

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	27 June 2024
Subject:	Review of the Governance and Audit Committee's Terms of Reference
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Nature and Reason for Reporting: This report provides a revised Terms of Reference for the Committee in accordance with the recommendations of the Committee's self-assessment facilitated by CIPFA.	

1. Introduction

- 1.1. At its meeting of 18 April 2024, the Governance and Audit Committee received a report following the outcome of a piece of work undertaken to fulfil the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) [Position Statement: Audit Committees in Local Authorities and Police 2022](#), which recommends that audit committees evaluate their impact and identify areas for improvement.
- 1.2. CIPFA compared the Council's Governance and Audit Committee terms of reference to the sample terms of reference in the 2022 audit committee guidance and noted the following:
 - There are explicit references to the majority of the expected areas and implied references to most of the remaining areas. A few details were missing (in relation to the accounts) and in a few other cases extra details around risk activities may restrict the scope of the committee's work if applied literally. Some clauses overlap each other, which could result in confusion.
 - Six annual reports that came to the committee that are not explicitly included on the terms of reference.
- 1.3. Consequently, the report made a recommendation to:
 - Revise and streamline the Governance and Audit Committee's terms of reference to include all aspects of its work and remove any duplication.
- 1.4. Accordingly, the Terms of Reference have been revised and streamlined and are attached for consideration.

- 1.5. Members have previously been provided with a detailed document with the changes highlighted and comments to explain the reason for the changes. The opportunity was also taken to ensure the grammar and formatting is consistent.
- 1.6. Members were asked to comment on the changes by 11 June 2024, at the latest. No comments have been received.
- 1.7. The revised Terms of Reference are therefore submitted to this meeting for formal approval.

2. Recommendation

- 2.1. That the Governance and Audit Committee formally approves the revised Terms of Reference.

3.4.8 Governance & Audit Committee – Terms of Reference

3.4.8.1 Statement of purpose

3.4.8.1.1. The Governance and Audit 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.

3.4.8.1.2. The purpose of the Governance and Audit Committee is to provide to members of full Council (*those charged with governance*) independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.

3.4.8.1.3. The Committee oversees internal and external audit and other regulators, helping to ensure effective assurance arrangements are in place for both internal challenge and public accountability. It also reviews and assesses the authority's ability to handle complaints effectively and makes reports and recommendations in relation to the authority's ability to handle complaints effectively. It also receives and comments upon the Council's annual self-assessment report and the report of the performance assessment panel.

3.4.8.1.4. There is clear separation between the role of the Governance and Audit Committee and that of scrutiny committees. The Governance and Audit Committee role seeks assurance that internal control systems of the Council are working and risks effectively managed, rather than the actual scrutiny of activities.

3.4.8.2 Composition and arrangements

3.4.8.2.1 The Governance and Audit Committee is a non-executive body established under the requirements of the Local Government (Wales) Measure 2011 and is a fully constituted committee of the Council operating at a strategic level. The Committee will conduct its business non-politically and must abide by the rules concerning political balance, in accordance with the Local Government and Housing Act 1989.

3.4.8.2.2 The Committee will consist of one third of lay members; eight elected members and four lay members, recruited through a public recruitment exercise. Elected members will be politically balanced and will not be members of the Executive, but the Finance Portfolio Holder is required, as far as possible, to attend all meetings of the Committee. The Chair must be a lay member and the Deputy Chair will not be a member of the Executive or an assistant to its Executive. The lay members will serve for a fixed term to coincide with the length of the Council, i.e. five years, and will serve a maximum of two terms. All members, including the lay members, are subject to the Council's Code of Conduct and will declare any interests. The lay members will have equal status to that of the elected members in terms of access to staff and information, for the purposes of the Governance and Audit Committee.

3.4.8.2.3 The committee members will decide upon the chair and deputy-chair of the Committee. All committee members, including the lay members, shall have a vote.

3.4.8.2.4 Any officer or member called to attend a Governance and Audit Committee meeting must do so. They are expected to provide honest, open and complete answers to questions raised by the Committee. The Committee can invite other persons to attend before it, but anyone else so invited to attend is under no compulsion to do so.

3.4.8.2.5 The Committee will meet at least four times a year and must meet if the full council so decides, or if at least a third of the Committee's members requisition in writing to the Chair that a meeting be held. The Council will publish the committee dates annually, but additional meetings can be arranged at the discretion of the Chair if the required number of days' notice is provided and that the agenda is published prior to the meeting, in accordance with regulations.

3.4.8.2.6 The Committee will meet in private, at least annually, with the internal and external auditors, without officers present. An agenda is not required, and the Chair does not require any prior notice of any topics to be raised.

3.4.8.2.7 The Director of Function (Resources) and Section 151 Officer, as the officer with responsibility for financial administration, will advise the Committee. The Committee will provide effective support to the Director of Function (Resources) and Section 151 Officer, who consequently, will have direct and unfettered access to the Committee, normally via the Chair.

3.4.8.2.8 The Committee may request additional work from the external and internal auditors but the final decision rests with the auditors.

3.4.8.2.9 The external and internal auditors of the Council have the right to request the Chair of the Committee to consider any matter that the auditors believe should be brought to the attention of the Council.

3.4.8.2.10 All new members will receive a full induction to the Committee. Members will have role descriptions and will review their knowledge and skills through a self-assessment process. They will receive appropriate ongoing training in their role in accordance with an annual training programme and will receive regular briefings on new legislation, professional guidance and research.

3.4.8.3 Accountability arrangements

3.4.8.3.1 The Committee will report to full council (*'those charged with governance'*) on an annual basis the Governance and Audit Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; financial reporting arrangements, complaints handling and internal and external audit functions.

3.4.8.3.2 The Committee will report to full council (*'those charged with governance'*) on an annual basis the effectiveness of the Committee in meeting its purpose and its agreed terms of reference, including a conclusion on the compliance with the

Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement. A regular self-assessment will be used to support the planning of the Governance and Audit Committee work programme and training plans and will inform the Committee's annual report.

3.4.8.3.3 The Committee is subject to normal arrangements of openness. Meetings will be held in public, agendas and reports are published and available for inspection. The exception to this is where 'exempt items' are being considered, which are chiefly matters which involve discussions concerning named individuals or refer to the business affairs of the Council which could prejudice the interests of the Council commercially, financially and legally. The Committee will make the final decision following the advice of the Council's Monitoring Officer.

3.4.8.4 Governance reporting

3.4.8.4.1 The Committee will review and assess the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and will consider the local code of governance.

3.4.8.4.2 The Committee will review the Annual Governance Statement (AGS) prior to full council approval and consider whether it properly reflects the risk environment and supporting assurances, including the Head of Audit and Risk's annual opinion. It will consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

3.4.8.4.3 The Committee will support the Council to implement the values of ethical governance. It will promote measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community. As part of its review of governance arrangements, it will ensure there are adequate arrangements in place to enforce a strong commitment to ethical values, behaving with integrity and legal compliance at all levels.

3.4.8.4.4 The Committee will review the governance and assurance arrangements available for significant partnerships or collaborations. To this end, the Committee will receive a copy of the Partnership and Regeneration Scrutiny Committee's annual report.

3.4.8.5 Treasury management

3.4.8.5.1 Full council has nominated the Governance and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3.4.8.5.2 The Committee will undertake a scrutiny role in accordance with the CIPFA Treasury Management Code of Practice, prior to approval by full council. Where it is undertaking this scrutiny role, it will endeavour to develop greater awareness and understanding of treasury matters among the members.

3.4.8.5.3 The Committee will review the treasury management policy and procedures to be satisfied that controls are satisfactory. It will receive six-monthly reports on activities, issues and trends to support the Committee's understanding of treasury management activities.

3.4.8.5.4 The Committee will review the treasury risk profile and processes and will review assurances on treasury management.

3.4.8.6 Value for money

3.4.8.6.1 The Committee will support the development of robust arrangements to ensure that the Council makes best use of its resources and taxpayers and service users receive excellent value for money.

3.4.8.6.2 The Committee will consider the Council's arrangements to secure value for money.

3.4.8.6.3 The Committee will consider assurances and assessments on the effectiveness of these arrangements.

3.4.8.7 Assurance framework

3.4.8.7.1 The Committee will consider the Council's assurance framework and ensure that it adequately addresses the risks and priorities of the Council.

3.4.8.7.2 The Committee will ensure there is clarity of what assurance is provided, that there is a clear allocation of responsibility for providing assurance and duplication is avoided.

3.4.8.7.3 Annual assurance reports received by the Committee include, but are not limited to:

- Corporate Health and Safety
- Cyber Security
- Senior Information Risk Owner
- Information Governance in Schools
- Insurance

3.4.8.8 Risk management

3.4.8.8.1 The Committee will review, assess and report on the effective development and operation of risk management arrangements in the Council. In particular, it will:

- Oversee the authority's risk management policy and strategy, and their implementation in practice.
- Oversee the integration of risk management into the governance and decision-making processes of the organisation.

- Review the arrangements to co-ordinate and lead risk management, including the process and reporting lines.
- Review the risk profile, keep up to date with significant areas of strategic risks and major operational and project risks.
- Review the assurance available for managing partnership risks, including the risk profile of the Council as part of the partnership.
- Seek assurance that adequate risk assessments support strategies and policies and risks are actively being managed and monitored.
- Follow up and monitor risks identified by auditors and inspectors to ensure that they are integrated into the risk management process.
- Support the development and embedding of good practice in the field of risk management practice by overseeing any evaluation or assessment of the council's arrangements, such as a risk maturity assessment or risk benchmarking, and reviewing evaluation, assurance and audit reports on risk management and monitoring progress on improvement plans.

3.4.8.8.2 Assurance over risk management will be a key element underpinning the Annual Governance Statement.

3.4.8.8.3 When acting as a risk committee, the Committee will:

- Review the strategic risk register and seek assurance that management appropriately own and manage risks effectively.
- Consider the adequacy and effectiveness in capturing and assessing the strategic risks.
- Evaluate whether planned mitigations are appropriate and effective, making recommendations to the responsible risk owner where appropriate.

3.4.8.9 Countering fraud and corruption

3.4.8.9.1 The Committee will review the effectiveness of the Council's whistleblowing arrangements, including the policy.

3.4.8.9.2 The Committee will have oversight of the Council's arrangements for managing the risks from fraud and corruption, providing assurance that they are fit for purpose and will champion good counter fraud and anti-corruption practice to the wider organisation.

3.4.8.9.3 The Committee will monitor the counter-fraud and corruption strategy, actions and resources, to ensure that it meets with recommended practice, governance standards and legislation.

3.4.8.9.4 The Committee will review the assessment of fraud risks and potential harm to the Council from fraud and corruption. It will review the fraud risk profile to understand the level of fraud risk to which the authority is exposed and the implications for the wider control environment.

3.4.8.9.5 It will oversee any major areas of fraud, identified in an annual report and monitor action plans to address control weaknesses.

3.4.8.9.6 The Committee will consider the assurance provided by internal audit.

3.4.8.10 Internal audit

3.4.8.10.1 The Local Government (Wales) Measure 2011 has an explicit requirement for the Governance and Audit Committee to oversee the Council's internal audit arrangements.

3.4.8.10.2 The Committee will review and approve the Internal Audit Charter, which defines the internal audit's activity purpose, authority and responsibility.

3.4.8.10.3 If applicable, it will review proposals and make recommendations in relation to the appointment of external providers of internal audit services.

3.4.8.10.4 The Committee will approve (but not direct) the risk-based internal audit strategy, including internal audit's resource requirements and the use of other sources of assurance. It will have a good understanding of the level of assurance risk management provides when it reviews the risk-based internal audit strategy. The Committee will approve significant interim changes to the strategy.

3.4.8.10.5 The Committee will make appropriate enquiries of both management and the Head of Audit and Risk to determine if there are any inappropriate scope or resource limitations.

3.4.8.10.6 The Committee will consider an annual report from the Head of Audit and Risk on internal audit's performance, including the performance of external providers of internal audit services.

3.4.8.10.7 The Committee will consider the Head of Audit and Risk's annual report and 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 Annual Governance Statement.

3.4.8.10.8 The Committee will consider the statement contained in the annual report of the level of conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme that support the statement – these will indicate the reliability of the conclusions of internal audit.

3.4.8.10.9 The Committee will consider updates on the work of internal audit including key findings, issues of concern, management responses and action in hand as a result of internal audit work. It will consider summaries of specific internal audit reports as requested, including the effectiveness of internal controls and will monitor the implementation of agreed actions.

3.4.8.10.10 The Committee will receive reports outlining the action taken where the Head of Audit and Risk 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.

3.4.8.10.11 The Committee will consider reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

3.4.8.10.12 The Committee will consider, approve and periodically review any safeguards put in place to limit impairments to independence and objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk.

3.4.8.10.13 The Committee will receive regular reports on and 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. It will oversee the qualifications and independence of the assessor.

3.4.8.10.14 The Committee will 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 (Wales) Regulations 2014.

3.4.8.10.15 The Committee will provide free and unfettered access to the Governance and Audit Committee Chair for the Head of Audit and Risk, including the opportunity for a private meeting with the committee.

3.4.8.11 External audit

3.4.8.11.1 The Committee will support the independence and objectivity of external audit through consideration of the external auditor's annual assessment of its independence.

3.4.8.11.2 The Committee will consider the external auditor's annual report, other relevant reports and the report to *'those charged with governance'*.

3.4.8.11.3 The Committee will oversee external audit arrangements, comment on the scope and depth of external audit work and ensure it gives value for money. It will consider external audit reports and will monitor their recommendations.

3.4.8.11.4 The Committee will advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

3.4.8.11.5 There will be an opportunity for the Governance and Audit Committee to meet privately and separately with the external auditor, independent of those officers with whom the auditor must retain a working relationship.

3.4.8.12 Financial reporting

3.4.8.12.1 The Committee will review and scrutinise the Council's financial affairs, making reports and recommendations in relation to them.

3.4.8.12.2 The Committee will monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

3.4.8.12.3 The Committee will review, prior to approval by full council, the authority's annual financial statements, including the explanatory foreword, key messages, trends, consistency with financial performance, suitability of and compliance with accounting policies and treatments and major judgmental areas.

3.4.8.12.4 The Committee will consider the external auditor's report to 'those charged with governance' on issues arising from the audit of the accounts and whether they need to be brought to the attention of the Council.

3.4.8.12.5 The Committee will consider reports on the effectiveness of financial management arrangements, including compliance with [CIPFA's Financial Management Code](#).

3.4.8.13 Other regulators and inspectors

3.4.8.13.1 The Committee will receive and consider reports from any other regulators or inspectors, which will be a useful source of assurance. In respect of these, the authority will ensure there is no unnecessary duplication between the Governance and Audit Committee and any overview and scrutiny committee in considering such reports.

3.4.8.14 Complaints Handling

3.4.8.14.1 The Committee will review and assesses the authority's ability to handle complaints effectively. To this end, it will receive the Annual Letter from the Public Services Ombudsman for Wales.

3.4.8.14.2 The Committee will make reports and recommendations in relation to the authority's ability to handle complaints effectively.

3.4.8.15 Self-assessment Report

3.4.8.15.1 Each financial year, the Committee will receive from the Executive a draft of the Council's self-assessment report [to be drafted in accordance with Chapter 1 of Part 6 of the Local Government and Elections (Wales) Act 2021 (performance and governance of principal councils)].

3.4.8.15.2 The Committee will receive the draft report from the Executive before the end of four weeks of the Executive making the report.

3.4.8.15.3 The Committee will review the draft report and may make recommendations for changes to the conclusions, or to anything included by the Executive by way of actions it intends taking, or it has already taken, so as to increase the extent to which it will meet the performance requirement in the financial year following the financial year to which the report relates.

3.4.8.15.4 Any recommendation made by the Committee, but not adopted by Council before publication, must be included in the report with reasons why the Council has not made the changes recommended by the Governance and Audit Committee.

3.4.8.16 Performance Panel Assessment

3.4.8.16.1 At least once during an electoral cycle a panel performance assessment will take place in the period between ordinary elections of councillors to the Council. The Council may choose to commission more than one panel assessment in an electoral cycle, but it is not a requirement of the legislation. (The Local Government and Elections (Wales) Act 2021).

3.4.8.16.2 The Council must publish a panel performance assessment report at least six months before the date of the next ordinary election.

3.4.8.16.3 The Council must make a draft of its response to the panel performance assessment available to its Governance and Audit Committee, which must then review the draft response and may make recommendations for changes to the response to the panel assessment.

3.4.8.16.4 If the Council does not make a change recommended by the Governance and Audit Committee, it must set out in the final response the recommendation and the reasons why it did not make the change.

3.4.8.17 Auditor General Special Inspection

3.4.8.17.1 If the Auditor General carries out a special inspection (as it considers the Council is not, or may not, be meeting its performance requirements, and a report is sent to Council, as soon as reasonably practicable after receiving such report, the Council must make it available to the Governance and Audit Committee.

3.4.8.17.2 Should a response be required by Council to a report published in accordance with paragraph 3.4.8.17.1 above, Council must make a draft of the response available to the Governance and Audit Committee. The Committee must review the draft response and may make recommendations for changes to the statement made in response to what action, if any, the Council intends to take in response to the recommendations made by the Auditor General.

3.4.8.17.3 Any recommendation made by the Committee, but not adopted by Council before publication, must be included in the response with reasons why the Council has not made the changes recommended by the Governance and Audit Committee.