

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>Executive and Council</b>
<b>Date:</b>	<b>20<sup>th</sup> April 2015 14<sup>th</sup> May 2015</b>
<b>Subject:</b>	<b>Audit Committee Terms of Reference</b>
<b>Portfolio Holder(s):</b>	<b>Alwyn Rowlands</b>
<b>Head of Service:</b>	<b>Lynn Ball</b>
<b>Report Author:</b> Tel: E-mail:	<b>Awena Walkden 2563</b>
<b>Local Members:</b>	<b>N/A</b>

<b>A –Recommendation/s and reason/s</b>
<p>The Executive recommends to Council that the Council approve the changes to the Council’s Constitution, being new terms of reference for the Audit Committee as contained in the Appendix to this Report.</p> <p><b><u>Reasons</u></b></p> <p>The Deputy Chief Executive requested that changes be made to the Audit Committee’s terms of reference to reflect changes in good practice as anticipated in the Public Sector Internal Audit Standards (2013), Local Government Measure 2011, Audit and Accounts Regulations 2010 and, especially, the CIPFA Guidance 2014.</p> <p>Having reviewed the new CIPFA Guidance, against the current terms of reference of the Audit Committee, the Head of Profession (Internal Audit) is of the opinion that the terms of reference do not clearly set out the purposes of the Committee. So, at a meeting on the 10<sup>th</sup> December 2014, the Audit Committee decided to recommend to Council a change of name to the Audit and Governance Committee and to make the enhanced role of the Committee more apparent. On the 9<sup>th</sup> February 2015 the Committee agreed new terms of reference in accordance with the Appendix to this Report.</p>

<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>
<p>The only other option available would be to maintain the status quo. However, it is recognised corporately, and by the Audit Committee, that the terms of reference need to be amended to comply with current best practice and CIPFA Guidance.</p>

<b>C – Why is this a decision for the Executive?</b>
As this is a constitutional change requiring the Executive’s view prior to the report being presented to full Council.

<b>CH – Is this decision consistent with policy approved by the full Council?</b>
Yes

<b>D – Is this decision within the budget approved by the Council?</b>
Yes

<b>DD – Who did you consult?</b>		<b>What did they say?</b>
<b>1</b>	<b>Chief Executive / Strategic Leadership Team (SLT)</b> (mandatory)	Initiated by the Deputy Chief Executive
<b>2</b>	<b>Finance / Section 151</b> (mandatory)	
<b>3</b>	<b>Legal / Monitoring Officer</b> (mandatory)	Report author
<b>4</b>	<b>Human Resources (HR)</b>	
<b>5</b>	<b>Property</b>	
<b>6</b>	<b>Information Communication Technology (ICT)</b>	
<b>7</b>	<b>Scrutiny</b>	
<b>8</b>	<b>Local Members</b>	
<b>9</b>	<b>Any external bodies / other/s</b>	Head of Profession (Internal Audit) and all Members of the Council’s Audit Committee

<b>E – Risks and any mitigation (if relevant)</b>	
<b>1</b>	<b>Economic</b>
<b>2</b>	<b>Anti-poverty</b>
<b>3</b>	<b>Crime and Disorder</b>
<b>4</b>	<b>Environmental</b>
<b>5</b>	<b>Equalities</b>
<b>6</b>	<b>Outcome Agreements</b>
<b>7</b>	<b>Other</b>

**F - Appendices:**

Suggested new terms of reference

**FF - Background papers (please contact the author of the Report for any further information):**

Current terms of reference are to be found at <http://www.anglesey.gov.uk/council-and-democracy/councillors-democracy-and-elections/constitution/constitution-part-3-responsibility-for-functions/constitution-34-regulatory-and-other-committees/>

## **Isle of Anglesey County Council**

### **3.4.8 Audit & Governance Committee – PROPOSED DRAFT Terms of Reference**

#### **3.4.8.1 Purpose**

3.4.8.1.1 The Audit and Governance Committee is a key component of the Council's governance framework providing independent and high level resource to support good governance and strong public financial management.

3.4.8.1.2 The Committee provides to those charged with governance independent assurance on the adequacy of the governance and risk management frameworks, the internal control environment, and the integrity of the financial reporting. By overseeing internal and external audit and other regulators it makes an important contribution to ensuring that effective assurance arrangements are in place.

3.4.8.1.3 The terms of reference of the Audit and Governance Committee are set out below.

3.4.8.1.4 The Committee shall be advised by the Head of Function (Resources) as the officer with responsibility for financial administration, and by the both the external and internal auditors. They may additionally, within an approved budget, seek independent advice from outside the Council.

3.4.8.1.5 The external/internal auditors of the Council shall have the right to request the Chair of the Audit Committee to consider any matter which the auditors believe should be brought to the attention of the Council.

#### **3.4.8.2 Corporate Governance**

3.4.8.2.1 Review the Council's arrangements for corporate governance and agree actions to ensure compliance with best practice.

3.4.8.2.2 Monitor the Council's compliance with its own and other published standards and controls including compliance with statutory requirements including Health and Safety.

3.4.8.2.3 Ensure that the Council has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk and adequate and effective financial management.

3.4.8.2.4 Monitor the effectiveness of the control environment, including arrangements for ensuring value for money.

3.4.8.2.5 Review the effectiveness of internal control at least once a year and oversee the production and recommend the adoption of the Annual Governance Statement at the time the draft annual accounts are signed and dated by the relevant financial officer at the latest.

3.4.8.2.6 Provide an annual report to the Council on the Committee's performance and effectiveness.

3.4.8.2.7 Keep under review the governance arrangements relating to significant partnerships to which the Council is a party and keep under review the effectiveness of the Council's arrangements for dealing with partnership working.

3.4.8.2.8 The Committee may review the corporate governance, risk management and internal control issues in connection with the discharge of any Council functions. As well as reviewing documentation, in fulfilling the audit role, it may require any member or officer of the Council to attend before it to explain in relation to matters within their remit:

- (i) compliance or otherwise with Council procedures;
  - (ii) compliance or otherwise with established corporate governance standards;
  - (iii) the degree to which risk has been considered and addressed;
- and it is the duty of those persons to attend if so required.

### **3.4.8.3 Risk Management**

3.4.8.3.1 To develop and keep under review the Risk Management Strategy for the Council.

3.4.8.3.2 Review the development, operation and embedding of risk management within the Council including making reports and recommendations to the Council on the adequacy of those arrangements.

3.4.8.3.3 Review the Corporate Risk Register and, where appropriate, request a response from management on actions to manage risks.

3.4.8.3.4 Review the risk profile of the Council and assurances that action is being taken on risk related issues, including those relating to significant partnerships.

3.4.8.3.5 To raise awareness of risk management within the Council and to ensure that training and education needs in respect of risk management are identified and addressed

3.4.8.3.6 To ensure appropriate and effective communication reporting lines are in place in the context of Risk Management

### **3.4.8.4 Financial Accounts**

3.4.8.4.1 Review and scrutinise the Council's statement of accounts prior to its adoption by the full Council ensuring that proper accounting policies have been followed and that all concerns arising from the financial statement or the audit are brought to the attention of the Council through appropriate reports and recommendations.

3.4.8.4.2 Scrutinise the Council's Treasury Management Strategy and the Annual Report on Treasury Activities prior to approval by the Council.

3.4.8.4.3 Receive six monthly reports on Treasury Management in order to monitor developments and trends.

3.4.8.4.4 Review the Council's risk exposure and its ability to manage risk in relation to its Treasury Management activities.

3.4.8.4.5 To give any instructions concerning accounting records and control systems as may be required by the Accounts and Audit Regulations (Wales) 2005.

### **3.4.8.5 Internal and External Audit**

3.4.8.5.1 Approve the Internal Audit Charter and ensure that the Charter provides the required level of organisational independence and authority for internal audit to carry out their work effectively.

3.4.8.5.2 Approve decisions regarding the appointment and removal of the chief audit executive and the remuneration of the chief audit executive.

3.4.8.5.3 Consider the audit planning strategies of the internal and external auditors including the external audit fee.

3.4.8.5.4 Approve the risk based Internal Audit Plan and ensure that adequate internal audit budget and resources are available to complete.

3.4.8.5.5 Consider the annual reports and opinions of the internal and external auditors including consideration of the external auditor's Annual Letter.

3.4.8.5.6 Consider individual internal audit and external regulator reports including from the Wales Audit Office.

3.4.8.5.7 Review progress in delivering the Internal Audit Plan and Internal Audit Strategy through the receipt and consideration of quarterly progress reports from the chief audit executive.

3.4.8.5.8 Consider management's response to issues raised by the internal auditor and external regulators and where appropriate request a response from management.

3.4.8.5.9 Review the performance of the internal and external auditors on an annual basis.

3.4.8.5.10 The external and internal auditors of the Council shall have the right to request the Chair of the Audit and Governance Committee to consider any matter which the auditors believe should be brought to the attention of the Council.

3.4.8.5.11 To consider the Audit Manager's Annual Report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

### **3.4.8.6 Countering Fraud and Corruption**

3.4.8.6.1 Review Council policies and procedural arrangements for officers and members to raise concerns in confidence about possible wrongdoing in financial reporting and other matters, including appropriate follow up action.

3.4.8.6.2 Review the Council's policy and procedures for preventing, detecting, investigating and prosecuting fraud and corruption.

3.4.8.6.3 Review the Council's systems and controls for the prevention of bribery and receive reports on non-compliance.

3.4.8.6.4 Receive an annual report on all suspected irregularities including any instances of fraud and corruption, from the Corporate Fraud Officer.

3.4.8.6.5 To receive an annual report from the Head of Function (Resources) on the implementation of the policy.

### **3.4.8.7 Advisory Resources**

3.4.8.7.1 The Committee shall be advised by the designated Section 151 Officer as the officer with responsibility for financial administration, and by the both the external and internal auditors. They may additionally, within an approved budget, seek independent advice from outside the Council.

### **3.4.8.8 Frequency**

3.4.8.8.1 Minimum 4 meetings per year.

3.4.8.8.2 The Committee must meet if the Council as a whole resolves that it should or if at least one-third of the members of the committee requisition a meeting in writing to the Chairman of the Committee.

### **3.4.8.9 Membership**

3.4.8.9.1 Eight members of the Council, to be politically balanced, plus a maximum of two lay co-opted members to be appointed by the Committee.

3.4.8.9.2 Members of the Executive will not be eligible to be members of this Committee. The Portfolio Holder for Finance is required, as far as is possible, to attend each Audit and Governance Committee meeting.

3.4.8.9.3 The co-opted members, not being members of the Council, to be recruited for skills appropriate to the Audit and Governance Committee's work, and who shall be appointed by the Councillor members of the Audit and Governance Committee for a fixed term to be determined by them when the appointment is made.

3.4.8.9.4 All members of the Committee shall have a vote.

**3.4.8.9.5** The Audit and Governance Committee will appoint its Chairperson who will not be a member of any of the groups represented on the Executive except when all groups are represented on the Executive (and could be a co-opted member).

JEF PROPOSED DRAFT