



**South
Cambridgeshire**
District Council

REPORT TO: Audit and Corporate Governance Committee
LEAD OFFICER: Executive Director (Corporate Services)

30 April 2019

Review of the Committee Terms of Reference

Purpose

1. The purpose of this report is to introduce a revised Terms of Reference for the Audit & Corporate Governance Committee. This is not a key decision.

Recommendations

2. It is recommended that Committee approves the updated Terms of Reference.

Reasons for Recommendations

3. It is good practice to periodically review the Committee Terms of Reference to ensure that it is accurate and relevant. The role of the Committee has not changed, however new legislation and guidance has resulted in changes to terminology and language which should be reflected. The Council is currently undertaking a review of its Constitution and this work contributes to that overall review.

Background

4. The Audit and Corporate Governance Committee is a key component of the Council's corporate governance framework. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
5. The purpose of the committee is to provide independent assurance, to the members, of the adequacy of the risk management framework and the internal control environment. It provides independent review of the 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.
6. Audit committees in local authorities are necessary to satisfy the wider requirements for sound financial management and internal control. For example, the Accounts and Audit (England) Regulations 2015 state that a local authority is responsible "*for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk*". In addition, section 151 of the Local Government Act 1972 requires every local authority to "*make arrangements for the proper administration of its financial affairs*".

7. The Committee has a Constitution which is published on the [website of the Council](#)¹. *Document Part 3 - Responsibility for Functions* includes the [Responsibility for Council Functions](#)², which documents the membership and functions of the Audit and Corporate Governance Committee. This was published in January 2013 and requires updating to reflect new terminology and current practice from recent events such as the Accounts and Audit Regulations 2015, Audit Commission responsibilities transferring to the Cabinet Office and Public Sector Audit Appointments, plus the new Public Sector Internal Audit Standards.
8. The appropriate functions and roles of Audit Committees are informed by the overall governance structure of the Council. CIPFA (The Chartered Institute of Public Finance & Accountancy) has published relevant guidance for Local Authorities to help develop a Terms of Reference. This recommends that audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
 - a. act as the principal non-executive advisory function supporting those charged with governance;
 - b. be independent of both the executive and the scrutiny functions and consider including an independent member where not already required to do so by legislation;
 - c. have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups; and
 - d. be directly accountable to the authority's governing body i.e. the Council.
9. As part of its review of the Constitution, the Constitution Review Task and Finish Group is due to consider the Terms of Reference of committees at its next meeting.

Considerations

10. Officers have reviewed the Terms of Reference, using the guidance published by CIPFA. The updated version is included in "Appendix A – Proposed Terms of Reference" for review. It has been produced in a text format for ease of review, and minor formatting changes may be required once it is transferred to the Constitution as this is historically presented in tabular format.

Options

11. Members of the Committee should review the proposed Terms of Reference and consider if any other amendments or additions could be included.

Implications

12. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, there are no significant implications identified.

Background Papers

- Council Constitution

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¹ <http://scambs.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=389&path=0>

² <http://scambs.moderngov.co.uk/documents/s106698/01%20-%20Responsibility%20of%20Committees.pdf>

Appendix A – Proposed Terms of Reference

Audit and Corporate Governance Committee Membership

1. The terms of reference set out the committee's position in the governance structure of the Council.
2. Membership includes seven councillors, who are not members of the Cabinet, appointed in accordance with the rules of political balance.
3. The Chairman of the Scrutiny and Overview Committee shall not be eligible to Chair the Committee although he / she may be a member of it.

Functions

Governance, risk and control

4. To review the council's corporate governance arrangements against the good governance framework, ethical frameworks, and to consider the Local Code of Governance.
5. 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.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
8. To monitor the effective development and operation of risk management in the council, and 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, and to monitor the counter-fraud strategy, actions and resources.
11. To review the governance and assurance arrangements for significant partnerships or collaborations.
12. To maintain an overview of the main instruments of financial control, such as Standing Orders in relation to contracts, Financial Regulations; and, where appropriate, make recommendations to the Council for improvement.
13. To receive quarterly updates on the Council's use of Regulation of Investigatory Powers Act 2000 (RIPA) powers and to review the policy on an annual basis.

Internal audit

14. To approve the Internal Audit Charter, and 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.
15. 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.
16. To approve the Risk-Based Internal Audit Plan, including internal audit's resource requirements, and the approach to using other sources of assurance.

17. To consider reports from the Head of Internal Audit during the year, including updates on the work of internal audit, key findings, issues of concern and actions.
18. To consider the Head of Internal Audit's annual report, including:
 - a. the results of the Quality Assurance and Improvement Program, plus conformance with the Public Sector Internal Audit Standards and the Local Government Application Note;
 - 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

External audit

19. 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 Public Sector Audit Appointments, or the authority's auditor panel, as appropriate.
20. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
21. To consider specific reports as agreed with the external auditor.
22. To comment on the scope and depth of external audit work and to ensure it gives value for money.
23. To commission work from internal and external audit.
24. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

25. 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.
26. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

27. 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.
28. To publish an annual report on the work of the committee, and report on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.