

REVISION OF THE TERMS OF REFERENCE FOR THE AUDIT AND ACCOUNTS COMMITTEE

To: Constitution and Ethics Committee

Date: 20th June 2017

From: LGSS Chief Internal Auditor

Electoral Division(s): All

Purpose: The Committee is asked to consider proposed revised Terms of Reference for the Audit and Accounts Committee; these were endorsed by the Audit and Accounts Committee at its meeting on 30th May 2017.

Recommendation: That the Committee recommend to Council that

the Terms of Reference for the Audit and Accounts Committee be modified in accordance with the draft Terms of Reference set out at report Annex B.

<i>Officer contact:</i>
Name: Duncan Wilkinson
Post: LGSS Chief Internal Auditor
Email: Duncan.Wilkinson@Milton-keynes.gov.uk
Tel: 01908 252089

1. BACKGROUND

- 1.1 The current Audit and Accounts Terms of Reference have been in place since May 2014 when the Council Committee system was established.
- 1.2 The June 2016 meeting of the Audit and Accounts Committee agreed to cease oversight of the Assurance Framework as this was deemed to duplicate the information provided in the risk register update.
- 1.3 The oversight responsibility for the Assurance Framework in the terms of reference has therefore been removed. The opportunity was taken to also conduct a complete review and update in line with best practice guidance issued by the public sector accountancy body CIPFA.

2. MAIN ISSUES

- 2.1 Attached are two appendices - the revised terms of reference showing the proposed changes from the previous version (Annex A), and a clean copy of the revised terms of reference (Annex B).
- 2.2 The revised terms of reference captures all the previous responsibilities, grouping them under four distinct headings for greater clarity, namely – audit activity, regulatory framework, accounts and risk management. The revision also incorporates header sections addressing the Committee’s specific constitution and statement of purpose.
- 2.3 Following the presentation of the revised terms of reference to the Audit and Accounts Committee on 30th May 2017, several minor amendments were made:
 - Para 1.7 was revised to refer to the “Annual Audit Letter” rather than the “Annual Audit and Inspection Letter”, to correctly reflect the role of the External Auditor;
 - An addition was made to the Summary of Functions, to reflect the role of the Audit & Accounts Committee in considering value for money.

Source Documents	Location
Council Constitution	http://tinyurl.com/Constitution-CCC
Report to Audit and Accounts Committee 30 May 2017	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/682/Committee/9/Default.aspx



Annex A

This appendix sets out the proposed revised terms of reference, showing changes from the May 2014 version with additions underlined and deletions struck through.

AUDIT AND ACCOUNTS COMMITTEE TERMS OF REFERENCE

1. Membership:

Seven members of the Council. The Chairman/woman and Vice-Chairman/woman of the Committee shall be elected by the Audit and Accounts Committee.

The Audit and Accounts Committee shall be entitled to appoint up to three people at any one time as non-voting co-opted members of the Committee. The Committee shall determine whether the co-options shall be effective for a specified period, for specific meetings or for specific items. The Committee may not co-opt any person who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically-restricted post within the Council. Co-options may only be made if the person co-opted has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least four times a year, and will maintain the technical capability to discharge the Audit and Accounts Committee responsibilities of the Council.

2. Summary of Functions:

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment.
- To oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status and authority of the Internal Audit function and to demonstrate its independence.



- To contribute towards making the authority, its committees and departments more responsive to the audit function.
- To review compliance with the relevant standards, codes of practice and corporate governance policies.
- To consider the extent to which the authority's control environment is successful in achieving value for money.

Delegated Authority	Delegation/ Condition
<p><u>1 Audit Activity</u></p> <p>6. — To approve and monitor delivery of the Internal Audit's Strategy and performance and to consider and endorse the Annual Work Programme</p> <p><u>1.1 To approve the Internal Audit strategy and monitor its progress</u></p> <p><u>1.2 To approve, but not direct, Internal Audit's annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations.</u></p> <p><u>1.3 To consider the Annual Report and opinion of the Head of Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements [new]</u></p> <p>8. — To seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit work</p> <p><u>1.4 To consider summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary</u></p> <p>4 — To consider reports on the provision of internal audit services under S.151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2003 (Regulation 6)</p> <p><u>1.5 To consider reports dealing with the management and performance of the Internal Audit function.</u></p> <p>8. — To seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit work</p>	



Delegated Authority	Delegation/ Condition
<p><u>1.6 To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales</u></p> <p>10. To receive, for information, the Relationship Management Report and Annual Audit Letter and to scrutinise the Council's response to issues raised</p> <p><u>1.7 To consider the Annual Audit Letter, relevant reports and the reports of those charged with governance</u></p> <p><u>1.8 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales [new]</u></p> <p>9. To discuss the Audit Planning Memorandum with external audit</p> <p><u>1.9 To comment on the scope and depth of the external audit work and to ensure it gives value for money</u></p> <p><u>1.10 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor [new]</u></p> <p>7. To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted</p> <p><u>1.11 To consider the reports of inspection agencies relevant to the Council</u></p> <p><u>1.12 To suggest work for Internal and External Audit [new]</u></p> <p>17. To oversee the annual review of the effectiveness of the system of internal audit</p> <p><u>1.13 To undertake an annual review of the effectiveness of the system of Internal Audit</u></p>	
<p><u>2 Regulatory Framework</u></p> <p>13. To make recommendations as to the wording and content of revisions to the County Council's Financial and Contract Procedure Rules (NB changes to the Financial and Contract Procedure Rules must be approved by Full Council in order to become effective.)</p> <p><u>2.1 To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct etc.</u></p>	



Delegated Authority	Delegation/ Condition
<p><u>2.2 To review any issue referred to it by the Chief Executive or Executive Director or any Committee of the Council [new]</u></p> <p>12. To advise on the content of revisions to the Council's risk management policy</p> <p><u>2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council</u></p> <p>2. To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements</p> <p><u>2.4 To monitor council policies on "raising concerns at work" and anti-fraud and anti-corruption policies, including the Council's complaints process</u></p> <p>11. To ensure that the Council's Annual Governance Statement properly reflects the risk environment and any actions required to improve it</p> <p>1 (d) to review annually the Council's system of internal control and to agree an Annual Governance Statement for inclusion in the statement of accounts</p> <p><u>2.5 To oversee the production of the Council's Statement of Internal Control/Governance Statement and recommend its adoption</u></p> <p>16. To approve and maintain the Council's Code of Corporate Governance</p> <p><u>2.6 To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice</u></p> <p><u>2.7 To consider the Council's compliance with its own and published standards and controls</u></p> <p>14 <u>2.8 To report as appropriate to Full Council, relevant Policy and Service Committees and the Constitution and Ethics Committee on issues which require their attention or further action</u></p> <p>15 <u>2.9 To bring to the attention of the General Purposes Committee any issue which may warrant further consideration or review</u></p>	
<p><u>3 Accounts</u></p> <p>1 (a) to consider and approve the annual statement of accounts</p> <p><u>3.1 To review and approve the annual Statement of Accounts</u></p>	



Delegated Authority	Delegation/ Condition
<p>5. To review the financial statements, external auditor's opinion and reports to members, and monitor management actions in response to the issues raised by external audit</p> <p>3.2 <u>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 Council</u></p> <p>3.3 <u>To consider the External Auditor's report to those charged with the governance issues arising from the audit of the accounts</u></p>	
<p><u>4 Risk Management</u></p> <p>2. To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements</p> <p>4.1 <u>To consider the effectiveness of the Council's risk management arrangements</u></p> <p>4.2 <u>To seek assurances that action is being taken on risk-related issues</u></p> <p>11. To ensure that the Council's Annual Governance Statement properly reflects the risk environment and any actions required to improve it</p> <p>4.3 <u>To be satisfied that the Council's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it</u></p>	



Annex B

This appendix sets out the proposed revised terms of reference, without showing changes from the May 2014 version.

AUDIT AND ACCOUNTS COMMITTEE TERMS OF REFERENCE

3. Membership:

Seven members of the Council. The Chairman/woman and Vice-Chairman/woman of the Committee shall be elected by the Audit and Accounts Committee.

The Audit and Accounts Committee shall be entitled to appoint up to three people at any one time as non-voting co-opted members of the Committee. The Committee shall determine whether the co-options shall be effective for a specified period, for specific meetings or for specific items. The Committee may not co-opt any person who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically-restricted post within the Council. Co-options may only be made if the person co-opted has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least 4 times a year, and will maintain the technical capability to discharge the Audit and Accounts Committee responsibilities of the Council.

4. Summary of Functions:

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment.
- To oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status and authority of the Internal Audit function and to demonstrate its independence.



- To contribute towards making the authority, its committees and departments more responsive to the audit function.
- To review compliance with the relevant standards, codes of practice and corporate governance policies.
- To consider the extent to which the authority's control environment is successful in achieving value for money.

Delegated Authority	Delegation/ Condition
<p><u>1 Audit Activity</u></p> <p>1.1 To approve the Internal Audit strategy and monitor its progress</p> <p>1.2 To approve, but not direct, Internal Audit's annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations.</p> <p>1.3 To consider the Annual Report and opinion of the Head of Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements</p> <p>1.4 To consider summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary</p> <p>1.5 To consider reports dealing with the management and performance of the Internal Audit function.</p> <p>1.6 To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales</p> <p>1.7 To consider the Annual Audit Letter, relevant reports and the reports of those charged with governance</p> <p>1.8 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales</p> <p>1.9 To comment on the scope and depth of the external audit work and to ensure it gives value for money</p> <p>1.10 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor</p>	



Delegated Authority	Delegation/ Condition
<p>1.11 To consider the reports of inspection agencies relevant to the Council (such as Ofsted, the Information Commissioner's Office, etc.)</p> <p>1.12 To suggest work for Internal and External Audit</p> <p>1.13 To undertake an annual review of the effectiveness of the system of Internal Audit</p>	
<p><u>2 Regulatory Framework</u></p> <p>2.1 To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct etc.</p> <p>2.2 To review any issue referred to it by the Chief Executive or Executive Director or any Committee of the Council</p> <p>2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council</p> <p>2.4 To monitor council policies on "raising concerns at work" and anti-fraud and anti-corruption policies, including the Council's complaints process</p> <p>2.5 To oversee the production of the Council's Statement of Internal Control/Governance Statement and recommend its adoption</p> <p>2.6 To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice</p> <p>2.7 To consider the Council's compliance with its own and published standards and controls</p> <p>2.8 To report as appropriate to Full Council, relevant Policy and Service Committees and the Constitution and Ethics Committee on issues which require their attention or further action</p> <p>2.9 To bring to the attention of the General Purposes Committee any issue which may warrant further consideration or review</p>	
<p><u>3 Accounts</u></p> <p>3.1 To review and approve the annual Statement of Accounts</p> <p>3.2 Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the</p>	



Delegated Authority	Delegation/ Condition
<p>financial statements or from the audit that need to be brought to the attention of the Council</p> <p>3.3 To consider the External Auditor's report to those charged with the governance issues arising from the audit of the accounts</p>	
<p><u>4 Risk Management</u></p> <p>4.1 To consider the effectiveness of the Council's risk management arrangements</p> <p>4.2 To seek assurances that action is being taken on risk-related issues</p> <p>4.3 To be satisfied that the Council's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it</p>	