 Membership and Effectiveness**

- 3.6.1 The Position Statement sets out guidance on the composition and effectiveness of the committee and notes that committee members should be willing to review their knowledge and skills. The guidance includes an updated self-assessment schedule and an evaluation of effectiveness schedule. This is a high level review against the principles set out in the Position Statement. Authorities are encouraged not to regard meeting recommended practice as a tick-box activity and they should recognise that achieving recommended practice does not mean necessarily that the committee is effective.
- 3.6.2 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 an authority 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; and
  - a strong independently minded chair – displaying a depth of knowledge, skills and interest (as highlighted below).
- 3.6.3 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; and
- the ability to challenge the executive and senior managers when required.

3.6.4 CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

### **3.7 Audit and Risk Management Committee Terms of Reference**

3.7.1 The Committee's current Terms of Reference (attached as Appendix B) when reviewed against CIPFA's suggested terms of reference contained in the Position Statement shows several discrepancies, together with certain inaccuracies. On review, it is considered simplest and most straightforward to directly replace the current Committee's Terms of Reference for those of the Position Statement, adding reference to the Council's trading companies as required, as set out at Appendix A.

### **3.8 Alternative forms of Committee**

3.8.1 Alternative options are, however, available. The Council's adoption of a committee system form of governance arrangements as of May 2020 provides access to a different role in two particular ways. Firstly, it is arguable that the Committee's role in respect of wider risk management relative to the role of the Leader and Cabinet executive in policy and delivery is diminished once that risk management task is taken up across the terms of reference of a politically balanced policy and resources committee and service committees. Secondly, this change has led a number of such councils to combine the roles of audit, standards and constitution committees to form one committee.

3.8.2 Comparative examples, one from a simplified audit committee terms of reference at a council with a hybrid cabinet and leader governance arrangements (Kent County Council) and three others from a committee form of governance arrangements (Norfolk County Council, Nottinghamshire County Council and Sutton London Borough Council) are attached as Appendix C.

## **4.0 FINANCIAL IMPLICATIONS**

4.1 There are no such implications arising.

## **5.0 LEGAL IMPLICATIONS**

5.1 Some commentators have interpreted the active delegated authority held by the Committee, in approving the statement of accounts and any material amendment of the accounts recommended by the auditors, as being a function relating to regulating and controlling the Council's finance. As such under S102(3) of the Local Government Act 1972, co-opted members are not permitted on the

committee. The view of CIPFA view however, and that of Council officers, is that a co-opted Independent Member could be accommodated but would not be able to vote on finance matters.

- 5.2 The Audit Committee satisfies the wider requirement for sound financial management, as set out in the Accounts and Audit Regulations, 'for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which include the arrangements for the management of risk.' In addition, Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of their officers has responsibility for the administration of those affairs. In discharging sound financial management, the Section 151 Officer requires an effective internal audit service and an effective audit committee, which evaluates the effectiveness of its risk management, control and governance processes. To guard against the negative consequences for the Authority in relation to external assessments, public confidence and risk of legal challenge, it is therefore important that the Terms of Reference are reviewed to ensure that best practice guidance is incorporated.

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

- 6.1 A small saving may be made by combining committee roles. There are no other such implications arising.

## **7.0 RELEVANT RISKS**

- 7.1 The Audit and Risk Management Committee is an important source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial, ethical and other performance. A review of current best practice will help the Committee to fulfil its responsibilities and ensure the relevant Terms of Reference remains appropriate

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 There are none arising directly from this report.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 There are no such direct implications arising.

## **10.0 ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

- 10.1 There are none arising from this report.

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## **APPENDICES**

**Appendix A: Draft Amended Terms of Reference**

**Appendix B: CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018)**

**Appendix C: Example Alternative Terms of Reference – Kent County Council**

### **Background Papers**

Audit Committees: Practical Guidance for Local Authorities and Police (2018), available to purchase from [www.cipfa.org.uk/publications](http://www.cipfa.org.uk/publications)

## **CIPFA – AUDIT COMMITTEES –PRACTICAL GUIDANCE**

### **Suggested Terms of Reference – Local Authorities**

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account.

In addition, where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. Some of the internal audit responsibilities identified in the terms of reference may not be carried out by the audit committee, but by others.

### **SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES**

#### **Statement of purpose**

1 Our audit committee is a key component of [name of authority]'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.

2 The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]'s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Governance, risk and control**

3 To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

4 To review the Annual Governance Statement prior to approval 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.

5 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

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

7 To monitor the effective development and operation of risk management in the council.

8 To monitor progress in addressing risk-related issues reported to the committee.

9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

10 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

11 To monitor the counter-fraud strategy, actions and resources.

### **Internal audit**

12 To approve the internal audit charter.

13 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

14 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.

15 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

16 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

17 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 nonconformance is significant enough that it must be included in the Annual Governance Statement.

18 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.

19 To consider summaries of specific internal audit reports as requested.

20 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.

21 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.

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 (see Appendix A).

23 To support the development of effective communication with the head of internal audit.

### **External audit**

24 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

25 To consider specific reports as agreed with the external auditor.

26 To comment on the scope and depth of external audit work and to ensure it gives value for money.

27 To commission work from internal and external audit.

28 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Financial reporting**

29 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.

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

### **Accountability arrangements**

31 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.

32 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.

**Wirral Metropolitan Borough Council  
AUDIT AND RISK MANAGEMENT COMMITTEE**

- (1) To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- (2) To maintain an overview of the contract procedure rules and financial regulations and to agree any changes to the same;
- (3) The Committee has the following duties, powers and authorities:
  - (a) approval of the Council's statement of accounts;
  - (b) the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
  - (c) to consider and make recommendations to Council or Cabinet as appropriate on;
  - (d) the annual Audit Report and the Management Letter of the external auditor;
  - (e) any other statutory report of the external auditor;
  - (f) any internal audit report that may be referred to the committee by the Chief Executive, the Director of Finance or the Head of Legal and Member Services (as Monitoring Officer);
  - (g) summaries of specific internal audit reports as requested;
  - (h) the effectiveness and adequacy of the response by the Council, the Cabinet, any committee or sub-committee of the Council or of any officer to any internal or external audit report or management letter;
  - (i) the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
  - (j) any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all the Council's assets;
  - (k) a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and

(l) the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;

(m) to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;

(n) to oversee the production of the Authority's statement or internal control and recommend its adoption;

(o) to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;

(p) to liaise with the Audit Commission over the appointment of the Council's external auditors.

(q) The Chair of the Audit and Risk Management Committee shall act as the Council's Risk Management Champion.

(4) Cabinet Members will not normally be members of the Audit and Risk Management Committee

**EXAMPLE ALTERNATIVE TERMS OF REFERENCE**

**KENT COUNTY COUNCIL (LEADER & CABINET SYSTEM - Hybrid)**

**Governance and Audit Committee: Terms of Reference**

**Objectives**

The Governance & Audit Committee is responsible for ensuring that:

- (a) risk management and internal control systems are in place that are adequate for purpose and effectively and efficiently operated
- (b) the Council's corporate governance framework meets recommended practice, (currently set out in the CIPFA/SOLACE Good Governance Framework), is embedded across the whole Council and is operating throughout the year with no significant lapses
- (c) the Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of work to be carried out is appropriate
- (d) the appointment and remuneration of external auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective
- (e) the external audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit
- (f) the Council's financial statements (including the pension fund accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective
- (g) any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound
- (h) accounting policies are appropriately applied across the Council
- (i) the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit and
- (j) the Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times
- (k) Ensure that there are effective governance arrangements in place for Kent County Council's wholly owned limited companies and trading vehicles.
- (l) Receive and review the financial statements and dividend policies of any KCC limited companies and to consider recommending corrective action where appropriate
- (m) Review the establishment of new limited companies before the company commences trading and make recommendations to the Governance and Audit Committee and responsible Cabinet Member where appropriate in relation to:
  - i (i) Governance matters
  - ii (ii) The financial impact of the proposed company on Kent County Council

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**NOTTINGHAMSHIRE COUNTY COUNCIL (COMMITTEE SYSTEM)**



## **(Combined audit & governance)**

### GOVERNANCE AND ETHICS COMMITTEE – TERMS OF REFERENCE

The exercise of the powers and functions set out below are delegated by the Full Council to the Committee in relation to governance and ethics:

- Responsibility for advising Full Council on the adequacy of the Council's systems of internal control and overseeing the external auditor's annual audit of the accounts
- Responsibility for approving the Annual Statement of Accounts  
Responsibility for approving the Annual Governance Statement and keeping it under review on a regular basis
- Responsibility for reviewing and maintaining the Council's Local Code on Corporate Governance
- Responsibility for maintaining an overview of the Council's Financial Regulations and anti-fraud and anti-corruption strategies, and for recommending the Financial Regulations to Full Council for adoption
- Responsibility for ensuring high standards of conduct by the County Council, its Councillors, co-opted members and Officers
- Responsibility for dealing with all matters relating to alleged breaches of the Code of Conduct for Councillors and Co-opted Members
- Responsibility for the implementation of and revision to all codes of conduct and practice of the County Council
- Responsibility for Information Governance including but not limited to Data Protection and Freedom of Information
- Responsibility for resolving any issues arising from the Members' Allowances Scheme
- Responsibility for monitoring the Councillors' Divisional Fund
- Responsibility for approving the recruitment process for any independent members of committees and panels required by statute
- Responsibility for the Council's risk management strategy
- Responsibility for Legal, Democratic and Complaints Services

### GOVERNANCE AND ETHICS SUB-COMMITTEE – TERMS OF REFERENCE

Responsibility for formal hearings under the Council's Procedure for dealing with Conduct Allegations against Councillors and Co-opted Members, including deciding whether there has been a breach of the Code of Conduct, and if appropriate imposing any sanction available under the Procedure and the relevant legislation.

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## **NORFOLK COUNTY COUNCIL (COMMITTEE SYSTEM 2014)**

### **4.4 AUDIT COMMITTEE**

#### **Composition**

7 Members of the Council, on a politically balanced basis.

#### **Terms of Reference**

##### **A. Governance**

1. Consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment, including the System of Internal Audit, and includes an agreed action plan for improvements where necessary.

##### **B. Internal Audit and Internal Control**

1. With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
2. Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and Local Authority Guidance Note of 2013 and any other relevant statements of best practice.
3. Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
4. Consider reports showing progress against the audit plan and proposed amendments to the audit plan.
5. Ensure there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

##### **C. Risk Management**

1. Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.
2. Consider the effectiveness of the system of risk management arrangements.
3. Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
4. Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.

5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
6. Report annually to full Council as per the Financial Regulations.

**D. Anti-Fraud and Corruption**

1. Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.
2. Consider the effectiveness of the Council's anti-fraud and corruption arrangements.
3. Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.

**E. Annual Statement of Accounts**

1. Consider the external auditor's reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to members with respect to the Accounts, including the Norfolk Pension Fund and Norfolk Fire-fighters' Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.
2. Consider the External Auditors Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse the action plan contained in this Report.

**F. External Audit**

1. Consider reports of external audit and other inspection agencies.
2. Ensure there are effective relationships between external audit and internal audit.
3. Consider the scope and fees of the external auditors for audit, inspection and other work.

**G. NCC Pension Fund**

1. Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the draft Accounts of the Norfolk Pension Fund and authorise the publication and release of these accounts to the external auditors for the audit by the statutory deadline.

**H. Treasury Management**

1. Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.

**I. Administration**

1. Review the Committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.

2. Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.
  3. Consider the six monthly and Annual Reports of the Chairman of the Committee.
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## **SUTTON LBC (COMMITTEE SYSTEM)** **(Combined audit & governance)**

### **Audit and Governance Committee**

#### **Purpose**

8.2 The Audit and Governance 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.

8.3 To provide independent assurance to Councillors of 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 audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

To promote and maintain high standards of conduct and probity for all councillors, co-opted members, other members of Council committees and joint committees, assisting those members to observe Sutton's Code of Conduct, and considering allegations of breaches of Sutton's Code of Conduct.

To have oversight of Human Resources and Health and Safety issues.

#### **Composition**

8.4 Only one member of the Strategy and Resources Committee, per political group, may be a member of the Audit and Governance Committee.

The Leader of the Council may not be a member of the Audit and Governance Committee.

The Chair of the Audit and Governance committee may not be a member of Strategy and Resources Committee.

The Vice-Chair of the Audit and Governance Committee will come from the principal opposition group and lead on audit matters.

8.5 Independent Person(s) are invited to attend in an advisory, non-voting capacity.

#### **Function**

8.6 The Function of the Audit and Governance Committee is:

Audit:

*Governance, Risk and Control*

1. To monitor the effective development and operation of risk management and corporate governance in the Council. This includes monitoring progress in addressing risk-related issues reported to the committee and ensuring that the Council's framework of assurance adequately addresses the risks and priorities of the Council.
2. To monitor the counter-fraud strategy and policies, actions and resources. To review the assessment of fraud risks and their impact and ensure that fraud resources are directed at the areas of highest risk.
3. To review the Council's Annual Governance Statement prior to approval 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.
4. To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
5. To consider the Council's compliance with its own and other published standards and controls.

#### *Internal audit*

6. To approve the internal audit charter.
7. 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. This includes approving significant interim changes to the risk - audit plan and resource requirements.
8. To consider the Head of Internal Audit's annual report:
  - 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.
  - 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.
9. To consider summaries of specific internal audit reports as requested.
10. To consider reports from the Head of Internal Audit dealing with the management and performance of 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. (QAIP)
  - Reports on the effectiveness of internal audit including instances where the internal audit function does not conform to the Public Sector Internal Audit

Standards and whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

- To contribute to the QAIP including the external assessment undertaken once every five years

11. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale

12. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

#### *External Audit*

13. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance. This includes considering the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

14. To consider specific reports as agreed with the external auditor.

15. To comment on the scope and depth of external audit work and to ensure it gives value for money.

16. To consider options for the appointment of the Council's external auditor and make recommendations to full Council.

17. To commission work from internal and external audit.

#### *Financial Reporting*

18. 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 Council.

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

#### *Accountability Arrangements*

20. 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. This includes reporting on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of governance, risk management and internal control frameworks; financial reporting frameworks and internal and external audit functions.

#### *Wider Remit*

21. To consider any issues referred to it by the Chief Executive or a Strategic Director, or any Council body or Committee.

22. To review the implementation of the Council's Treasury Management Strategy and to recommend to full Council any changes to the strategy.

#### *Standards.*

23. ...