

Audit and Standards Committee – Tuesday 19 September 2023

Review of Audit & Standards Committee Terms of Reference

Recommendation(s)

I recommend that:

- a. To consider the proposed revisions to the terms of reference for the Audit & Standard's Committee following publication of CIPFA's latest guidance - Practical Guidance for Local Authorities and Police 2022 Edition.
- b. To refer the finally agreed Terms of Reference to full Council for approval and inclusion in the County Council's Constitution.

Local Member Interest:

N/A

Report of the Director of Finance

Report

Background

1. CIPFA's Publication - Practical Guidance for Local Authorities and Police 2022 Edition sets out its guidance on the function and operation of Audit Committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. Suggested terms of reference for Audit Committees are also included within the guidance.
2. Details of the key changes contained in the 2022 guidance were presented to the Audit & Standards Committee at the March 2023 meeting. One area that was identified as an action point related to reviewing the current terms of reference against the exemplar ones contained in the guidance. Overall, the current terms of reference were comprehensive. Several additional areas contained in the 2022 suggested terms of reference covering the following areas are recommended for inclusion: -

- a) To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting achievement of the Authority's objectives.
 - b) To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code
 - c) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resources limitations.
 - d) To provide free and unfettered access to the Audit and Standards committee chair for the External Auditors, including the opportunity for a private meeting with the committee.
 - e) Specifically in relation to the Statement of Accounts, 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.
3. As part of the review, it was identified that a number of areas within the suggested terms of reference had not been previously included in the current version but have been undertaken for several years by the Committee as best practice. These are as follows:
- a) The Committee has oversight of both internal 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.
 - b) Receiving an annual risk based internal audit plan from the Head of Internal Audit, 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.
 - c) To approve significant interim changes to the risk based internal audit plan and resource requirements.
 - d) Monitoring the response to major findings and the implementation of key recommendations including issues of concern and action in hand as a result of internal audit work.
 - e) The statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). Areas of non-compliance will be outlined; any significant aspects will be incorporated into the annual governance statement where applicable.
 - f) 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 performance

4. The current terms of reference also included those functions which came under the remit of the former Standards Committee. The opportunity was also taken as part of the review exercise to consider those functions and to revise the terms of reference for the 'Standards' functions being undertaken by the Committee.
5. The proposed revised terms of reference for the Audit and Standards Committee are attached as **Appendix A** to the report. All proposed key changes are highlighted within the revised document. For ease of reference, yellow depicts new additions, and green for those new suggested functions that are already undertaken by the Committee but had not been included in the current terms of reference.

Equalities Implications

6. There are no direct implications arising from this report.

Legal Implications

7. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices"

Resource and Value for Money Implications

8. The net budget of the Internal Audit Section is £1,027,510.

Risk Implications

9. Whilst there are no direct risk implications arising from this report, the Audit & Standards Committee objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the County Councils Annual Governance Statement, providing assurance on the operation of key controls.

Climate Change Implications

10. There are no direct climate change implications arising from this report.

List of Background Documents/Appendices:

- CIPFA – Practical Guidance for Local Authorities and Police 2022 Edition.
- Review of the Effectiveness of the Audit & Standards Committee – 21 March 2023. Presentation.

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Proposed Revised Terms of Reference for the Audit & Standards Committee

3. Audit and Standards Committee

3.1 The purpose of our audit and standards committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides independent review of Staffordshire County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. The Committee has oversight of both internal 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. It also oversees the Council's democratic processes and the content and application of the Code of Conduct for Councillors and Co-opted members.

3.2 The Audit and Standards Committee has the following functions and responsibilities: -

Audit Matters

Governance, Risk and Control

- To approve, monitor, review and amend from time to time the Council's corporate governance arrangements against the good governance framework including the ethical framework to ensure that it is adequate and effective including approval of the local code of corporate governance.
- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting achievement of the Authority's objectives.
- To monitor the adequacy and effectiveness of the Authority's risk management processes and to: -
 - Approve the Risk Management Policy Statement and monitor its implementation
 - Approve the content of the Corporate Risk Register and proposed Risk Mitigation Action Plan and monitor its implementation

- To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To monitor the Counter Fraud Strategy, actions and resources and review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.
- To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the governance and assurance arrangements for significant partnerships and/or collaborations, where required to do so in delivering the Internal Audit Plan.

Internal Audit

- To work with and advise the Director of Finance in ensuring arrangements for the provision of an adequate and effective Internal Audit.
- To monitor the adequacy and effectiveness of the Internal Audit service and Chief Officers' responsibilities for ensuring an adequate control environment including: -
 - approving the Internal Audit Charter
 - Receiving an annual risk based internal audit plan from the Head of Internal Audit, 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.
 - Monitoring progress against the plan through the receipt of periodic progress performance reports.
 - To approve significant interim changes to the risk based internal audit plan and resource requirements.
 - Receiving and considering major Internal Audit findings and recommendations.
 - Monitoring the response to major findings and the implementation of key recommendations including issues of concern and action in hand as a result of internal audit work.
 - Considering the Head of Internal Audit's annual Internal Audit report including: -

- The statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). **Areas of non-compliance will be outlined; any significant aspects will be incorporated into the annual governance statement where applicable.** The results of the Quality Assurance and Improvement Programme (QAIP) that support the statement contained in the annual report – these will indicate the reliability of the conclusions of internal audit.
 - The effectiveness of Internal Audit to support the AGS.
 - 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 AGS.
- To contribute to the QAIP and in particular, the periodic external quality assessment of Internal Audit.
 - 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 make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resources limitations.**
 - To review any issue referred to it by the chief executive or a director, or any council body.
 - To provide free and unfettered access to the Audit and Standards Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.

External Audit

- To determine the procurement process to be taken by Staffordshire County Council for the appointment of external Auditors either via means of an auditor panel or through Public Sector Audit Appointments (PSAA) and to express an opinion on their selection and rotation.
- To monitor the independence, adequacy and effectiveness of the External Audit service and respond to its findings. This will include :-
 - o Discussing the nature and scope of the audit of Staffordshire County Council services and functions, and considering the external audit fee and terms of engagement;

- o Receiving and considering the external auditor's annual letter, relevant reports and the report to those charged with governance and advising the Council as appropriate;
- o Commenting on the scope and depth of external audit work and to ensure it gives value for money.
- o Monitoring the County Council's response to the external auditor's findings and the implementation of external audit recommendations.
- 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 auditor panel, as appropriate.
- To provide free and unfettered access to the Audit and Standards committee chair for the External Auditors, including the opportunity for a private meeting with the committee.

Financial Reporting

- To approve authority's 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, where required.
- 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 performance.

Standards Matters

Standards

- To make recommendations to full Council on the Code of Conduct (including associated Protocols) for Councillors and Co-opted members and to monitor its application and effectiveness including overseeing training for Councillors and Co-opted members.
- To oversee the Register of Members' Interests.
- To oversee the effectiveness of the Councils procedures for investigating and responding to complaints about Councillors and Co-opted members (as approved by Full Council in **May 2021**)
- To appoint a Panel of five members of the Committee to:
 - interview and make recommendations to Council on the appointment of Independent Persons in accordance with the Localism Act 2011 and an Independent Person to serve on the Audit and Standards Committee should CIPFA's Practical Guidance For Local Authorities (2018 Edition) on Committee membership be adopted.
 - consider alleged breaches of the Code of Conduct **as referred for consideration by the Monitoring Officer following consultation with an Independent Person.**
- To consider and, where applicable, make recommendations to full Council on decisions of the Standards Panel on breaches of the Code of Conduct considered by that Panel.
- To oversee the maintenance of the List of Politically Restricted Posts

Elections

- To oversee the actions of the Returning officer with regard to the delivery and conduct of the County Council elections and casual vacancies, and any peripheral responsibilities.

Governance and Decision-Making

- To oversee, review, and make any recommendations on, the effectiveness and operation of the Constitution and any of the provisions of it.
- To monitor the adequacy and effectiveness of the County Council's Information Governance arrangements
- To establish Panels of five members of the Committee, as and when required, with delegated powers to deal with:
 - appeals by officers against disciplinary, grading or employment related action (including in respect of the List of Politically Restricted Posts)

- appeals against dismissal from teachers employed in Education Support Units
- appeals against any Executive decision where the law requires that a person shall have a right of appeal within the Council against that decision and for which no other provision is made under this Constitution
- Planning Applications referred to in paragraph 2.2 of section 8 of this Constitution (ie where the Planning Committee is minded to refuse an application for planning permission submitted on behalf of the Cabinet in respect of a County Council service (membership of this Panel shall not include members of the Cabinet, relevant Scrutiny Committee or Planning Committee))

Miscellaneous

- For functions which are not a function of the Executive – to authorise, or revoke the authority of, a person to exercise a function to which Section 70 of the Deregulation and Contracting Out Act 1994 applies
- To deal with any other matter (regulatory, judicial, quasi-judicial or licensing) which by law cannot be the responsibility of the Executive for which no other provision exists in this Constitution.

Health and Safety

- To monitor the adequacy and effectiveness of the County Council's Corporate Health and Safety policies and to approve the annual Action Plan and key priorities

