



Chelmsford City Council Audit and Risk Committee

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Audit & Risk Committee Terms of Reference and Compliance with New CIPFA Audit Committees Position Statement

Report by:

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Purpose

This report outlines a revised Terms of Reference for Audit & Risk Committee and actions to be considered to ensure that the Committee is operating in line with the recently published CIPFA Audit Committees Position Statement.

Recommendations

Committee are requested to note and agree the revised Terms of Reference and action plan for compliance.

1. Introduction

- 1.1. The recently published CIPFA Position Statement for Audit Committees 2022 outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. To this end, the publication provides a recommended terms of reference

template for Audit Committees to adopt to ensure they are performing at an optimal level.

1.2. New additions to the Terms of Reference (as highlighted at Appendix A in yellow) include:

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code (No.5)
- 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 (No. 11)
- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met. (No. 12)
- To provide free and unfettered access to the audit committee chair for the external auditors, including the opportunity for a private meeting with the committee (No. 22)

1.3. An amended section of the Terms of Reference (No. 38) extends the existing requirement to publish an annual report on the work of the Committee, to additionally include a conclusion on the Committee's compliance with the CIPFA Position Statement.

1.4. Following the formation of the Council's new Audit & Risk Committee in 2023, it is a pertinent opportunity to review this compliance. To this end, it is recommended that Committee consider the following actions:

- i. **Undertake a self-assessment** - the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance. It would therefore be beneficial for the Committee to evaluate its impact and identify any further areas for improvement.
- ii. **Consider the recruitment of Co-opted Independent Member(s)** - the CIPFA Position Statement recommends that audit committees of local authorities should include at least two co-opted independent members to provide appropriate technical expertise to the Committee. If this is agreed by Committee, the inclusion of Independent Persons will also need to be added to the Terms of Reference.
- iii. **Committee Training** - the Position Statement also emphasises that Committee Members should be trained to fulfil their role to ensure Members are objective, have an inquiring and independent approach, and are knowledgeable.

2. Conclusion

2.1. Committee are recommended to agree:

2.1.1. A self-assessment will be circulated by the Audit Services Manager to Committee Members for Committee to evaluate its impact and identify any further areas of improvement.

2.1.2. Officers will research into training opportunities available for Committee Members, with options to be circulated.

2.1.3. The recruitment of two co-opted independent Members, to be in place by September 2023 Committee, in order to demonstrate that the Committee meets best practice and complies with CIPFA's Position Statement.

2.1.4. If the recruitment of two co-opted independent Members is agreed, selection is to be delegated to an officer in consultation with the Chair.

2.2. The Audit & Risk Committee Terms of Reference is attached at Appendix A for Committee to note and agree.

2.3. Further to agreement to 2.1.3, the inclusion of Independent Persons to be added to the Committee's Terms of Reference.

List of appendices:

Appendix A - Audit & Risk Committee Terms of Reference

Background papers:

None

Corporate Implications

Legal/Constitutional:

The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Financial:

Failure to have appropriate oversight of governance, risk management and internal control arrangements puts the Council's financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

Consultees: Councillor Walsh, Chair of Audit and Risk Committee

Relevant Policies and Strategies: None

APPENDIX A

**Audit and Risk Committee
Terms of Reference**

Statement of Purpose

Our Audit and Risk Committee is a key component of Chelmsford City Council's corporate governance. It provides 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 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

1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
2. To monitor the effective development and operation of risk management in the council.
3. To monitor progress in addressing risk-related issues reported to the committee.
4. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
5. To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
8. To monitor the counter fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.

Governance reporting

10. To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
11. 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.

Financial reporting

12. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
13. 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.
14. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

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

External audit

16. 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.
17. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To consider additional commissions of work from external audit.
21. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
22. To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

23. To approve the internal audit charter.
24. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
25. 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.
26. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
27. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

28. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
29. 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 QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
30. To consider the head of internal audit'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)
 - 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).
31. To consider summaries of specific internal audit reports as requested.
32. 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.
33. 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.
34. To consider a report on the effectiveness of internal audit to support the AGS as required to do so by the accounts and audit regulations.
35. 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.

Accountability arrangements

36. 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.
37. 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.
38. To publish an annual report on the work of the committee, **including a conclusion on the compliance with the CIPFA Position Statement.**