

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Audit & Accounts Committee

7th June 2024

TITLE:	Role and Responsibilities of the Audit & Accounts Committee
PORTFOLIO HOLDER	Cllr M Gledhill – Leader of the Council
CONTACT OFFICERS:	Martin Owen – Executive Director (Resources)
WARDS INVOLVED:	Non-Specific

Appendices Attached

Appendix A: Audit and Accounts Committee Terms of Reference

Appendix B: Terms of Reference – Resources Overview and Scrutiny Panel and Finance and Performance Committee

1. Reason for the Report

- 1.1 As the membership of the Committee is relatively new and there has been a change in the scrutiny arrangements recently, it is considered prudent to establish the relative roles and responsibilities of this committee compared with that of the Resources Overview & Scrutiny Panel and the Finance and Performance Committee. This report outlines the distinctive roles of these committees to give clarity and focus to the work of the Audit and Accounts Committee.

2. Recommendations

- 2.1 That the Committee notes the report.

3. Executive Summary

- 3.1 The purpose of the **Audit & Accounts Committee** is to provide a review of the Council's governance, risk management, and control frameworks (including treasury management) and to oversee the annual financial reporting and governance processes. The focus is, therefore, primarily on frameworks and strategy over the functions of assurance and control.

- 3.2. Alongside this, there is oversight of the internal audit and external audit functions that provide sources of assurance to the Committee. This is part of ensuring that efficient and effective assurance arrangements are in place. Discharging these responsibilities includes more specific activities such as approval of the internal audit plan and charter, alongside (amongst other things) approving the annual statement of accounts and the related audit reports and opinions.
- 3.3 The **Resources Overview & Scrutiny Panel** is responsible for the overview and scrutiny of the Council's resources (its spending, its people, and its technology). This includes matters such as the budget and policy framework, service improvement and performance monitoring, resource allocation, accessibility of services, co-ordination of the scrutiny work programme and strategic alliance and efficiencies. As such, financial planning strategy (such as the medium term financial plan) is considered by the scrutiny panel and detailed scrutiny of the Council's delivery plans such as, for example, the Access to Services, Digital and Organisational Development Strategies, the Asset Management Plan, delivery of council controlled companies, such as Alliance Norse Ltd and Alliance Environmental Services Ltd.
- 3.4 The **Finance and Performance Committee** considers the financial, procurement and operational performance delivery of the Council. To achieve this, it receives quarterly reports on:
- financial performance; achievement (outturn) to date, expected outturn for the year against budget and identifies significant variances and key financial risks;
 - operational performance; achievement against agreed Key Performance Indicators (KPIs) and variances along with narrative for operational performance; and
 - procurement reports setting out the procurement plans, activities undertaken, specific reports such as local procurement and providers.
- 3.4 Therefore, overall governance, assurance, and risk management considerations fall within the purview of the Audit and Accounts Committee, alongside more detailed scrutiny of internal and external audit matters. Budget setting and financial planning, alongside service management falls to the Resources Scrutiny panel with financial, operational performance and procurement being within the remit of the Finance and Resources Committee.
- 3.5 To demonstrate how this works in practice, agenda items were considered at previous meetings for the following reasons:

Agenda Item	Rationale
Internal Audit Progress report	This committee has responsibility for internal audit performance throughout the year and regular progress reports from the Head of Internal Audit clearly discharge this. As the committee also approves the annual audit plan, committee Members would know there were no resources available for additional requests for new (unplanned) pieces of work, without also identifying implications for the plan's coverage. Queries about expenditure on specific items could be targeted to

Agenda Item	Rationale
	Scrutiny panels (but would not then have the independent assessment of internal audit)
Risk Management Update	This committee approves the overall risk management strategy and monitors the development of risk management of the Council. Hence it received a report that scrutinised the Council's overall risk management arrangements. Concerns about specific risks (particularly operational risks) would be passed on to services or the appropriate scrutiny panel(s)
Whistleblowing Policy	Part of the committee's remit is to review the Council's corporate governance arrangements, including the specific approval of the Council's whistleblowing policy.
National Scheme for Auditor Appointments	Part of the committee's remit is to also review any issues raised by Public Sector Audit Appointments (PSAA) – this agenda issue related to appointing auditors, acknowledging that the decision had to be made by full Council.
Treasury	The committee's remit includes oversight and scrutiny of the Council's treasury management policy annually and the annual treasury management report.

3.6 In relation to the Internal Audit service, one of the key functions of the Audit committee is to:

- oversee its independence, objectivity, performance, and professionalism;
- support the effectiveness of the internal audit process; and
- promote the effective use of internal audit within the assurance framework.

3.7 In turn, the mission of internal audit, which is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. A key principle is that the internal audit service is objective and free from undue influence.

3.8 From time to time the Audit and Accounts Committee may commission specific pieces of work from internal audit. It is important to note three things in relation to this. Firstly, the Chartered Institute of Public Finance & Accountancy (CIPFA) publishes guidance in 'Audit Committees: Practical Guidance for Local Authorities and Police (2022 Edition)'. In the guidance it states the following:

"The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan considers the requirement to produce an annual internal audit opinion that can inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance”.

- 3.9 Secondly, the Terms of Reference for this committee state that (amongst other things) the Committee approves the risk-based internal audit plan.
- 3.10 Thirdly, The Public Sector Internal Audit Standards (PSIAS) are clear that internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results, Therefore, the Head of Audit prepares the audit plan annually based on an established risk assessment process. The Audit Committee reviews and approves the plan and monitors progress against it as part of its oversight role. And, of course, the Audit committee seeks to support Internal Audit as well as promote its independence.
- 3.11 Should members of the Audit committee highlight issues that present genuine potential control/risk/fraud implications that require prompt action, the Head of Audit reviews these on an individual basis and assesses and compares them to other identified risks as part of the assessment of the overall control environment. However, it is not appropriate for the committee to direct (or redirect) the work of internal audit, as that has the potential to impair the independence of the internal audit function. The committee does approve the internal audit plan and any amendments to the plan that the Head of Audit may update on. In considering such work, the Head of Audit will also need to consider the core role and coverage necessary in any given year to properly assess the overall control environment. Committee members can monitor this throughout the year and scrutinise it when approving the annual risk-based internal audit plan. So all of this is undertaken in conjunction with the Audit and Accounts Committee, which also holds internal audit to account for performance against the plan. However, it does not direct the risk-based plan.
- 3.12 This should summarise the distinctions between the functions of this audit and accounts committee and scrutiny committee(s) as well as the role of the committee in supporting and monitoring the internal audit service but, importantly, not directing its detailed work.

4. How this Report Links to Corporate Priorities

- 4.1 The focus of the work of this committee (and its relationship with other committees / panels) helps to confirm the use of resources effectively to ensure value for money (Aim 2) and effective governance.

5. Options and Analysis

- 5.1 There are no options to consider.

6. Implications

- 6.1 Community Safety - (Crime and Disorder Act 1998)
None
- 6.2 Workforce
None
- 6.3 Equality and Diversity/Equality Impact Assessment
None
- 6.4 Financial Considerations
No direct consequences, but good governance will contribute towards achieving better value for money.
- 6.5 Legal
None
- 6.6 Climate Change
None
- 6.7 External Consultation
None
- 6.8 Risk Assessment
There is a risk that, without proper focus on the terms of reference for respective committees / panels, then work could be duplicated or omitted. This report seeks to mitigate that by identifying respective roles and responsibilities.

MARTIN OWEN
Executive Director (Resources)

Web Links and
Background Papers

Location

Contact details

Report appendices A & B

Moorlands House

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Appendix A: Terms of Reference – Audit & Accounts Committee

Composition

- (a) **Membership.** The Committee shall consist of the following Members:
- 9 Councillors appointed by the Council for such term of office as determined by the Council.

The Council's Independent Person and their substitutes will be invited to attend and participate at committee meetings but will not be entitled to vote at meetings.

- (b) The Committee shall report direct to the Council on the matters contained in its Terms of Reference (below) in accordance with the Council's Constitution and Procedure Rules contained therein.

Terms of Reference

Statement of Purpose

- (a) To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- (b) To provide independent review of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.
- (c) To provide assurance that any issues arising from the process of drawing up, auditing, and certifying the Council's annual accounts are properly dealt with and that appropriate accounting policies have been applied.

Core Functions

Audit Activity

- (a) To consider but not direct Internal Audit's strategic audit plan.
- (b) To consider the head of Internal Audit's annual report and opinion and the level of assurance it can give over the Council's corporate governance arrangements.
- (c) To consider reports dealing with the management and performance of Internal Audit.
- (d) To consider reports from internal audit summarising activity and implementation of agreed audit recommendations and seek assurance that action has been or will be taken where necessary.
- (e) To consider summaries of other reports from internal audit as considered necessary.
- (f) To consider the external auditor's annual audit and inspection letter, relevant reports, and the report to those charged with governance (ISA 260 Report).
- (g) To consider and comment on the appointment, scope, and depth of external audit work and to ensure it gives value for money.

Regulatory Framework

- (a) To maintain an overview of the Council's constitution including contract procedure rules, financial procedure rules and codes of conduct.
- (b) Monitor the effective development and operation of risk management and corporate governance in the Council and make recommendations to Council on necessary actions to ensure compliance with best practice. To take responsibility for Corporate Governance overall, including the monitoring of the Local Code.
- (c) To monitor Council policies and arrangements for anti-fraud and corruption and whistleblowing.
- (d) To oversee production of the Council's Annual Governance Statement and to review and recommend/approve its adoption as necessary.
- (e) To consider the Council's compliance with its own and other published standards and controls and consider any relevant issue referred to it by the Chief Executive, Directors, or Council body.
- (f) To scrutinise the Treasury Management Function of the Council including the approval of the Annual Treasury Management Strategy Statement and the scrutiny of all treasury management reports, including the Annual Report, reporting to the Council thereon as necessary.

Accounts

- (a) To review and approve the adoption of the annual statement of accounts and to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- (b) In relation to the approval of the annual statement of accounts, only the elected members of the Council shall be entitled to vote upon any such resolution, in accordance with the relevant statutory provisions concerning the regulation and control of an Authority's finances by elected members alone.

Appendix B - Terms of Reference – Resources Overview and Scrutiny Panel and Finance and Performance Committee

Overview and Scrutiny Panel	Overview and Scrutiny Committee
<p>Resources</p> <p>Accessibility of services, co-ordination of scrutiny work programme, Strategic Alliance, and efficiencies. Overview and scrutiny of all functional responsibilities of the portfolios covering resources, customer services and performance management.</p>	<p>Finance and Performance</p> <p>Focused on the development of the Council's budget and service performance. Overview and scrutiny of all functional responsibilities of the portfolio covering finance.</p>