

## TERMS OF REFERENCE AND WORK PLAN 2018/19

### SUMMARY AND RECOMMENDATIONS:

**SUMMARY:** This report provides an opportunity for the Licensing and General Purposes Committee to review its Terms of Reference in respect of its governance, risk and audit functions and to set an indicative annual work programme for this area of the Committee's work.

### RECOMMENDATIONS:

Members are requested to:

- (i) Consider the contents of this report, the revised Terms of Reference and proposed work plan and
- (ii) recommend that Council approve the changes to the constitution set out at Appendix A

## 1 INTRODUCTION

- 1.1 The Licensing and General Purposes Committee forms a key part of the Council's governance framework, which has been enhanced by the absorption of the duties of the old Standards and Audit Committee. This brought together responsibility for risk and governance issues, including both internal and external audit matters, allowing the Committee to make an important contribution to ensuring that effective assurance arrangements are in place.
- 1.2 The purpose of this part of the Committee's responsibilities is to provide 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.
- 1.3 Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of the organisation. The role of the Committee does not remove responsibility from senior managers and Members but provides an opportunity and resource to focus on these issues and thereby provide a high-level resource to support good governance and strong public financial management.
- 1.4 Given the importance of the Committee's role, it is appropriate to review the Terms of Reference from time to time to ensure that core functions are reflected. Note that this is not a review of the wider functions of the Committee, but only those relating to governance, risk and audit.

## **2 CORE FUNCTIONS**

2.1 The core functions of the Committee in this area are to:

- ❖ be satisfied that the Council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives
- ❖ in relation to the council's internal audit functions:
  - oversee its independence, objectivity, performance and professionalism
  - support the effectiveness of the internal audit process
  - promote the effective use of internal audit within the assurance framework
- ❖ consider the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the Council's exposure to the risk of fraud and corruption
- ❖ consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- ❖ support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process
- ❖ review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

2.2 The Committee also supports the Council by undertaking a wider role in other areas including reviewing and monitoring treasury management arrangements in accordance with *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (CIPFA, 2017).

## **3 CHARACTERISTICS OF A GOOD AUDIT COMMITTEE**

3.1 The Committee carrying out this audit function should demonstrate the following characteristics:

- ❖ a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role
- ❖ a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- ❖ a strong independently minded chair – displaying a depth of knowledge, skills and interest including;
  - promoting open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants

- an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- ❖ unbiased attitudes – treating auditors, the executive and management fairly
- ❖ the ability to challenge the executive and senior managers when required

## **4 DISCHARGE OF RESPONSIBILITIES**

4.1 To discharge its responsibilities effectively the Committee should:

- ❖ meet regularly – at least 4 times a year
- ❖ be able to meet privately and separately with the external auditor and with the head of internal audit
- ❖ include as regular attendees, the Chief Financial Officer (CFO), the Chief Executive, the head of Internal Audit and the appointed external auditor. Other attendees may include the Monitoring Officer (for Standards issues). These officers should also be able to access the Committee, or the Chair, as required.
- ❖ have the right to call any other officers of the Council as required
- ❖ annually assess their performance and report on their work to those charged with governance

## **5 MEETING THESE RESPONSIBILITIES**

- 5.1 The Licensing and General Purposes Committee has been on a journey over recent years, expanding and improving its key governance role for the Council. The Committee has widened its duties to include those previously held by the Standards and Audit Committee and to encompass the scrutiny of treasury management arrangements. More recently, it has reviewed the Council's revised approach to risk management and approved a new template for the Corporate Risk Register.
- 5.2 Training for Members has been arranged for both its audit activities and its treasury management role, led by the external auditors and the Council's independent Treasury Advisors. In addition, the external auditors have advised the Committee of their local workshops where Committee chairs can share best practice and discuss relevant issues and supply quarterly sector briefings to the committee to prompt discussion on upcoming issues.
- 5.3 Cyclical reporting has now been introduced for risk management and additional information has been supplied to the Committee in recent months covering the work of Public Sector Audit Appointments Ltd, who have reported on the results of auditors' work in 2016/17 and have consulted on audit fees for 2018/19. Other work received in the past year has included:

#### Internal audit

- ❖ Rolling audit plan and review of the risk universe
- ❖ Regular audit updates on progress against the audit plan
- ❖ Progress against compliance with the Public Sector Internal Audit Standards (PSIAS)
- ❖ A Quality Assurance and Improvement Plan

#### External audit

- ❖ Audit plan
- ❖ Progress updates against the audit plan
- ❖ Audit Results Report 2016/17
- ❖ Annual Audit Letter

#### Finance

- ❖ Review of accounting policies and materiality levels
- ❖ Consideration of International Financial Reporting Standards not yet adopted
- ❖ Roles and Responsibilities in respect of the Statement of Accounts
- ❖ Approval of the Statement of Accounts

#### Other governance matters

- ❖ Approval of the Annual Governance Statement
- ❖ New Overview and Scrutiny arrangements

#### 5.4 Planned improvements for the coming year are;

- ❖ to incorporate reporting of the work of the Council's Corporate Investigation Team into the quarterly internal audit updates.

The Council took the decision to retain a corporate resource to focus on fraud and investigation, after a successful pilot exercise, following the absorption of Housing Benefit fraud work into the Single Fraud Investigation Service under the Department for Work and Pensions. The team carry out extensive data matching exercises through the National Fraud Initiative, monitoring areas such as Single Person Discount for Council Tax. Additionally, they investigate Council Tax Support, alleged Business Rates avoidance, Social Housing Fraud (in partnership with local Registered Housing Providers) and work with the DWP on benefit fraud. Recently the team participated in a successful prosecution for fly tipping

- ❖ that the internal audit updates will report on progress against actions within the Annual Governance Statement throughout the year, alongside progress on compliance with PSIAS and the Quality Assurance and Improvement plan
- ❖ to carry out an annual self assessment of the Committee's effectiveness
- ❖ to report annually on the work of the Committee

#### 5.5 A proposed work programme for 2018/19 is set out at Appendix 2.

## 6 CONCLUSIONS

- 6.1 The work of the Licensing and General Purposes Committee forms a key element of the Council's corporate governance framework. It is important that its Terms of Reference adequately reflect the core responsibilities of the Committee and are periodically reviewed against current best practice.

### **BACKGROUND DOCUMENTS:**

*Audit Committees/Practical guidance for Local Authorities and Police* (CIPFA, 2018)

*Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (CIPFA, 2017)

### **CONTACT DETAILS:**

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# APPENDIX 1

## Licensing and General Purpose Committee – Terms of Reference

**To replace section headed Finance and Audit Powers and Responsibilities under Part 3 – Responsibility for Functions, Licensing and General Purposes Committee.**

### **Governance, Risk and Control**

- 15 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.
- 16 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 17 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 18 To monitor the effective development and operation of risk management in the Council.
- 19 To monitor progress in addressing risk-related issues reported to the Committee.
- 20 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 21 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 22 To monitor the counter-fraud strategy, actions and resources.
- 23 To review the governance and assurance arrangements for significant partnerships or collaborations.

### **Internal Audit**

- 24 To approve the internal audit charter.
- 25 To review 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 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, in respect of carrying out internal audit work.

## APPENDIX 1

- 28 To consider reports from the head of internal audit on internal audit's performance during the year including:
  - a. 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 and Improvement Plan and any non-compliance with Public Sector Internal Audit Standards (PSIAS).
- 29 To consider the head of internal audit's annual report, including;
  - a. The statement on the level of conformance with PSIAS
  - b. The Quality and Assurance Improvement Plan
  - c. 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.
- 30 To receive summaries of any 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 Council or there are concerns about progress with the implementation of agreed actions.
- 32 To provide free and unfettered access to the Committee chair for the internal audit manager, including the opportunity for a private meeting with the Committee.

### External Audit

- 33 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 Public Sector Audit Appointments (PSAA).
- 34 To consider the external auditor's annual audit letter, annual audit results report and other relevant reports.
- 35 To consider the scope and depth of external audit work and ensure it provides value for money.
- 36 To commission work from internal and external audit.

### Financial Reporting

- 37 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 statement or from the audit that need to be brought to the attention of the Council.
- 38 To consider the external auditor's report to those charged with governance on any issues arising from the audit of the accounts.

### **Accountability arrangements**

- 39 To carry out an annual self-assessment in relation to the effectiveness of the Committee in meeting its purpose.
- 40 Where considered appropriate report, to report to Council on any issues concerning the effectiveness of the arrangements in place for governance, risk, and internal control frameworks.



### Work Programme 2018/19

#### May 2018

- Work Programme/Terms of Reference
- Annual Governance Statement
- Draft Statement of Accounts and reminder of Committee's role in respect of
- Internal Auditor's Report and Opinion including PSIAS review and Quality and Assurance Improvement Plan for 2018/19
- Internal audit update
- External Audit Briefing

#### July 2018

- Management Representation Letter
- Statement of Accounts
- External Audit - Audit Results Report
- Internal Audit update – update on Q1 and expected deliverables for Q2 & Q3
- Treasury Management Outturn Report
- External Audit Briefing
- Performance Monitoring Process

#### September 2018

- Treasury Management mid-year report
- Risk Management
- Annual Audit Letter

#### November 2018

- Treasury Management mid-year report (if not Sept)
- Internal Audit update – update on plan delivery to date and expected deliverables for remainder of Q3 & Q4
- External Audit Briefing

#### January 2019

- External Audit Plan
- Treasury Management Strategy
- Accounting Policies and Related Matters
- Follow up to Audit Result's Report (if required)
- Certification of Claims and Returns Annual Report
- External Audit Briefing

#### March 2019

- External Audit Progress Report
- Internal Audit Plan 2019/20
- Review of effectiveness
- Risk Management

## APPENDIX 2

### **Scheduled training**

17<sup>th</sup> May 2018

- Effective Audit Committees – delivered by Justine Thorpe, Ernst & Young LLP – External Auditors

14<sup>th</sup> June 2018

- Treasury Management training and Q&A session - delivered by David Green, Arlingclose Ltd – Treasury Management Advisors