

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit and Risk Committee

**DATE:** 13<sup>th</sup> March, 2014

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**WARD(S):** All

### **PART I** **FOR DECISION**

#### **AUDIT AND RISK COMMITTEE - TERMS OF REFERENCE**

1. **Purpose of Report**

To review and amend the terms of reference of the Committee.

2. **Recommendation to Council**

The Committee is requested to recommend that the Terms of Reference of the Committee be amended, as set out in Appendix A, with effect from the Annual meeting of the Council.

3. **Community Strategy Priorities**

There are no community strategy priority implications.

4. **Other Implications**

(a) **Financial**

There are no financial implications associated with this report.

(b) **Human Rights Act and other Legal Implications**

There are no Human Rights Act or other legal implications. The principles for allocating places on committees between political groups are set out in Sections 15-17 of the Local Government Housing Act 1989.

(c) **Workforce**

None.

5. **Supporting Information**

5.1 The Council is responsible for the establishment and terms of reference of committees and any revisions to the terms of reference of the Audit and Risk Committee need to be referred to Council for approval.

- 5.2 The constitution provides for an annual review of the Committee's terms of reference to ensure that they are relevant and meet current and expected future needs.
- 5.3 The Council's Annual Accounts and Annual Governance Statement (AGS) are currently considered and approved by Council.
- 5.4 Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) "Audit Committees: Practical Guidance for Local Authorities" 2005 recommended that Audit Committees assume responsibility for the approval of the AGS and the Annual Accounts. Specifically, the Committee would need 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.
- 5.4 The Committee's terms of reference have been amended to reflect the changes in responsibility and best practice as outlined in paragraph 5.3 and are shown with track changes in Appendix A.
- 5.5 Committee Members are requested to recommend to Council that that the revised terms of reference be approved.

6. **Background Papers**

Chartered Institute of Public Finance and Accountancy (CIPFA) "Audit Committees: Practical Guidance for Local Authorities" 2005

## ARTICLE 10 - AUDIT AND RISK COMMITTEE

The Council will appoint an Audit and Risk Committee

### 1 Statement of Purpose

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process and responsibility for the approval of the financial statements and Annual Governance Statement.

### Terms of Reference

2 Within the Terms of Reference of the Committee it will be

- a. the member forum for external auditors matters, recommending to council the approval of the audited statement of accounts, formal approval will remain a full council responsibility approving the financial statements on behalf of the full Council
- b. the member forum for internal audit matters,
- c. a key element of the internal control framework for the Council and take responsibility for the approval of the Annual Governance Statement on behalf of the full Council,
- d. be the member forum for risk management matters,
- e. be the member forum for corporate governance matters.

### General Role/Membership

3 The Committee is ~~advisory and therefore not~~ subject to the provisions of the Local Government Access to Information Act 1985.

4 The Committee will comprise 7 people (6 Councillors on a proportional basis, and one non-voting co-opted member from outside the Council with suitable experience). The quorum for the Committee is three members.

5 That Committee will meet four or more times per year.

6 In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit and Risk Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

### Specific Functions

7 The Committee's specific functions shall include but not be limited to

- (a) External Audit

- To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
- To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
- To consider and comment on any plans of the external auditors
- To comment on the scope and depth of the external audit work and to ensure it gives value for money
- To consider any other reports by the external auditors
- To liaise with the appointed body over the appointment of the Council's external auditor

(b) Internal Audit

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
- To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
- To consider and approve the annual Internal Audit plan ensuring that there is sufficient and appropriate coverage
- To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
- To contribute to the annual audit plan
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Panel.

(c) Internal Control

- To recommend the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.

(d) Risk Management

- Approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
- Ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
- Review the Council's risk register

(e) Governance

- To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
- To consider the Council's compliance with its own and other published standards and controls
- To review any issues of governance referred to the Committee by internal or external audit
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy

(f) Other

- To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
- To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
- To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.

8 The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the [Strategic Director of Regeneration, Housing and Resources](#) ~~chief finance officer~~ for Cabinet.

9 The terms of reference shall be reviewed annually.