

ARTICLE 9 – AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Council will appoint an Audit and Corporate Governance Committee.

Statement of Purpose

1. This 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.
2. The purpose of the Committee is to provide independent assurance to Members 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.

Terms of Reference

Governance, risk and control

3. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
4. To review the Annual Governance Statement (AGS) 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.
12. To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

13. To approve the internal audit charter.
14. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
15. 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.
16. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
17. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
18. 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.
19. 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 actions in hand as a result of internal audit work
 - b) regular reports on the results of the quality assurance and improvement plan (QAIP)
 - c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (LGAN), considering whether that non-conformance is significant enough that it must be included in the AGS.
20. To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will include 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 AGS.

- 21. To consider summaries of specific internal audit reports as requested.
- 22. 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.
- 23. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- 24. To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.
- 25. 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

- 26. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.
- 27. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 28. To consider specific reports as agreed with the external auditor.
- 29. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 30. To commission work from internal and external audit.
- 31. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 32. To provide free and unfettered access to the audit committee chair for the external auditor, including the opportunity for a private meeting with the Committee.

Financial reporting

33. 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 statement or from the audit that need to be brought to the attention of the Council.
34. To consider the external auditor's annual report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

35. To report to those charged with governance (including Cabinet) 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.
36. To report to Full Council on a regular basis (and no less than once per annum) on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
37. To publish an annual report on the work of the Committee.

Membership

38. The Committee will comprise:
 - a) Seven Councillors, who should not be members of the executive, the chairs or vice chairs of Planning or Licensing Committee, group leaders or chairs of Overview and Scrutiny Committees/Panels. The crossover of membership between Overview and Scrutiny Committee/Panels and this Committee should be limited to two. The Councillors should be selected following a skills audit of the committee and must complete the CIPFA self-assessment, as well as training on the work of the committee before they sit on the committee. The following skills and knowledge should be represented where possible:
 - Financial management
 - Audit
 - Accountancy
 - Regulatory work
 - Corporate governance, including company board representation
 - b) Up to four co-opted (non-voting) Independent Members (there must be a minimum of one Independent Member appointed to the Committee). The Independent Members should have suitable experience and be selected following a fair and open process. Skills and knowledge to include:
 - Demonstrated ability to support good governance principles
 - Public sector financial management

- Corporate governance, including company board representations
- Financial management
- Accountancy
- Auditing
- Regulatory work
- Risk management

The Chair of the Committee will be an elected Member of the Council

Working Arrangements

39. The Committee will meet four or more times per year.
40. The quorum of the Committee shall be a minimum of three voting members of the Committee.
41. The Committee may require Members of the Council, Chief Officers and the Statutory Governance Officers to attend before it to answer questions. The Committee may request the attendance of another officer. Such a request should be made to the relevant Chief Officer. The Chief Officer may decide whether to send that officer or to attend instead. Chief Officers may send substitutes to answer questions instead of attending in person, however the Committee may require the attendance of the Statutory Governance Officers upon providing at least 7 days' notice. If an officer is unable to attend, the Committee may adjourn the matter to a future meeting when the officer is able to attend.
42. The Committee and its Sub Committee may require the production of any document or record in the possession of the Council to be submitted to it, unless to do so would involve a breach of data protection or other statutory provisions.
43. The Committee may request that one of the Statutory Governance Officers investigate any concerns of impropriety, financial mismanagement or system failures and ask for a report to be brought back to the Committee at a future date.