

By: Chairman of Governance and Audit Committee
Head of Democratic Services and Local Leadership

To: County Council – 22 July 2010

Subject: Proposed changes to the Terms of Reference of the Governance and Audit Committee

Classification Unrestricted

FOR DECISION

Introduction and background

1. The original Terms of Reference for the Governance and Audit Committee were approved by County Council in May 2005, and last updated in June 2009. The Committee has agreed that it should take a more pro-active view of its role.

2. In December 2009, the Committee decided that the existing Terms of Reference were in need of review to reflect the development in thinking on the role of Audit Committees since 2005. The Committee invited the new Head of Audit and Risk to complete this review, giving him the remit to assess any gaps in coverage, and to describe the Committee's role in terms of responsibility rather than process.

Proposed terms of reference

3. The proposed revised Terms of Reference for the committee are attached at **Appendix 1**. They do not significantly change the role of the Committee. It is considered that they do better document the outcomes to be achieved and the responsibilities that the Committee has in order to deliver these outcomes. It is intended that they will provide the Committee with the basis from which it can become more proactive, with less focus on process. The existing Terms of Reference are included at **Appendix 2**.

4. The Governance and Audit Committee has also agreed a detailed description of its methodology in terms of overarching purpose, desired outcomes, responsibilities in relation to these outcomes and administrative arrangements. This description is not included in this report but will come into operation if these draft Terms of Reference are agreed. A copy of the report to the Committee meeting on 30 June 2010 can be obtained from the Head of Democratic Services and Local Leadership.

5. It is proposed that three responsibilities should not be carried forward into the revised terms of reference. These relate to advising the Council on the Annual Plan, overseeing the operation of the Council's complaints procedures and approving the writing-off of debts.

6. It is considered that the write-off of council debt is an executive function, which should not be included in the responsibilities of a Committee seeking to provide assurance on processes. There is no longer a statutory requirement to produce an Annual Plan that is audited by the Audit Commission and it is therefore proposed that this responsibility should be deleted. The remaining responsibility in relation to

complaints would be covered by the general responsibility of the Committee to review regular and ad-hoc assurance reports from officers in order to assess the effectiveness of control activity.

Conclusion

7. The revised Terms of Reference are intended to provide the basis through which the Governance and Audit Committee can effectively deliver its overall purpose.

8. The Governance and Audit Committee resolved at its meeting on 30 June 2010 to recommend to the County Council that approval should be given to the revised Terms of Reference set out at **Appendix 1**, together with the consequential changes to the Constitution.

9. The draft terms of reference were also considered by Selection and Member Services Committee on 2 July 2010. The Committee agreed to note the report as recommended.

RECOMMENDATIONS:

10. The County Council is recommended to agree the revised Terms of Reference for the Governance and Audit Committee set out at Appendix 1, together with consequential changes to the Constitution.

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1. Governance and Audit Committee

13 Members

Conservative: 12; Liberal Democrat: 1.

The purpose of this Committee is to:

1. ensure the Council's financial affairs are properly and efficiently conducted, and
2. review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

On behalf of the Council this Committee will ensure the following outcomes:

- (a) Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- (b) The Council's Corporate Governance framework meets recommended practice (currently set out in the CIPFA/SOLACE Good Governance Framework), is embedded across the whole Council and is operating throughout the year with no significant lapses.
- (c) The Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- (d) The appointment and remuneration of External Auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- (e) The External Audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- (f) The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- (g) Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- (h) Accounting policies are appropriately applied across the Council.
- (i) The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.

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Current Terms of Reference of the Governance and Audit Committee

This Committee has responsibility for:

- (a). monitoring the Council's compliance with its own published standards and controls and with other standards, and considering any proposals for changes to Financial Regulations and the Code of Practice on Tenders and Contracts;
- (b). liaising with the Audit Commission over the appointment of the Council's external auditor;
- (c). discussing with the external auditor and Cabinet the basis of the annual audit, including the overall level and composition of the fee and the content of performance work;
- (d). receiving all reports by the external auditor including all performance reports and the Annual Management Letter;
- (e). overseeing the Internal Audit activity of the Council;
- (f). advising the Council on the Annual Plan proposed by the Leader in relation to statutory requirements and guidance; and considering and responding to reports from the external auditor and Best Value Inspectorate;
- (g). monitoring the response of the Cabinet and Council Committees to audit reviews and investigations and the implementation of agreed recommendations;
- (h). overseeing the operation of the Council's complaints procedures, including the response of the Cabinet or a Council Committee to any report by the local Government Ombudsman;
- (i). approving the annual accounts on behalf of the Council;
- (j). approving the writing-off of debts from the Council's accounts (except those agreed by the Strategic Director (Resources) as provided for in Financial Regulations;
- (k). monitoring the operation of borrowing and investment policies and Treasury Management activity;
- (l). agreeing the risk management policy with the Cabinet and reviewing the effectiveness of risk management and monitoring insurance arrangements;
- (m). keeping under review the Council's arrangements for corporate governance and agreeing from time to time necessary actions to ensure compliance with best practice.