

Review of the Audit and Accounts Committee Terms of Reference

To:	Audit and Accounts Committee
Meeting Date:	31st October 2024
From:	Head of Internal Audit and Risk Management
Electoral division(s):	Not applicable
Key decision:	No
Forward Plan ref:	Not Applicable
Executive Summary:	The purpose of the report is to present the draft updated Terms of Reference for the Audit and Accounts Committee.
Recommendation:	The Committee is recommended to review, comment on and endorse the updated Terms of Reference for the Committee, for submission to Constitution and Ethics Committee and on to full Council.

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1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1 Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The objective is to ensure that those charged with governance have adequate assurance that risks which might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner. As such, maintaining an effective Audit and Accounts Committee contributes to the achievement of all seven of the Council's ambitions.

2. Background

- 2.1 The Audit and Accounts Committee's role is to ensure that there is sufficient assurance over governance risk and control at the Council, which gives greater confidence to all those charged with governance that its governance arrangements are effective. In a local authority, the full Council is the body charged with governance, with the audit committee accountable to full Council. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 2.2 At Cambridgeshire County Council, the Terms of Reference for the Audit & Accounts Committee were last reviewed and updated in February 2023, to reflect the updated CIPFA *Position Statement on Audit Committees in Local Authorities and Police*. This guidance sets out the Audit Committee practice and principles that local government bodies in the UK should adopt.
- 2.3 Following on from the Committee's most recent self-assessment of its effectiveness, it was agreed to further update the Terms of Reference.

3. Main Issues

- 3.1 The Terms of Reference for the Committee has been reviewed and refreshed in line with the discussions during the Committee's review of effectiveness and the CIPFA position statement. Two copies of the revised Terms of Reference are appended to this report:
- Annex A – showing the proposed changes from the previous version as follows:
 - Proposed deletions shown struck through;
 - Proposed additions shown underlined;
 - Wording which is taken directly from the CIPFA Position Statement is highlighted.
 - Annex B - a clean copy of the updated Terms of Reference.
- 3.2 The key changes suggested are summarised as follows:
- The Terms of Reference was lengthy and, in some places, repetitive. A number of proposed deletions have been suggested to reduce duplication and ensure a more focused summary of the Committee's role and responsibilities;

- To reflect the CIPFA *Position Statement on Audit Committees in Local Authorities and Police*, the expectation that Committee members commit to being present for all meetings and avoid the use of substitutes as far as possible has been added.

3.3 The review of effectiveness also prompted discussion around the naming of the Committee and how responsibilities are divided across Committees in the current structure. It has been agreed to defer any such significant changes to the Committee's Terms of Reference until the 2025/6 financial year, for two main reasons:

- Given the upcoming elections in 2025, it would be preferable to conduct a review of Committee responsibilities once the new Committee is in place; and
- New Global Internal Audit Standards (GIAS) come into force in January 2025 and include a range of new provisions relating to the relationship between Internal Audit and the Board (at CCC, this is the Audit & Accounts Committee). The UK Public Sector Internal Audit Standards Advisory Board (IASAB) have advised that they will use the GIAS as the basis for new guidance to replace the current Public Sector Internal Audit Standards, and that any new standards will come into effect from April 2025. Deferring the review of the Committee's name and wider responsibilities to 2025/6 will ensure that this review can take into account any new standards issued by the IASAB.

4. Significant Implications

4.1 Finance Implications

Not applicable

4.2 Legal Implications

The Accounts and Audit Regulations (2015) mandate that local authorities and certain other public bodies must have an audit committee to oversee financial reporting and auditing processes. Furthermore, CIPFA expects that all local government bodies should make best efforts to adopt the principles of their *Position Statement on Audit Committees in Local Authorities and Police*, to ensure effective audit committee arrangements. Maintaining an effective Audit Committee in compliance with the *Position Statement* will enable the Council to meet its statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

4.3 Risk Implications

Not applicable.

4.4 Equality and Diversity Implications

Not applicable.

5. Source Documents

5.1 Updated Terms of Reference for the Audit & Accounts Committee (Annexes A and B)