



Report of:	Meeting	Date
Audit and Risk Manager (Chief Internal Auditor)	Audit and Standards Committee	27 February 2024

ANNUAL REVIEW OF AUDIT AND STANDARDS COMMITTEE'S TERMS OF REFERENCE
--

1. Purpose of report

1.1 The periodic consideration of the terms of reference of the Audit and Standards Committee in accordance with best practice guidance.

2. Council priorities

2.1 The annual review of the Audit and Standards Committee terms of reference.

3. Recommendation/s

3.1 That the Audit and Standards Committee considers the previously agreed terms of reference attached at Appendix 1 and agree that the core functions documented at 7.03 accurately reflect the role of the committee.

3.2 That the terms of reference be recommended to Full Council for approval.

4. Background

4.1 Audit and Standards Committees are a key component of corporate governance. They provide an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of the authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

4.2 The committee is also responsible for upholding and encouraging the highest moral standards of Elected Members. The committee ensures that

an effective process is in place to handle a variety of issues, including those involving Councillors' conduct.

- 4.3 In October 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) refreshed their guidance for Audit Committees (Audit Committees Practical Guidance for Local Authorities and Police – The Audit Committee Member in a Local Authority). In addition, a further supplement (Guiding the Audit Committee) was also published to support officers with responsibility for guiding the Audit Committee.
- 4.4 In accordance with the guidance an annual review of the committee's terms of reference should be completed and furthermore the guidance provides local authorities with a suggested terms of reference setting out the purpose and the core functions required.

5. Key issues and proposals

- 5.1 Since its last review by the committee in March 2023 the terms of reference at Appendix 1 has been amended to reflect the amalgamation of the Audit and Standards Committees. This was agreed by Full Council on 18 May 2023.
- 5.2 The amended terms of reference are included for consideration at Appendix 1. Only one minor change has been made to this document since its last review, which has been tracked changed for easy reference.

6. Alternative options considered and rejected

- 6.1 Not applicable to this report.

Financial, Legal and Climate Change implications	
Finance	None arising directly from the report.
Legal	Any changes to the terms of reference would be subject to confirmation by Full Council.
Climate Change	None arising directly from the report.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x

risks/implications	✓ / x
asset management	x

equality and diversity	x
health and safety	x

ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Karen McLellan	01253 887586	Karen.mclellan@wyre.gov.uk	2 January 2024

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Audit and Standards Committee Terms of Reference (extract from the Constitution; Article 7)

Audit and Standards Committee - Terms of Reference

7.03 Purpose

The Audit and Standards committee is a key component of Wyre 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 the committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of the authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The committee is also responsible for upholding and encouraging the highest moral standards of Elected Members. The committee ensures that an effective process is in place to handle a variety of issues, including those involving Councillors' conduct.

The Council will appoint an Audit and Standards Committee independent from both the Executive and the Overview and Scrutiny function and it will have the following core functions:

7.04 Core Functions Audit

a. 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 review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the Audit and Risk Manager's annual audit opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- To consider the reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 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 assessment on the effectiveness of these arrangements.

- To monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.
- To monitor counter-fraud **strategy**, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To review the effectiveness of the council's whistleblowing arrangements.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

b. 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 assurances 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 Audit and Risk Manager to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the Audit and Risk Manager arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the Audit and Risk Manager 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 actions in hand as a result of internal audit;
 - regular reports on the results of the Quality Assurance Improvement Programme (QAIP), and;
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), concerning whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the Audit and Risk Manager's annual report, including:

- the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit), and;
 - the opinion of 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 consider summaries of specific internal audit reports as requested.
 - 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 and Standards Committee Chair for the Audit and Risk Manager, including the opportunity for a private meeting with the committee.
 - To receive reports outlining the action taken where the Audit and Risk Manager 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 QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.

c. External Audit

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To monitor the External Auditor's progress with the Annual Plan.
- To consider the External Auditors' annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the External Auditor.
- To advise and recommend on the effectiveness of relationships between internal and external audit and other inspection agencies or relevant bodies.
- 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.
- 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.
- To consider additional commissions of work from external audit.

d. Financial Reporting

- To review the annual Statement of Accounts on behalf of Full Council in accordance with the Accounts and Audit Regulations 2015. 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 monitor the arrangements and preparation for financial reporting to ensure that statutory requirements and professional standards can be met.
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of Full Council, give any instructions to the Section 151 Officer as may be appropriate.

e. 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 effectiveness of the committee in meeting its purpose.
- To review any issue referred to it by the Chief Executive, Monitoring Officer or any Council body.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

f. Other core functions

- To undertake the annual review of the council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the Code of Practice.
- To receive updates and reports from the Head of Governance and Business Support (Data Protection Officer) and to approve policies in relation to Cyber Security and compliance with the Data Protection Act and Regulations made under the Act.

7.05 Core Functions Standards

- a) To promote and maintain high standards of conduct by Councillors and co-opted Members;
- b) To assist the Councillors and co-opted members to observe the Members' Code of Conduct;
- c) To advise the Council on the adoption or revision of the Members' Code of Conduct;
- d) To monitor the operation of the Members' Code of Conduct;
- e) To advise Councillors and co-opt Members on matters relating to the Member's Code of Conduct and to arrange training where necessary;
- f) To grant dispensations to Borough Councillors, Parish Councillors and co-opted Members from requirements relating to interests set out in the Members' Code of Conduct;
- g) To consider, determine and take decisions on allegations that individual councillors have breached the Councillors Code of Conduct, in accordance with the procedures agreed by the Council for dealing with such allegations;
- h) The exercise of (a) to (g) above in relation to the Parish and Town Councils wholly or mainly in the Borough of Wyre area and the Members of those Parish and Town Councils;
- i) To monitor and review any Codes or Protocols relating to Members included in Part 5 of the Council's Constitution;
- j) To investigate any allegations of breaches of Member Protocols and, where appropriate, considering the withdrawal of any privileges or facilities provided under that protocol from the Member(s) who has breached it to ensure the "proper administration of the Council";
- k) To appoint Independent Persons to liaise with the Council's Monitoring Officer and the Standards Committee on ethical standards issues, as required by the Localism Act 2011.