

**Comparison: CIPFA’s Suggested Terms of Reference Against the
Audit & Governance Committee’s Current Terms of Reference**

CIPFA Suggested ToR	Current ToR	Comment
<p>Statement of Purpose:</p> <ol style="list-style-type: none"> Our audit committee is a key component of [name of authority]’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. The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]’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. 		<p>There is no formal Statement of Purpose for the Committee.</p> <p>Recommendation (see recommendation 1i of main report)</p> <p>A brief Statement of Purpose to be included:</p> <p>“The Council recognises the importance of undertaking scrutiny of the management of the internal control systems and the Audit and Governance Committee provides an independent and high-level focus on audit, governance and financial accounts matters.”</p>
Governance, risk and control		
<ol style="list-style-type: none"> To review the council’s corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. 	<p>To monitor the effective development and operation of the risk management and corporate governance arrangements in the council.</p>	<p>The committee’s terms of reference does not require it to review the council’s corporate governance arrangements against CIPFA’s good governance framework. However, in practice, an annual review is undertaken of the Code of Corporate Governance. This is informed by the good governance framework.</p>

	To monitor compliance with the council's corporate governance framework and advise or make recommendations to the Cabinet or County Council as appropriate.	
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.	To review the Annual Governance Statement and commend it to the Cabinet.	While the committee's objective is more concise than CIPFA suggests, the approach taken is the same. The Internal Audit Charter provides more detail with regard to what should be considered.
5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.		<p>This is not a formal part of the committee's terms of reference.</p> <p>However: Internal Audit reports consider value for money arrangements; all committees are expected to consider value for money implications of any reports they consider; and Audit & Governance Committee also receives the external auditor's annual value for money opinion and the Annual Audit Letter.</p> <p>CIPFA suggests that assurance over value for money should focus on both the arrangements to ensure value for money and the progress in achieving value for money. The role of the audit committee is most likely to focus on whether the authority's overall approach to value for money is in line with governance objectives and to receive assurances on this to underpin the AGS.</p>

		The task group felt that by formally considering the council's arrangements for value for money, it does not imply that the council has secured value for money. It felt that budgetary issues lay with Council and Select Committees and that Audit & Governance Committee should resist becoming too involved.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risk and priorities of the council.		<p>This is not part of the committee's formal terms of reference. The Chief Internal Auditor is currently conducting an assurance mapping exercise following the annual review of the effectiveness of Internal Audit.</p> <p>During its work, the task group heard about the new Assurance Board that is being established and were offered sight of the terms of reference once it had drafted them.</p> <p>The external auditors explained that the committee could scrutinise the assurance framework from a position of independence. He described the formal assurance maps in the NHS which link the corporate strategy, risks and assurance. By undertaking this process, the committee could identify any gaps in assurance.</p>
7. To monitor the effective development and operation of risk management in the council.	To monitor the effective development and operation of the risk management and corporate governance arrangements in the council.	The committee's objective closely matches CIPFA's suggested objective.
8. To monitor progress in addressing risk-related issues reported to the committee.		This would appear to be closely linked to the objective above and arguably would be part of the objective above.

<p>9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</p>	<p>To consider the Chief Internal Auditor's annual report and opinion, a summary of internal audit activity and the adequacy of management responses to issues identified.</p> <p>To consider periodic reports of the Chief Internal Auditor and internal audit activity.</p>	<p>CIPFA's suggested objective could be argued to be addressed through the two objectives of the committee listed to the left.</p>
<p>10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.</p>		<p>This is not part of the committee's formal terms of reference. However, fraud risks are addressed through the monitoring of risk management arrangements, consideration of Internal Audit reports and through financial reporting.</p> <p>Recommendation (see recommendation 1ii. of main report)</p> <p>It is recommended that this is included within the terms of reference by extending the objective "To monitor the effectiveness of the councils' anti-fraud and anti-corruption strategy, <i>including by reviewing the assessment of fraud risks</i>".</p>
<p>11. To monitor the counter-fraud strategy, actions and resources.</p>	<p>To monitor the effectiveness of the council's anti-fraud and anti-corruption strategy.</p>	<p>The committee's objective closely matches CIPFA's suggested objective.</p>

Internal Audit		
12. To approve the internal audit charter.		<p>This is not part of the committee’s terms of reference but is part of the Internal Audit Charter which is reviewed and approved by the committee annually.</p> <p>The Chief Internal Auditor agreed that this should be included within the committee’s terms of reference.</p> <p>Recommendation (see recommendation 1iii of main report)</p> <p>It is recommended to add approval of the Internal Audit Charter to the committee’s terms of reference.</p>
13. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.		Not applicable in Surrey.
14. 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.	To approve the annual Internal Audit & Inspection plan.	<p>Approval of the plan is part of the committee’s terms of reference. Detail with regard to resource requirements is part of the internal Audit Charter.</p> <p>The Committee does not have approval of the approach to using other sources of assurance or any work required to place reliance upon those other sources.</p>
15. To approve significant interim changes to the risk-based internal audit plan and resource requirements.		<p>This is not part of the committee’s terms of reference but has happened in practice, with the committee receiving a half-year report on the progress of the internal audit plan.</p> <p>Recommendation (see recommendation 1iv of main report)</p>

		It is recommended that this is included within the terms of reference by extending the objective "To approve the annual Internal Audit Plan & Inspection Plan <i>and monitor its implementation</i> ".
16. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.		This is not part of the committee's terms of reference but is part of the Internal Audit Charter and happens in practice through approval and monitoring of the Internal Audit Plan.
17. 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 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 the non-conformance is significant enough that it must be included in the Annual Governance Statement.	To consider periodic reports of the Chief Internal Auditor and internal audit activity.	The committee's terms of reference covers the updating of the committee on the work of internal audit, while the Internal Audit Charter also covers reporting to the committee on the work of Internal Audit, the Quality Assurance and Improvement Programme and the reporting instances of non-conformance with the Public Sector Internal Audit Standards.

<p>18. To consider the head of internal audit’s annual report:</p> <ul style="list-style-type: none"> 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 of internal audit. 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. 	<p>To consider the Chief Internal Auditor’s annual report and opinion, a summary of internal audit activity and the adequacy of management responses to issues identified.</p>	<p>This is covered in the committee’s terms of reference and the Internal Audit Charter.</p>
<p>19. To consider summaries of specific internal audit reports as requested.</p>		<p>This is not part of the committee’s formal terms of reference however the Internal Audit Charter states that each member of the committee will receive a copy of every final audit report, which it does. The committee requests and considers specific internal audit reports and recommendations on a regular basis.</p>
<p>20. 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.</p>		<p>This is not part of the committee’s terms of reference. However, the Internal Audit Charter states that one of the committee’s duties is ‘receiving communications from the Chief Auditor on internal audit performance relative to its plan and other matters (Standard 2020)’.</p>

21. 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.		This is not part of the committee's terms of reference. The Internal Audit Charter states that the committee will 'receive the results' of the quality assurance and improvement programme but not that it will contribute to the programme.
22. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required by Regulation 6 of the Accounts and Audit Regulations 2011.	To conduct an annual review of the effectiveness of the system of internal audit.	The committee's objective closely matches CIPFA's suggested objective.
23. To support development of effective communication with the head of internal audit.		This is not explicitly part of the committee's terms of reference. However, it is implicit throughout the terms of reference in relation to audit activity.
External Audit		
24. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective.
25. To consider specific reports as agreed with the external auditor.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective.
26. To comment on the scope and depth of external audit work and to ensure it gives value for money.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective. However, it does not specify ensuring that external audit gives value for money.

27. To commission work from internal and external audit.	To approve the annual Internal Audit & Inspection plan. To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee commissions work from internal and external audit through approval of the annual audit plans.
28. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.		This is not an explicit part of the committee's terms of reference. The task group felt it was unnecessary to highlight this further.
Financial Reporting		
29. 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.	To consider and approve the annual statement of accounts and the Surrey Pension Fund accounts.	The committee's objective closely matches CIPFA's suggested objective. However, the committee's objective does not provide the detail that is within CIPFA's suggested objective. The additional detail was felt to be unnecessary.
30. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective.

Accountability Arrangements		
<p>31. 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.</p>	<p>To monitor compliance with the council's corporate governance framework and advise or make recommendations to the Cabinet or County Council as appropriate.</p> <p>To review the Annual Governance Statement and commend it to the Cabinet.</p>	<p>The committee's objective closely matches CIPFA's suggested objective.</p>
<p>32. 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.</p>		<p>This is not part of the committee's terms of reference. However, the committee does publish an annual report highlighting its work against its terms of reference. It is also undertaking a review of its effectiveness.</p>

In addition to the terms of reference highlighted above, Surrey's Audit & Governance Committee has also been delegated the following responsibilities:

Current ToR	Comment
To make proposals to Select Committees on suggested areas of scrutiny.	This is a local delegation, aimed at encouraging committees to work together and broadening understanding and knowledge of audit findings.
To review the Council's Treasury Management strategy and consider periodic reports of treasury management activity.	This inclusion in the terms of reference is supported by the CIPFA Guidance as a possible wider function. This is a scrutiny role in accordance with the Treasury Management Code of Practice and is in addition to any oversight of governance, risks and assurance matters relating to treasury management it would consider as an audit committee.
To consider and approve the ... Surrey Pension Fund accounts.	A detail within the annual statement of accounts objective. Officers agree that the Audit & Governance Committee should approve these accounts alongside the Surrey Pension Fund Board.
To undertake statutory functions as required on behalf of the firefighters' pension schemes.	Officers have not been able to detail what the statutory functions on behalf of the firefighters' pension schemes are. This appears to be a precautionary inclusion in the terms of reference.
To monitor the operation of the Members' code of conduct.	This inclusion in the terms of reference is supported by the CIPFA Guidance as a possible wider function.
To promote advice, guidance and training for Members and co-opted members on matters relating to the code of conduct.	This inclusion in the terms of reference is supported by the CIPFA Guidance as a possible wider function.
To ensure the Council's complaints procedures operate effectively.	This is a local delegation, which followed the dissolution of Standards Committee.
To grant dispensations to Members (including co-opted members) from requirements relating to interests set out in the Members' Code of Conduct.	This is a local delegation, which followed the dissolution of Standards Committee.

CIPFA described some possible wider functions of an audit committee which are not addressed in Surrey County Council's Audit & Governance Committee terms of reference:

- Considering governance, risk or control matters at the request of other committees or statutory officers¹
- Providing oversight of other public reports, such as the annual report²

Recommendation (see recommendation 1v of main report)

It is recommended that oversight of the annual report is included within the terms of reference as the committee has been doing this for the past two years.

¹ The committee does do this in practice and the task group felt it unnecessary to be explicitly included in the terms of reference

² Although this is something that the committee does in practice.