

## **Terms of Reference**

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

#### **Statement of purpose**

- 1 The Audit, Risk and Governance Committee is a key element of Lancashire County Council's corporate governance. It provides an independent and high-level focus on the risk management, audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The primary purpose of the committee is to provide independent assurance to the members (being those charged with governance) of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council'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.
- 3 The committee's members should therefore behave objectively and independently in their deliberations and decisions.
- 4 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.

#### **Governance**

The committee will:

- 5 Review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 6 Review and recommend the code of corporate governance for adoption by the Council.
- 7 Review the annual governance statement prior to approval and consider 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 framework of governance, risk management and control.
- 8 Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 9 Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 10 Consider the Council's arrangements for discharging its duties in relation to promotion and maintenance of high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.

#### **Risk management and control**

The committee will:

- 11 Monitor the effective development and operation of the risk management framework and processes across the Council.

- 12 Monitor progress in addressing risk-related issues reported to the committee.
- 13 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 14 Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 15 Monitor the counter-fraud strategy, actions and resources.

### **Internal audit**

The committee will:

- 16 Approve the internal audit charter.
- 17 Approve the risk-based internal audit plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 18 Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 19 Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 20 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 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.
- 21 Consider the head of internal audit's annual report:
  - 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.
  - b. The 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, which will assist the committee in reviewing the annual governance statement.
- 22 Consider summaries of specific internal audit reports as requested.
- 23 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.

- 24 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.
- 25 Support the development of effective communication with the head of internal audit.
- 26 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

#### **External audit**

The committee will:

- 27 Consider 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.
- 28 Approve the letters of representation required by the external auditor and consider the external auditor's annual letter, audit opinion, relevant reports, and the report to those charged with governance.
- 29 Consider specific reports as agreed with the external auditor.
- 30 Comment on the scope and depth of external audit work and to ensure it gives value for money.
- 31 Commission additional work from the external auditor as necessary.

#### **Financial reporting**

The committee will:

- 32 Review and approve the annual statement of accounts of the Council and the Lancashire Pension Fund. Specifically, it will 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.
- 33 Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

#### **Accountability arrangements**

The committee will:

- 34 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.
- 35 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**

The committee will:

- 36 Oversee and scrutinise the Council's treasury management function, receiving regular advice and reports on treasury management activity.

- 37 Consider and recommend the treasury management strategy for Council's approval.
- 38 Consider and recommend changes to the borrowing and investment strategy for Council's approval.
- 39 Consider and recommend the prudential indicators for Council's approval.
- 40 Consider and recommend the treasury management indicators for Council's approval.