

## Chapter 8 - Functions of the Audit and Governance Committee

### Overall purpose

- 8.1 The Audit and Governance committee is a key component of Fareham Borough Council'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 the Audit and Governance Committee is to:

- a) Provide independent assurance to those charged with governance (the Full Council) of the adequacy of the risk management framework and the internal control environment.
- b) Provide independent review of Fareham Borough Council's governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.
- c) Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### Accountability

- 8.2 The Audit and Governance Committee should report to those charged with governance (Council) 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.
- 8.3 The Audit and Governance Committee should publish an annual report on the work of the committee including details of coverage against the purposes of the Committee.

## Governance, Risk and Control

### Corporate Governance

- 8.4 The Audit and Governance Committee's areas of responsibility for Corporate Governance are:
- a) To review the Council's arrangements for corporate governance, against the good governance framework, including the ethical framework, and consider the local code of governance.

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

## Annual Governance Statement

- 8.5 The Audit and Governance Committee's area of responsibility for the Council's Annual Governance Statement is to review the Council's 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.

## Risk Management and Internal Control

- 8.6 The Audit and Governance Committee's areas of responsibility for Risk Management and Internal Control are:
  - a) To monitor the effective development and operation of risk management in the Council.
  - b) To monitor progress in addressing risk-related issues reported to committee.
  - c) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

## Value for Money

- 8.7 The Audit and Governance Committee's area of responsibility for Value for Money is to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

## Counter Fraud

- 8.8 To review the policies and measures in place to prevent fraud and corruption:
  - a) To review the policies and measures in place to prevent fraud and corruption.
  - b) To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  - c) To monitor the counter-fraud strategy, actions and resources.

## Partnerships

- 8.9 The Audit and Governance Committee's areas of responsibility for partnerships are to review the governance and assurance arrangements for significant partnerships or collaborations.

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## Audit

### Internal Audit

- 8.10 The Audit and Governance Committee's areas of responsibility for Internal Audit are:
- a) To approve the internal audit charter.
  - b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
  - c) 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.
  - d) To approve significant interim changes to internal audit plan and resource requirements.
  - e) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
  - f) 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.
  - g) To consider reports from the head of internal audit on internal audit's performance, 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.
    - Reports on the results of the Quality Assurance and Improvement Plan (QAIP)
    - conformance to the Public Sector Internal Audit Standards, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement, and whether this affects the reliability of the conclusions of internal audit.
  - h) To consider the head of internal audit's annual report and opinion on 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.
  - i) 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.
  - j) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### External Audit

- 8.11 The Audit and Governance Committee's areas of responsibility for External Audit are:

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- a) 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 Public Sector Audit Appointments (PSAA).
- b) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- c) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance (Council).  
To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## Financial Reporting

8.12 The Audit and Governance Committee's areas of responsibility for the Council's Financial Reporting are:

- a) 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.
- b) To consider the external auditor's report to those charged with governance (Council) on issues arising from the audit of the accounts.

## Wider Functions of the Audit and Governance Committee

8.13 The Audit and Governance Committee is responsible for carrying out wider functions for the Council in relation to:

- a) Standards and ethics
- b) Treasury management
- c) Key policy review
- d) Considering other matters

## Standards and Ethics

8.14 The Audit and Governance Committee's areas of purpose is also:

- a) To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council both for councillors and employees; and
- b) To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.

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- 8.15 The Audit and Governance Committee's areas of responsibility for Standards and Ethics are:
- a) Advise on an internal framework of probity and standards of conduct that should be followed by members and officers.
  - b) Formulate, monitor and revise, as necessary, Local Codes of Conduct for members and officers.
  - c) Formulate, monitor and revise, as necessary, a protocol for member/officer relationships.
  - d) Issue guidance and best practice advice with regard to probity and ethics including the following:
    - the declaration and registration of members' interests
    - claims for members' allowances and expenses
    - acceptance of, or dealing with, offers of hospitality and gifts made by third parties
    - the provision to members of hospitality, goods, services and facilities by the Council
    - the undertaking of travel and foreign visits.
  - e) Advise on such other matters of a similar kind that may be referred to the Committee.
  - f) Issue advice and guidance to members representing the Council on outside bodies.
  - g) Receive, consider and, where necessary, act on reports, guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.
  - h) Provide appropriate training for members and officers with regard to any of the above and the ethical governance of the Council generally.
  - i) Appoint such sub-committees, panels or working parties as are deemed appropriate to undertake specific parts of these Terms of Reference.
  - j) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints.
  - k) to determine appeals or objections against decisions of the Council's Executive, Committees or officers as set out in Part Two, Chapter 7 of this Constitution.

## Treasury Management

- 8.16 The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the implementation of the Council's Treasury Management Strategy and Policy.

## Key Policy Review

- 8.17 The Audit and Governance Committee is responsible for reviewing and making recommendations to Council on its Constitution including Financial Regulations and Procurement and Contract Rules.

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- 8.18 In carrying out this work the committee should advocate the principles of good governance and help ensure that there are appropriate governance, risk, control and assurance arrangements in place.

### Considering Other Matters Referred to the Committee

- 8.19 Occasionally the Audit and Governance Committee may be requested to review an issue referred to it by another committee or a statutory officer.