

GOVERNANCE AND AUDIT COMMITTEE

TERMS OF REFERENCE

1. Governance

- 1.1 The Governance and Audit Committee is one of the Council's Propriety Committees. It discharges the following duties in accordance with its statement of purpose, and reports to the full Council.

2. Statement of Purpose

- 2.1 The Governance and Audit Committee's (the Committee) purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.
- 2.2 The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

3. Composition

- 3.1 The Local Government (Wales) Measure 2011, as amended by the Local Government and Elections (Wales) Act 2021, provides that at least one third of members of the Governance and Committee must be lay members. The Committee shall comprise of 9 Councillor members and 6 members who are not a Member of the Council (lay members). No more than one member of the Committee may be a member of the Cabinet (the Cabinet Member must not be the Leader) or an Assistant to the Cabinet.
- 3.2 The Chair of the Governance and Audit Committee and Deputy Chair are appointed by it. The person appointed Chair of the Governance and Audit Committee must be a lay member. The person appointed as Vice Chair cannot be a member of the Cabinet or an Assistant to the Cabinet.

4. Functions of the Governance and Audit Committee

- 4.1 The committee is responsible for fulfilling the following statutory functions under Section 81 of the Local Government Measure (Wales) 2011 as amended:
- review and scrutinise the authority's financial matters,
 - make reports and recommendations in relation to the authority's financial matters,

- review and assess the authority's risk management, internal control, performance assessment and corporate governance arrangements,
- make reports and recommendations to the authority regarding the adequacy and effectiveness of those arrangements,
- review and assess the authority's ability to handle complaints effectively,
- make reports and recommendations in relation to the authority's ability to handle complaints effectively,
- inspect the authority's internal and external audit arrangements, and
- review the financial statements prepared by the authority.

5. Governance, Performance, Risk and Control

- To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To review the Council's draft annual Self-Assessment Report and make any appropriate recommendations for changes.
- To review the Council's draft response to the Performance Assessment Report and make any appropriate recommendations for changes.
- To review the Council's draft response to any Auditor General's recommendations arising from a special inspection in respect of the Council's performance requirements and to make any appropriate recommendations for changes.
- To review and assess the authority's ability to handle complaints effectively and to make any associated reports and recommendations in relation to the authority's ability to handle complaints effectively.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 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.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

6. Financial and Governance Reporting

Governance Reporting

- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the Head of Internal Audit's (Audit Manager) annual overall conclusion about the effectiveness of governance, risk management and control. Global Internal Audit Standards 11.3 (*Communicating Results*).
- To consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievements of the authority's objectives.

Financial Reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 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 the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To consider reports on the Treasury Management function, including the Treasury Management Strategy.

7. Arrangements for Audit and Assurance

To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

Internal Audit

- To approve the Internal Audit Charter, Mandate and Strategy.
- To review proposals in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements. To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.

- To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the Audit Manager on Internal Audit's performance during the year including the performance of external providers of internal audit services. These will include:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)
 - Reports on instances where the internal audit function does not conform to Global Internal Audit Standards, Application Note of the Standards in the UK Public Sector and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government, considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Audit Manager's annual report: -
 - The statement of the level of conformance with the Global Internal Audit Standards, the Application Note to the GIAS and Application Note of the Standards in the UK Public Sector and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager 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.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- 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.

- To provide free and unfettered access for the Audit Manager to the Chair of the Governance and Audit Committee, including the opportunity for a private meeting with the Committee.

External Audit

- To consider the external auditor's annual letter, relevant reports and the reports to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the Governance and Audit Committee Chair and the opportunity for a private meeting with the Committee.

8. Accountability Arrangements

- To report to the Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full Council on an a regular on the Committee's work, its performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose.
- To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA Position Statement.

9. Support for Internal Audit

9.1 In line with CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (2025), internal audit's activities require access to and support from the Governance and Audit Committee, i.e. those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.

9.2 Support means:

- Championing the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.
- Facilitating access to senior management, Audit Committee and the authority's external auditor.
- Assisting, where possible, with access to external provider's assurance such as regulators, inspectors and consultants.
- Engaging constructively with internal audit's findings, opinions and advice.

- Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the authority, and of internal audit's contributions.
- 9.3 Support also means putting in place conditions to enable internal audit's work:
- When senior management agree organisational structures, they must ensure that the direct reporting line of the Audit Manager is not lower than a member of the Corporate Management Team and has access to all members of the team. The Audit Manager should be a senior manager, providing them with the necessary profile to fulfil the function's mandate.
 - The organisational position of the Audit Manager should be supported by direct reporting to the Governance and Audit Committee.
- 9.4 The audit committee can demonstrate its support for internal audit by:
- enquiring of senior management and the Audit Manager about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively.
 - considering the audit plan or planning scope and formally approving or recommending approval as appropriate.
 - meeting at least annually with the Audit Manager in sessions without senior management present.

10. Training and Development

- To attend relevant training sessions in accordance with the Member Development Programme including specialist training tailored for Members of the Governance and Audit Committee.