

Report to Audit and Risk Assurance Committee

16 March 2023

Subject:	Audit and Risk Assurance Committee – Terms of Reference Annual Review
Director:	Simone Hines Director of Finance/Section 151 Officer
Contact Officer:	Peter Farrow Audit Services and Risk Management Manager, peter_farrow@sandwell.gov.uk

1 Recommendation

- 1.1 To review and agree the terms of reference for the Audit and Risk Assurance Committee.

2 Reasons for Recommendation

- 2.1 The terms of reference for the Committee were last reviewed in November 2021. It is recognised best practice that such terms of reference are reviewed annually by the Committee to ensure they remain fit for purpose.

3 How does this deliver objectives of the Corporate Plan?

3.1 The Audit and Risk Assurance Committee is a key component of the council's governance, risk management and internal control framework.

4 Context and Key Issues

4.1 Since they were last reviewed the terms of reference have been updated to reflect the latest model terms of reference provided by CIPFA in their recently updated Practical Guidance for local authorities and police audit committees.

4.2 While there have been no significant changes, the latest model includes reference to compliance with CIPFA's Financial Management Code and the Local Code of Governance.

4.3 For members ease of reference, the updated version of the terms of reference can be found at Appendix A and a tracked change version highlighting the amendments can be found at Appendix B.

5 Alternative Options

5.1 The purpose of the report is to enable an annual review of the Committee's terms of reference to be undertaken. As such, there is no alternative option.

6 Implications

Resources:	There are no direct resource implications arising from this report.
Legal and Governance:	The council is not obliged by law to appoint an Audit Committee, but this course of action has been taken in line with guidance from CIPFA.
Risk:	The Audit and Risk Assurance Committee is a key component of the council's risk management framework.
Equality:	It was not necessary to undertake an Equality Impact Assessment.
Health and Wellbeing:	There are no direct health and wellbeing implications from this report.
Social Value	There are no direct social value implications from this report.

7. Appendices

- 7.1 Appendix A – updated version
- Appendix B – updated tracked changes version

8. Background Papers

- 8.1 There are no background papers.

Audit and Risk Assurance Committee – Terms of Reference

Statement of purpose

Our Audit and Risk Assurance Committee is a key component of the council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit and Risk Assurance Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal audit and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.

To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.

To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To monitor the effective development and operation of risk management in the council.

To monitor progress in addressing risk-related issues reported to the committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

ILO UNCLASSIFIED

To review the governance and assurance arrangements for significant partnerships or collaborations.

Arrangements for Audit and Assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve the risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement

ILO UNCLASSIFIED

programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.

- The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To consider additional commissions of work from external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

To provide free and unfettered access to the committee chair for the auditors, including the opportunity for a private meeting with the committee.

Financial and Governance Reporting

Governance Reporting

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's opinion.

To consider whether the annual evaluation for the annual governance statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial Reporting

To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

To review the annual statement of accounts. 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.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA Position Statement.