

## **Audit, Risk and Governance Committee**

### **Purpose**

- a) The Audit, Risk and Governance Committee is a key element of the Council's governance framework. The primary purpose of the Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
- b) The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- c) The Committee's members should therefore behave objectively and independently in their deliberations and decisions.
- d) The Committee is also required to fulfil other functions relevant to its overall responsibilities as required by the Council. In particular, the Committee oversees the Council's treasury management activity.

### **Composition**

- a) The Committee shall comprise eight county councillors and at least one independent, non-voting co-opted member.
- b) The quorum of the Committee shall be three.
- c) Meetings are open to the public, but they may be excluded where information of an exempt or confidential nature is being discussed – see [Access to Information Rules \(lancashire.gov.uk\)](https://www.lancashire.gov.uk/information-access-to-information-act).

### **Terms of Reference**

#### **Governance**

- a) Review the Council's corporate governance arrangements against the good governance framework, ensuring they adequately address the risks and priorities of the Council.
- b) Consider governance reports and assurances, including relating to major developments, and monitor the implementation of recommendations to improve the Council's governance arrangements.
- c) Review and recommend the Code of Corporate Governance for adoption by the Full Council.
- d) Review and recommend the Annual Governance Statement for approval by the Full Council, considering whether it properly reflects the risk environment and supporting assurances, taking into account the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's governance framework, risk management and control.

## **Risk Management**

- e) Review and approve the corporate risk and opportunity register, considering its adequacy in capturing and assessing risks in a timely manner.
- f) Monitor the effective development and operation of the risk management framework and processes across the Council.
- g) Monitor the progress and effectiveness of mitigations to risk-related issues.

## **Internal Control**

- h) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- i) Consider the Council's arrangements to secure value of money and review assurances and assessment on the effectiveness of these arrangements.
- j) Consider the Council's arrangements for discharging its duties in relation to promoting and maintaining high standards of conduct by members and co-opted members in accordance with the Localism Act 2011.
- k) Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- l) Monitor and approve the counter fraud strategy and associated policies, actions and resources.
- m) Monitor and approve the Regulation of Investigatory Powers Act 2000 (RIPA) policies and review the Council's use of RIPA on an annual basis.

## **Financial Reporting**

- n) Review and approve the Annual Statement of Accounts of the Council and the Lancashire County Pension Fund. Specifically, consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit work that need to be brought to the attention of the Council.
- o) Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Internal Audit**

- p) Review and approve the Internal Audit Charter and the risk-based Internal Audit Plan, including the Internal Audit Service's resource requirements and approach to using other sources of assurance.
- q) Make appropriate enquiries of both management and the Head of Internal Audit to confirm the independence of the Internal Audit Service and determine if there are any inappropriate scope or resource limitations.

- r) Consider reports from the Head of Internal Audit on the Internal Audit Service's performance during the year and the performance of external providers of internal audit services. These will include:
  - (i) Updates on the work of the Internal Audit Service, including key findings, issues of concern and action in hand as a result of internal audit work.
  - (ii) Regular reports on the results of the quality assurance and improvement programme.
  - (iii) Reports on instances where the Internal Audit Service 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.
  
- s) Consider the Head of Internal Audit's annual report including:
  - (i) 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.
  - (ii) The opinion on the overall adequacy and effectiveness of the Council's governance framework, risk management and control together with the summary of the work supporting the opinion, which will assist the Committee in reviewing the Annual Governance Statement.
  - (iii) Consider summaries of the specific internal audit work on which the overall opinion is based.
  - (iv) 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 Council or there are concerns about progress with the implementation of agreed actions.
  
- t) Contribute to the Internal Audit Service's quality assurance and improvement programme.
  
- u) Consider the report of the external quality assessment of the Internal Audit Services that takes place at least once every five years.
  
- v) Advise and recommend on effective communication with the Head of Internal Audit, and the effectiveness of the Internal Audit Service's relationships with external audit and other inspection agencies or relevant bodies.

## **External Audit**

- w) Consider the appointment of the Council's External Auditor proposed by the appointing person under the Local Audit (Appointing Person) Regulations

2015 and assess whether there are any valid reasons for the Council to object.

- x) Approve the letters of representation required by the External Auditor and consider the External Auditor's annual plan, annual letter, annual audit opinion, relevant reports, and the report to those charged with governance in accordance with the Code of Audit Practice.
- y) Comment on the scope, quality, and depth of external audit work, ensuring it gives value for money and that the independence of the External Auditor is maintained.
- z) Consider specific reports and commission additional work from the External Auditor as necessary.

### **Accountability Arrangements**

- aa) Report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the Council's governance, risk management and control arrangements, financial reporting arrangements, and internal and external audit functions.
- ab) Prepare a report annually on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

### **Treasury Management**

- ac) Oversee and scrutinise the Council's treasury management function, receiving regular advice and reports on treasury management activity.
- ad) Consider and recommend the Treasury Management Strategy, changes to the Borrowing and Investment Strategy, the prudential indicators, and the treasury management indicators for approval by the Full Council.