

Report to the Constitution Working Group



**Epping Forest
District Council**

Date of meeting: 12 March 2020

Committee: Audit & Governance

Subject: Revised Terms of Reference

Responsible Officer: Sarah Marsh (01992 564446)

Democratic Services: V Messenger (01992 564265)

Recommendations/Decisions Required:

(1) That the proposed changes to the Audit & Governance Committee's Terms of Reference be recommended to the Council for approval.

Executive Summary:

An effective Audit Committee brings many benefits to an organisation and, to ensure that the Council continues to provide an effective Audit & Governance Committee, a review of the Committee's Terms of Reference should be undertaken on an annual basis. The review of the Committee's Terms of Reference undertaken by the Chief Internal Auditor in the autumn of 2019 had highlighted two additions to reflect the Group Company structure being set up by the Council and to encompass any future changes to the provision of internal audit services.

Reasons for Proposed Decision:

To ensure, as a key component of the Council's governance framework, the Audit and Governance Committee continues to be effective and to follow good practice within the sector.

Other Options for Action:

To not amend the Committee's terms of reference; however, this would risk the Committee not being able to fulfil its duty due to changing circumstances of the Council's governance model.

Report:

1. An effective Audit Committee brings many benefits to an organisation. To ensure that the Council continues to provide an effective Audit and Governance Committee, its terms of reference should be considered on an annual basis, which is in line with good practice. The Committee should ensure the terms of reference remain current and up to date and make recommendations for any significant changes to the Council.

2. The Committee last reviewed its terms of reference in November 2018 and proposed no changes at that time, as they remained fit for purpose. The Chief Internal Auditor has carried out a comparison of the Committee's current terms of reference with the 2018 CIPFA model terms of reference and has undertaken benchmarking with the terms of reference of the audit committees operated by Broxbourne Borough Council and Harlow District Council.

3. Two additions to the current terms of reference for the Committee are proposed

(shown underlined in bold in Appendix 1) to reflect its remit as the Council works more collaboratively. These revisions were approved by the Audit & Governance Committee without further amendment at its meeting on 25 November 2019.

4. The terms of reference for the Committee are enshrined within the Constitution, so any changes would be required to be agreed by the full Council. This would normally be on the recommendation of the Constitution Working Group.

Resource Implications:

None.

Legal and Governance Implications:

To comply with CIPFA guidelines and as part of the process for gathering evidence for the production of the Annual Governance Statement, the Council is required to review the effectiveness of its Audit Committee. This effectiveness review and review of its Terms of Reference ensures that the Council fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

The Accounts and Audit (England Regulations) 2015 requires that a relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

The Accounts and Audit Regulations do not specify that these requirements must be met by an audit committee. However, where the audit committee undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Corporate Governance Group and the Audit & Governance Committee.

Background Papers:

Audit Committees – Practical Guidance for Local Authorities 2018.

Risk Management:

The Audit and Governance Committee has a pivotal role in how the Council delivers good governance. The purpose of the Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process and reviewing the effectiveness of these arrangements.