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Appendix A – Draft Audit and Risk Committee Terms of Reference

Article 8 - Audit and Risk Committee

8.1 Purpose

8.1.1 The Authority has established an Audit and Risk Committee comprising five members, selected in accordance with current proportionality requirements with a quorum of three members. The Committee will meet a minimum of four times per year.

~~8.1.18.1.2~~ 8.1.2 The Audit and Risk Committee is a key component of the Authority's corporate governance, and is aligned to CIPFA guidance on the function of Audit Committees. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

8.1.3 The purpose of our Audit and Risk 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 together with financial and governance reports, helping to ensure efficient and effective assurance arrangements are in place for both internal challenge and public accountability.

8.1.4 The membership of the Audit and Risk Committee must maintain an independent, apolitical and inquiring approach, maintaining appropriate professional scepticism. This will require members to undertake regular training in order to demonstrate appropriate skills and understanding. Members must treat auditors, other members and officers fairly, but be willing and able to challenge all of them when required.

~~8.1.28.1.5~~

8.2 Independence

8.2.1 The Audit and Risk Committee must be able to provide objective oversight and its role as an advisory committee means it must have sufficient independence and its opinions must carry weight with all those charged with governance.

8.2.2 To support this the committee has rights of access to and the ability to engage with other committees/functions, for example scrutiny committee. The Committee has the right to request specific reports and seek assurances from any relevant officer on area within its areas of responsibility.

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8.2.3 In order to reinforce the independence of the Committee, and in line with CIPFA recommendations, the Authority shall appoint two independent members to the Committee:

- a) The role of an Independent Member is to assist members of the Committee in providing independent assurance of the adequacy of the Authority's risk management framework and associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and overseeing the Authority's financial reporting process.
- b) The appointments are reviewed on a four-yearly basis.

8-28.3 Role and functions - Governance, risk and control

~~8.2.1~~8.3.1 To review the Authority's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

~~8.2.2~~8.3.2 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 Authority's framework of governance, risk management and control.

8.3.3 To support a comprehensive understanding of governance across the authority and among all those charged with governance.

8.3.4 To actively promote the Nolan Principles and NFCC/LGA Core Code of Ethics throughout the corporate governance process.

~~8.2.3~~8.3.5 To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

~~8.2.4~~8.3.6 To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.

~~8.2.5~~8.3.7 To monitor the effective development and operation of risk management in the Authority.

~~8.2.6~~8.3.8 To monitor progress in addressing risk-related issues reported to the Committee.

~~8.2.7~~8.3.9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

~~8.2.8~~8.3.10 To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.

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~~8.2.98.3.11~~ To monitor the counter-fraud strategy, actions and resources.

~~8.2.108.3.12~~ To review the governance and assurance arrangements for significant partnerships or collaborations.

~~8.3.18.4~~ **8.38.4** Role and functions - Internal Audit

~~8.3.18.4.1~~ To approve the internal audit charter.

~~8.3.28.4.2~~ To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

~~8.3.38.4.3~~ 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.

~~8.3.48.4.4~~ To approve significant interim changes to the risk-based internal audit plan and resource requirements.

~~8.3.58.4.5~~ To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

~~8.3.68.4.6~~ 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 programme;
- c) Reports on instances where the internal audit function does not conform to the [Code of Practice for the Governance of Internal Audit in UK Local Government Public Sector Internal Audit Standards](#) and ~~Local Government Application Note~~, [Global Internal Audit Standards in the UK Public Sector Application note](#), considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

~~8.3.78.4.7~~ To consider the head of internal audit's annual report:

- a) The statement of the level of conformance with the [Code of Practice for the Governance of Internal Audit in UK Local Government Public Sector Internal Audit Standards](#) and [Global Internal Audit Standards in the UK Public Sector Application note](#), ~~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.

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- b) The opinion on the overall adequacy and effectiveness of the Authority'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.

~~8.3.88.4.8~~ To consider summaries of specific internal audit reports as requested.

~~8.3.98.4.9~~ 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.

~~8.3.108.4.10~~ 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.

~~8.3.118.4.11~~ 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.

~~8.3.128.4.12~~ **Ensure the independence of the internal audit function and** 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.

~~8.3.138.4.13~~ To provide free and unfettered access to the Audit and Risk Committee Chair for the Head of Internal Audit, including the opportunity for ~~a~~ private meetings with the Committee.

8.48.5 Role and functions - External Audit

~~8.4.18.5.1~~ To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

~~8.4.28.5.2~~ To consider specific reports as agreed with the external auditor.

~~8.4.38.5.3~~ To comment on the scope and depth of external audit work and to ensure it gives value for money.

~~8.4.48.5.4~~ To commission work from internal and external audit.

~~8.4.58.5.5~~ To advise, **support** and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

~~8.5.6~~ 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 PSAA or the Authority's auditor panel as appropriate.

~~8.4.68.5.7~~ **To meet privately and separately with the external auditor as required.**

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8-58.6 Role and functions - Financial Reporting

~~8-5-18.6.1~~ 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 the Authority.

~~8-5-28.6.2~~ To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

8-68.7 Role and functions - Accountability arrangements

~~8-6-18.7.1~~ 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.

~~8-6-28.7.2~~ To report to full Authority 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 and provide an annual report on the work of the Committee and submit its minutes to the Authority.

8.7—Independent Member

~~8.7.1—In order to reinforce the independence of the Committee, the Authority has appointed an independent member to the Committee:~~

- ~~a) —The role of the Independent Member is to assist members of the Committee in providing independent assurance of the adequacy of the Authority's risk management framework and associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and overseeing the Authority's financial reporting process:~~
- ~~b) —The appointment is reviewed on a four-year basis:~~