

Appendix A - Revised Terms of Reference for the Audit and Standards Committee

Changes proposed by the Audit and Standards Committee are shown as tracked changes.

AUDIT AND STANDARDS COMMITTEE

The committee's activities and areas of responsibility are as follows:

1. Function and Purpose

(i)

The Audit & Standards Committee is a key component of Fylde Council's corporate governance framework. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

(ii)

The purpose of the Audit & Standards 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 Fylde Council'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.

(iii)

The purpose of the committee in relation to standards is to promote and maintain the highest ethical standards and conduct by councillors. The committee is responsible for operating a locally based system for initial assessment of complaints that a member may have breached the Code of Conduct.

2. Audit Activity

(i)

To consider the head of internal audit's annual report providing:

- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions.
- b) The opinion of 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 Annual Governance Statement.

(ii)

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.

(iii)

- (iv) To consider summaries of specific internal audit reports as requested..
To consider reports from the head of internal audit of internal audit's performance during the year, including the performance of external provider of internal audit services.
These will include:
- a) Updates on the work of internal audit including key findings of 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 Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
- (v) 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.
- i.
- (vi) To approve the Internal Audit Charter.
- (vii) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- (viii) To consider specific reports as agreed with the external auditor.
- (ix) To provide free and unfettered access to the Audit and Standards Committee chair for the head of internal audit including the opportunity for a private meeting with the committee.
- (x) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (xi)
- (xii) 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. To commission work from internal and external audit.
- (xiii)
- (xiv) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. Meeting the external auditor and Chief Internal Auditor in private if deemed necessary.
- (xv) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (xvi) To approve significant interim changes to the risk based internal audit plan and resource requirements.

- (xvii) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (xviii) 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.
- (xix) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- (xx) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

3. Regulatory framework

- (i) Maintaining an overview of the council's constitution in particular the Contracts Procedure Rules, Financial Regulations and Codes of Conduct.
- (ii) Advising the Council on changes to the Constitution.
- (iii) Reviewing any issue referred to it by the Chief Executive or a Director, or any council body.
- (iv) To monitor the effective development and operation of risk management in the council.
- (v) To monitor progress in addressing risk relating issues reported to the committee.
To review the governance and assurance arrangements for significant partnerships or collaborations.
- (vi) To review the Annual Governance Statement prior to formal 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.
- (vii) To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider local code of governance.
- (viii)
- (ix) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- (x) To monitor the counter-fraud strategy, actions and resources.
- (xi) Considering governance, risk or control matters at the request of other committees or statutory officers.
- (xii) Considering the council's compliance with its own and other published standards and controls

- (xiii) Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- (xiv) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- (xv) To consider reports on the effectiveness of internal control and monitor the implementation of agreed actions.

4. Accounts

- (i) 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.
- (ii) To consider the external auditor's report to those charged with governance in issues arising from the audit of the accounts.

5. Accountability

- (i) 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.
- (ii) To report to full council on a regular basis on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.
- (iii) To publish an annual report on the work of the committee.

6. Standards

- (i) To assist the Council in fulfilling its duty under the Localism Act 2011 to promote and maintain high standards of conduct by members.
- (ii) To support ethical values and review the arrangements to achieve those results.
- (iii) To monitor and advise the Council about the adoption, revision and operation of its Code of Conduct in the light of best practice and any changes in the law.
- (iv) To keep under review the arrangements for dealing with allegations that a member of the Council or a member of a town or parish council within the Council's district has failed to comply with the relevant Code of Conduct.
- (v) To determine whether a member for the Council or a member of a town or parish council within its district has failed to comply with the relevant Code of Conduct.
- (vi) Where it finds that a failure to comply with the Code of Conduct has occurred, to determine what action, if any, to take.
- (vii) To assist the Council with the appointment of an Independent Person(s) as required by the Localism Act 2011.
- (viii) To determine any request for a dispensation under Section 33 of the Localism Act 2011.

- (ix) To advise the Council on, and review as necessary, any local Protocols regulating the conduct of Members and to deal with allegations of breach of any such Protocol.
- (x) To consider reports referred by the Monitoring Officer.
- (xi) To respond on behalf of the Council to national reviews and consultations on standards related issues.
- (xii) To consider and make recommendations to the Council on any other matter that may be referred to the Committee relating to the conduct of Members within the Authority.

7. Arrangements

The Committee will

- (i) meet a minimum of four times per year, (timetable to be agreed);
- (ii) have the authority to request the attendance of any elected Member or Officer of the Authority;
- (iii) have the right to report to all other committees, corporate risk groups and other strategic groups; and
- (iv) consider and assess the performance of the committee annually.

