

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

Composition (no change)

The Committee will consist of seven non-executive councillors and may include an independent person who is not a councillor. This person, if appointed, must be appointed chairman of the Committee in accordance with Standing Order 4.3.3.

Purpose

The Council appoints the Audit & Governance Committee from amongst the non-executive members to ensure the financial affairs of the Council are properly and efficiently conducted. The main purpose of this Committee is therefore to review and approve the council's annual governance statement and annual statements of account. In so doing, the Committee shall scrutinise the effectiveness of, and management compliance with, the systems identified in the annual governance statement framework and monitor the progress made by management in implementing improvements to elements of that framework identified by external or internal audit review.

Key Terms

The **annual governance statement framework** identifies the individual systems and sources of evidence used to support the preparation of the **annual governance statement**. The key systems identified in the framework include risk management, the whistle blowing policy, the control environment and associated counter fraud and corruption arrangements, and the complaints process. The key sources of evidence identified in the framework include the annual governance letter, external audit reports and the Chief Internal Auditor's audit assurance reports. The **annual governance statement** provides a commentary from management on compliance with the council's code of governance and identifies areas for further improvement and is prepared in advance of the annual statements of account.

Scope of the Audit & Governance Committee

The functions, powers and duties of the Audit & Governance Committee are set out in its Terms of Reference. The Committee is able to call senior officers and appropriate members to account on issues within the Committee's remit as defined by its Terms of Reference.

The Committee is not responsible for reviewing external audit or inspection reports on service performance (for example, the annual OFSTED inspection) unless issues have been identified that directly relate to matters within the Committee's remit (for example, risk management of service related issues).

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the council.

Terms of Reference

The Committee's terms of reference shall be maintained in line with the Chartered Institute of Public Finance & Accountancy's (CIPFA's) latest best practice guidance for Audit Committees. The key statements made by CIPFA are highlighted in bold in the Committee's Terms of Reference.

1. To consider the effectiveness of the council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements by:

- i. Reviewing and approving the annual governance statement framework once a year.
- ii. Approving the council's counter fraud and corruption policies and reviewing them on a biannual basis.
- iii. Approving the council's whistle blowing policies and reviewing them on a biannual basis.
- iv. Monitoring the effective operation and development of the systems identified in the annual governance statement framework, calling for special reports where necessary and bringing to notice any inconsistency, short comings or duplications in these systems.

2. Seek assurance that action is taken on risk related issues identified by auditors and inspectors by:

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

- i. Monitoring acceptance by management of audit recommendations and progress in implementing agreed action plans.
 - ii. Reviewing audit recommendations not accepted by management and making an appropriate recommendation to Cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.
 - iii. Monitoring progress of the further improvements identified in the annual governance statement.
 - iv. Monitoring progress in respect of resolutions and recommendations made by the Committee.
- 3. Satisfy themselves that the council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it by:**
- i. Reviewing and approving the annual governance statement.
- 4. Approve (but not direct) internal audit's strategy, plan and oversee performance by:**
- i. Reviewing and approving the internal audit strategy, internal audit charter and annual internal audit plan once a year, commenting on the adequacy of internal audit resource to ensure key systems are reviewed in line with the assessed level of risk.

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

- ii. Reviewing performance against the internal audit plan through the interim and final audit assurance reports prepared by the Chief Internal Auditor for each of the Committee's meetings.
 - iii. Noting the external auditor's opinion on the quality and effectiveness of the internal audit function.
 - iv. Commenting on the scope for further improvement in internal audit performance and / or cost effectiveness where appropriate to do so.
- 5. Review summary internal audit reports and the main issues arising, and seek assurance action is taken where necessary by:**
- i. Noting the Chief Internal Auditor's summary of key findings for audit reviews that have resulted in an unsound or unsatisfactory audit opinion being issued which will be included in his / her interim audit assurance reports and commenting on the management response to those issues as appropriate.
- 6. Receive the annual report of the Head of Internal Audit by:**
- i. Reviewing the interim and final audit assurance reports prepared for the Committee by the Chief Internal Auditor.
- 7. Consider the reports of external audit and inspection agencies by:**
- i. Reviewing and commenting on external audit and inspection reports where relevant to the Committee's remit.

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

- ii. Reviewing and commenting on the management response to external audit and inspection recommendations that are relevant to the Committee's remit.
- iii. Monitoring progress in implementing the management response to external audit and inspection recommendations that are relevant to the Committee's remit.

8. Ensure there are effective relationships between external and internal audit, inspection agencies and other relevant bodies by:

- i. Reviewing and agreeing the external auditor's annual audit plan, including the annual audit fee.
- ii. Receiving regular update reports on progress from the external auditor.
- iii. Meeting privately with the external auditor once a year, if required.
- iv. Monitoring the effectiveness of relationships between the external and internal auditors to ensure that the combined value of the two audit processes is maximised.

9. Ensure the organisation actively promotes the value of the audit process by:

- i. Providing effective, objective scrutiny of the council's governance arrangements, recognising the separate roles and responsibilities of the executive and scrutiny functions.

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

- ii. Reviewing and commenting on any issue referred to it by the Chief Executive, a Director or Cabinet Member or any council body.
- iii. Reviewing and making recommendations on any amendments to the council's code of corporate governance, financial procedure rules, contract procedure rules, scheme of delegation and budget policy and procedure rules that the executive function proposes to make.

10. Review the financial statements, external auditor's opinion and reports to members, and oversee management action in response to the issues raised by external audit by:

- i. Reviewing and approving the annual statement of accounts, commenting where appropriate on any issues that need to be brought to the attention of the council.
- ii. Reviewing and approving the annual letter of representation.
- iii. Receiving the external auditor's annual governance letter and endorsing the management response to any recommendations made.

11. Other matters not covered by CIPFA's latest best practice guidance for audit committees:

- i. The Committee's meetings shall follow the principles of scrutiny i.e. no party whip shall be applied and a constructive, evidenced based approach will be used.

DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE (NOTE CHANGE IN TITLE)

- ii. The Committee shall ensure that its Committee members receive adequate training on the areas covered by the Terms of Reference.

- iii. The Committee's members will ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as such.

- iv. The Committee shall review their effectiveness and Terms of Reference on an annual basis.

- v. The Committee shall monitor progress in developing joint internal audit arrangements on matters of mutual or shared interest with the primary care trust.