

APPENDIX 1

Audit and Governance Committee Terms of Reference

Statement of purpose

- 1 The Audit and Governance Committee is a key component of Sefton'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.
- 2 The purpose of the Audit and Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sefton's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 4 To review the Annual Governance Statement 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.
- 5 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 7 To monitor the effective development and operation of risk management and Corporate Governance in the Council.

- 8 To monitor progress in addressing risk-related issues reported to the committee including the Corporate Risk Register.
- 9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 11 To monitor the following activities:
 - Counter-fraud/ bribery strategy, actions and resources.
 - Whistleblowing
 - Money Laundering
 - Council Complaints Process including make payments or provide other benefits in cases of maladministration etc. under Section 92 of the Local Government Act, 2000 in excess of £1,000.
 - Breaches of Financial Procedure Rules and Contract Procedure Rules
- 12 To review the governance and assurance arrangements for significant partnerships or collaborations and where appropriate obtain annual third party assurance statements.
- 13 To make recommendations to Council for amendments to the Constitution.
- 14 To make recommendations to the Council on the adoption, implementation and maintenance and review of a local Code of Conduct for Members – co-opted Members and officers of the Council.
- 15 To determine effective training of Councillors and Co-opted Members in matters of conduct and advice to individuals on issues relating to the treatment of interests and on the propriety of conduct generally.
- 16 To deal with the arrangements for Councillors to receive dispensations to speak on, or participate in, matters in which they have an interest.
- 17 To determine the appropriate action on matters referred to the Committee by the Monitoring Officer including disciplinary matters relating to the conduct of

individual and/or groups of Councillors including alleged misuse of a Members Self-Maintained Website.

- 18 To ensure compliance throughout the Council with all appropriate Codes of Conduct, including the Protocol for relationships between members and officers of Sefton Council, and procedures from time to time determined by the Committee
- 19 To deal with appropriate matters referred to it from other Committees.
- 20 To determine any applications for the grant and supervision of exemptions from political restrictions in accordance with Section 3A of the Local Government and Housing Act 1989.
- 21 To determine whether a valid petition for a Community Governance review has been received and to determine the terms of reference for such a review, how the review will be conducted including the required consultation and consider replies to a consultation and then make a recommendation to Full Council on the preferred outcome. The Committee has the authority to establish a working group to undertake the committee's responsibilities in this regard.

Internal audit

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

- 28 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
- a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b) regular reports on the results of the Quality Assurance Improvement Plan (QAIP)
 - c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Assurance Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).
 - d) to consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- 29 To consider the head of internal audit's annual report:
- a) 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.
 - b) 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.
- 30 To consider summaries of specific internal audit reports as requested.
- 31 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.

- 32 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.
- 33 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).
- 34 To provide free and unfettered access to the Audit and Governance Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

- 35 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.
- 36 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 37 To consider specific reports as agreed with the external auditor.
- 38 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 39 To commission work from internal and external audit.
- 40 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Other Assurance areas

- 41 To consider the Council's arrangements for health and safety and receive regular assurances and assessments on the effectiveness of these arrangements.
- 42 To consider write-offs of debt/ assets above £10,000.
- 43 To regularly review the Council's Treasury Management activities

Financial reporting

- 44 To review and approve 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.
- 45 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- 46 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.
- 47 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.
- 48 To publish an annual report on the work of the committee.