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To: Governance and Audit Committee – 25th July 2018

Subject: **ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE**

Classification: Unrestricted

Summary: This report provides an update (including proposed changes) regarding the terms of reference for the Governance and Audit Committee and information regarding the CIPFA/Solace Framework. It includes a comparison of the Governance and Audit Committee Terms of Reference and procedures to that of the recently published CIPFA Position Statement on Audit committees.

FOR APPROVAL

1. Introduction

- 1.1 Pursuant to previous discussions with Members, this paper provides the annual review of the terms of reference for the Governance and Audit Committee.
- 1.2 At the County Council meeting on 12 July 2018, the Council agreed to adopt the updated CIPFA/Solace Framework for Good Governance. Work is now underway to propose the necessary consequential amendments to the constitution and these will be brought back to the next meeting of this Committee.
- 1.3 As In late May 2018 CIPFA produced its 'Position Statement: Audit Committees in local Authorities and Police'. This is enclosed in Appendix xx. It would seem sensible to compare the constitution of this Committee with the Position Statement.

2. Terms of Reference

- 2.1 The Terms of Reference for this committee have been reviewed. Given the growing portfolio of trading companies and the clear views expressed by Members of this committee, it seems timely to move the responsibilities of the Trading Activities Sub-Committee into the main committee.
- 2.2 It is recommended that the Trading Activities Sub-Committee be deleted from the Council's governance. This provides an opportunity for all Members of this committee to be involved in scrutiny and oversight in this important area and is consistent with the Member discussions in Policy and Resources Cabinet Committee.

- 2.3 Accordingly, it is recommended that a series of changes are made to the Terms of Reference for the Governance and Audit Committee. These are reflected in the tracked version that is appended to this report at Appendix A and place the oversight for company governance into the terms of reference for the main Committee.

3. Comparisons to the CIPFA Position Statement

- 3.1 From the Position Statement (Appendix B) there is a very strong correlation with the constitution and operation of the Governance and Audit Committee in all of the key areas but with particular reference to internal audit and control, risk management, governance and external audit.

- 3.2 The following areas are exceptions or of note:

- *Reviewing the outcomes and reports of inspection agencies* – this is undertaken by other relevant Committees or scrutiny functions and for G&A to do this would add duplication
- *Balanced membership* – the political balance of the Committee has been amended to provide greater representation to opposition parties so as to facilitate greater challenge
- *Meet privately and separately with the external auditor and the head of internal audit (HoIA)*. This does not currently happen with G&A although the HoIA does have private meetings with the Chair of the Committee. We have undertaken a survey of County Council's and the responses indicate approximately a quarter have annual private sessions in committee meetings between the HoIA and external auditors, whilst the remainder have private meetings with the Chair, similar to ourselves.
- *Regular attendees – Chief Executive* – the Chief Executive / and or Head of Paid Service are not regular attendees to this Committee – but they have the right to attend if deemed necessary.

4. Recommendations

Recommendations:

4.1 To NOTE the outcomes from the review of the Terms of Reference to the CIPFA Position Statement

4.2 To APPROVE the amended Terms of Reference for the Governance and Audit Committee

4.3 To DELETE the Trading Activities Sub-Committee from the Council's governance arrangements