



Leicester  
City Council

**WARDS AFFECTED:**  
ALL

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Audit and Risk Committee**

**6 December 2017**

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### **Review of the Committee's Terms of Reference and Forward Workplan**

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#### **Report of the Director of Finance**

#### **1 PURPOSE OF REPORT**

- 1.1 To seek the Committee's views on the scope of its future workplan and to signal a review of its terms of reference.

#### **2 RECOMMENDATIONS**

- 2.1 Audit and Risk Committee is recommended to provide views on its future terms of reference and associated workplan to the Director of Finance.

#### **3 SUMMARY**

- 3.1 The Committee now meets four times annually and its workplan is framed in the light of the terms of reference approved by Council. The Committee considers a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance, risk management and internal control.
- 3.2 Whilst many of the reports are formally for noting, the Committee has key approval functions around the statutory annual statement of accounts and plays an important role in reviewing and commenting on a range of topics. It is important that Members find the agendas to be generally engaging and interesting. Members should also feel properly equipped to understand the wider governance and risk environment and to be able to ask questions and hold others to account for their responsibilities.
- 3.3 CIPFA (the Chartered Institute of Public Finance and Accountancy) guidance states the purpose of an audit 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 processes.

## **4 REPORT**

- 4.1 The Committee's current terms of reference are attached at **Appendix A**. It is opportune to review these, as the City Council's internal audit function has recently been delegated to Leicestershire County Council, management arrangements for insurance and risk have changed, and CIPFA will soon release new guidance for audit committees. It is proposed that officers should bring an updated draft to the March 2018 meeting, ahead of approval by Council in May 2018. The Committee's views on any changes at this current meeting would be helpful, to inform the revised drafting.
- 4.2 The Committee's workplan for 2018/19 will be framed within the requirements of the updated terms of reference, so it is clear why each item of business is to be discussed, and to provide assurance that the Committee is covering the full scope of work that Council requires of it. Officers have however identified that the Committee should be kept better apprised of the emerging key risks to councils nationally and hence have the opportunity to question officers on how these are being managed and mitigated locally. Also, the Committee should benefit from periodic updates on key changes to the accounting, audit, governance and risk environments.
- 4.3 Hence within the agenda for the current meeting, key risks emerging nationally are referenced in the risk management report. Looking ahead, the Director of Finance will present a report to the March 2018 meeting covering topics such as the earlier close of the Council's annual accounts for 2017/18 and beyond, developments in accounting standards, changes to the treasury management environment and relevant impacts of Brexit. A pre-meeting update on Public Health is also planned.
- 4.4 Members are invited to comment on any particular areas or themes they would like to see covered at future meetings.

## **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1 Financial Implications**

An adequate and effective Audit & Risk Committee is a central component in the governance and assurance processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Its support for the processes of audit and internal control will help the Council as it faces the financially challenging times ahead.

*Colin Sharpe, Head of Finance, ext. 37 4081*

### **5.2 Legal Implications**

The Audit & Risk Committee aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit Regulations 2015 by considering the findings of a review of the effectiveness of the Council's system of internal control. It is an important part of the way the duties of the Director of Finance are met as the responsible financial officer under s151 of the Local Government Act 1972.

*Kamal Adatia, City Barrister & Head of Standards, x37 1401*

## 6. Other Implications

<b>OTHER IMPLICATIONS</b>	<b>YES/NO</b>	<b>Paragraph references within supporting information</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities	No	
Risk Management	Yes	The whole report concerns the audit, risk management and governance process, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

## 7. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

None

### REPORT AUTHOR

Colin Sharpe, Head of Finance, ext. 37 4081

## APPENDIX A

### AUDIT & RISK COMMITTEE TERMS OF REFERENCE APPROVED BY COUNCIL

(includes changes agreed in March 2016)

#### **1. Constitution**

The Council has established a Committee of the Council to be known as the Audit & Risk Committee to report to the Council. This supports the Council's corporate governance responsibilities in relation to internal control, risk management and governance.

#### **2. Membership**

The Audit & Risk Committee shall consist solely of non-Executive Councillors. The Chair and Vice-Chair of the Committee shall be appointed by the Council from amongst the non-Executive Councillors.

Provided the meeting is quorate, in the absence of the Chair the Vice-Chair will assume the position and authority of the Chair.

The membership of the Committee should reflect the political representation of the Council as a whole.

A quorum of at least three Committee members will be required at all meetings.

#### **3. Attendance at Meetings**

The Director of Finance, the City Barrister & Head of Standards and the Head of Internal Audit & Risk Management shall normally be invited to attend meetings. Other officers will be required to attend if called for by the Committee or when relevant items appear on the agenda. All Councillors are entitled to attend public meetings, should they choose to do so. All such attendees shall have the right to speak, at the discretion of the Chair, but not vote at meetings.

#### **4. Frequency of Meetings**

Meetings shall be held not less than four times a year. Additionally, special meetings may be convened if an issue arises that, in the opinion of the Chair, cannot wait until the next scheduled meeting.

#### **5. Duties**

The duties of the Committee shall be as set out in the annexed schedule to these Terms of Reference.

## **6. Authority**

The Committee approves, on behalf of the Council, the Council's accounts and its internal control, risk management and governance frameworks and any aligned policies and arrangements.

The Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee will advise the Chief Operating Officer as the Head of Paid Service if it has exercised this authority to seek information (other than routine information) from any employee, setting out the information required and the circumstances underlying the request.

The Committee is authorised by the Council, if considered necessary, to secure the attendance of third parties with relevant experience and expertise provided that the Committee shall notify the Chief Operating Officer as the Head of Paid Service before any fees for such attendance are agreed.

## **7. Communications**

The Secretary of the Committee will circulate the agenda and papers for meetings five clear days before the meeting.

The Committee will consider and agree the approved minutes of the Committee at its next meeting.

The Committee's Terms of Reference will be made available on the Council's website. They will be reviewed and, where necessary, updated at least annually.

An annual report of the Committee's activity will be submitted to the Council each year.

## **Duties of the Audit & Risk Committee**

### **1. Audit Framework**

#### **1.1 Internal Audit**

- On behalf of the Council, to approve the Head of Internal Audit's annual report and opinion, considering the level of assurance given over the Council's corporate governance arrangements and decide on appropriate actions.
- To consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis.
- To receive summaries of Internal Audit reports and the main issues arising.
- To review and challenge management's responsiveness to the internal audit findings and recommendations, seeking assurance that appropriate action has been taken where necessary and agreed recommendations have been implemented within a reasonable timescale.
- To monitor and assess the role and effectiveness of the Internal Audit function.

In fulfilling these functions, the Audit & Risk Committee fulfils the role of 'the board' for the purposes of the *Public Sector Internal Audit Standards*.

#### **1.2 External Audit**

- On behalf of the Council, to review with the external auditor and inspection agencies the findings of their work including any major issues which are unresolved; key accounting and audit judgments; and the levels of errors identified during the audit. The Committee should obtain explanations from management and from external auditors, where necessary, as to why errors might remain unadjusted.
- To consider the scope and depth of external audit work and to assess whether it gives value for money.
- To liaise with Public Sector Audit Appointments Ltd (as successor body to the Audit Commission for this purpose) over the appointment of the Council's external auditor and conduct such other related functions as required by the local public audit regime.
- To facilitate effective relationships between external and internal audit, inspection agencies and other relevant bodies and ensure the value of these audit relationships is actively promoted.

- To approve any instances of non-audit work by the external auditors in accordance with the *Policy for Engagement of External Auditors for Non-Audit Work* and report any such instances to the Council.

## **2. Risk Management Framework**

- On behalf of the Council, to consider and challenge the effectiveness of the Council's Risk Management Strategy and Framework, including the Risk Management and Insurance Services function.
- To consider and approve, on behalf of the Council, the Council's Risk Management Strategy and its key risk management policies including the Council's statement of overall risk appetite.
- To approve, on an annual basis, the Risk Management and Insurance Services function's terms of reference and its annual plan.
- To review (and take any actions as a consequence of) reports from the Head of Internal Audit & Risk Management in respect of the status of key current and emerging risks and internal controls relating to those risks (the Operational and Strategic Risk Registers).

## **3. Internal Control and Governance Framework**

- To review the adequacy of the Council's internal control framework through review of its system of internal control and system of internal audit and overseeing the production and approval of the Council's Annual Governance Statement prepared in accordance with the Local Code of Corporate Governance.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. (The Committee is to do this before approving the Council's published financial statements. The Committee should take note of any adjustments set out in the external auditor's report and agree any such adjustments where management has declined to do so or set out the reasons for not doing so.)
- To maintain an overview of the Council's Constitution in respect of contract procedure rules, finance procedure rules and codes of conduct and behaviour.
- To review and approve, on an annual basis, the Council's anti-fraud, bribery and corruption and its disclosure (whistle-blowing) policies and procedures.
- Annually, to assess all significant risk issues considering:
  - Changes since the last annual assessment and the Council's response;
  - The scope and quality of management's ongoing monitoring of risks and the system of internal control;

- The incidence of significant control failings in relation to all significant risks and their impact.
- To review regular reports from Internal Audit and Risk Management on risk and internal controls, considering:
    - The effectiveness of systems of internal control across the Council
    - Reports on major control issues and their impact on the Council's risk profile.
  - To consider and decide on appropriate actions relating to the Council's compliance with its own and other published or regulatory policies, standards and controls, including:
    - Policies relating to information governance and assurance
    - Health & Safety at Work
    - Civil Contingencies Act
    - Policies relating to disclosures and complaints
    - Others as appropriate.

#### **4. Financial Reporting Framework**

- To review and approve the Council's published financial statements, the external auditor's annual opinion and other reports to Members and to monitor management action in response to issues raised.
- To review and approve the annual statement of accounts and the annual Letter of Representation on behalf of the Council, giving particular attention to critical accounting policies and practices, decisions requiring a significant element of judgement, how any unusual transactions should be disclosed and the clarity of the disclosures.
- To bring to the attention of the Council any concerns arising from the financial statements or from the audit.

#### **5. Other Matters**

- To consider, approve or make recommendations in respect of any other matters referred to it by the City Mayor, Chief Operating Officer (as the Head of Paid Service) or a Director or any Council body.
- To consider any relevant matters reserved for Member-level decision as detailed in Rules of Procedure.
- To present an annual report to the Council on the Committee's conduct, business and effectiveness.