

Report Title: Review of the Audit Committee's Terms of Reference

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Purpose of the Report

To obtain Audit Committee's approval to establish a working group to review the committee's Terms of Reference (ToRs).

Public Interest

Audit committees are a key component of corporate governance and an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

It is good practice to periodically review the remit and working practices of the Audit Committee to ensure they are in line with any updated national guidance and/or legislative changes and therefore remaining fit for purpose.

This report recommends that a joint Member/Officer working group is established to review the Audit Committee's existing Terms of Reference (ToRs) to see if any improvements or changes need to be made in line with the guidance contained in the CIPFA (Chartered Institute of Public Finance and Accountancy) publication entitled "*Audit Committees; Practical Guidance for Local Authorities and Police*" (2018 edition).

The working group will also review any changes that may be needed arising from MHCLG's (Ministry of Housing, Communities & Local Government) response to Sir Tony Redmond's "*Independent review into the oversight of local audit and the transparency of local authority financial reporting*" (September 2020).

Any recommendations for changes to the ToRs would come to a future Audit Committee for review and then on to full Council for approval.

Recommendations

1. That a working group comprising of representative Members of the Audit Committee and relevant officers is established to review the committee's Terms of Reference.
2. That the membership of the working group, and the scope of its review, is agreed as per the details set out in this report.



3. That the working group reports back into the Audit Committee ideally at its next meeting, (subject to other work load), for it to review any proposals prior to them being sent to full Council for approval.

Background

SSDC's Constitution (Part 2, Article 8) sets out the Audit Committee's current Terms of Reference as follows:

Scope of Audit Committee: The Council shall appoint an Audit Committee which provides independent assurance of the adequacy of the risk management framework and the associated control environment (ranging from standing orders, financial procedures etc.), independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and it oversees the financial reporting process.

The Audit Committee shall:

- Approve the Strategic and Annual Internal Audit Plans.
- Receive summaries of Internal Audit reports and seek assurance from management that action has been taken.
- Consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken.
- Consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken.
- Review the annual Statement of Internal Control and monitor associated action plans.
- Review the SSDC's Code of Corporate Governance and ensure it is kept up to date and reflects best practice. This will include regular reviews of the Council's Constitution and an overview of the risk management.
- Receive reports from management on the promotion of good corporate governance.
- Review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised.

Review of the Audit Committee's ToRs

As stated above, it is good practice to periodically review the remit and responsibilities (known as "Terms of Reference") to ensure they remain in line with good practice and are fit for purpose.

CIPFA's (Chartered Institute of Public Finance and Accountancy) publication entitled "*Audit Committees; Practical Guidance for Local Authorities and Police*" (2018 edition) is acknowledged as the primary guidance in this area of activity. The 2018 edition, which is the most recent edition, offers a comprehensive package of guidance

including updates from other CIPFA publications such as the “*Public Sector Internal Audit Standards*” (2017), “*Delivering Good Governance in Local Government:*

Framework” (2016) and the “*Code of Practice on Managing the Risk of Fraud and Corruption*” (2014).

The working group will review the Audit Committee’s ToRs to see if any improvements or changes need to be made in line with the guidance contained within the CIPFA publication.

In addition, the working group will also review any changes that may be needed arising from MHCLG’s (Ministry of Housing, Communities & Local Government) response to Sir Tony Redmond’s “*Independent review into the oversight of local audit and the transparency of local authority financial reporting*” (September 2020).

MHCLG asked Sir Tony Redmond in July 2019 to undertake an independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England. MHCLG published its response to the review in September 2020 which included, amongst other matters, proposals to change the current date for the publication of audited local authority accounts, reviewing the governance arrangements within local authorities (for example requiring that an annual report is submitted to Full Council by the external auditor), and preparing a new statement to the accounts called a standardised statement of service costs. These proposals may require a change to the Audit Committee’s ToRs.

It is proposed that the Member/Officer working group is comprised of: The Chair and Vice-Chair of the Audit Committee, two (or three) volunteer members of the Audit Committee, the S151 and Deputy S151 Officers, the Monitoring Officer, and the Assistant Director of SWAP (Internal Audit Services).

It is further proposed that the working group reports back into the Audit Committee ideally at its next meeting, (subject to other work load), for it to review any proposals prior to them being sent to full Council for approval.

Financial Implications

There are no financial implications arising from agreeing this report. The review being proposed can be undertaken within the current agreed budget.

Council Plan Implications

The proposals in this report contribute to SSDC’s vision of being open and transparent and actively communicating, engaging and listening to feedback.

Carbon Emissions and Climate Change Implications

There are no implications arising from agreeing this report.

Equality and Diversity Implications

There are no implications arising from agreeing this report.



Background Papers

- CIPFA (Chartered Institute of Public Finance and Accountancy) “*Audit Committees; Practical Guidance for Local Authorities and Police*” (2018 edition).
 - MHCLG’s “*Local authority financial reporting and external audit: government response to the Redmond review*” (December 2020)
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