



Dear Councillor

CORPORATE GOVERNANCE COMMITTEE - THURSDAY, 18 APRIL 2024

I am now able to enclose for consideration at the above meeting the following report that was unavailable when the agenda was printed.

**Agenda Item
No.**

**2. CORPORATE GOVERNANCE COMMITTEE TERMS OF
REFERENCE (Pages 3 - 10)**

To receive the report of the Corporate Governance Committee Terms of Reference Working Party.

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Public
Key Decision - Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Terms of Reference review, Corporate Governance Committee

Meeting/Date: Corporate Governance Committee, 18th April 2024
Council – 22nd May 2022

Executive Portfolio: Executive Councillor for Customer Services – Councillor S Ferguson

Report by: Director of Finance & Corporate Resources

Ward(s) affected: All

Executive Summary:

The Terms of Reference (ToR) for the Corporate Governance Committee should be regularly reviewed against CIPFA best practice standards and other examples of best practice from across the sector to ensure continuous improvement. A subgroup of the committee has undertaken this review, its recommendations are noted in this paper.

The subgroup also considered the size of the committee and whether this was effective. Its recommendations for changes to the make up of the committee are included in the report.

Recommendations:

The Committee is

RECOMMENDED

- (a) to endorse a variation to the Terms of Reference of the Corporate Governance Committee;
- (b) to endorse the proposal to amend the Committee's membership as detailed in paragraph 2.1; and
- (c) that the Terms of Reference of the Committee be reviewed on an annual basis to ensure they remain current.

The Council is

RECOMMENDED

that the necessary variation be made to the Council's Constitution to reflect the revised Terms of Reference of the Corporate Governance Committee and amendment to the membership of the Committee.

1. PURPOSE OF THE REPORT

- 1.1 This report is to bring to committee the findings of the subgroup review of the Terms of Reference (ToR) for the Corporate Governance Committee (CGC) and also the committee membership.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Local Government Association (LGA) peer review of Internal Audit undertaken in March 2023 identified the Committee's ToR had not been regularly reviewed and may not reflect current legislation and Chartered body recommendations. It recommended the ToR be reviewed and changes updated to the Constitution. An ongoing annual review of the ToR was also recommended to ensure they current.

The subgroup considered the existing ToR for CGC against the model ToR recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for audit committees. The model ToR cover all the current legislation requirements and Chartered body recommendations which link to governance, however it does not cover additional responsibilities which CGC holds for the Council in relation to Constitutional, Conduct and Regulatory Arrangements.

The subgroup recommends the model CIPFA ToR are adopted, with an additional section added to incorporate those duties relating to Constitutional, Conduct and Regulatory Arrangements. The revised ToR are attached to this document as Appendix A.

It was also noted that membership of CGC is twelve members plus two independent members. This is a larger committee than is ideal and the subgroup has made the following recommendations for future membership:

1. That the Committee membership be reduced to seven members and up to two non-voting Independent Members,
2. Membership will not include Portfolio Holders/Executive Members, and
3. Group leaders are encouraged not to nominate themselves as committee members, but it was noted this may not always be achievable due to party numbers.

3. KEY IMPACTS / RISKS

- 3.1 If the Committee does not review and update its ToR it will not be able to demonstrate it is effectively fulfilling its statutory duties, which could lead to challenge of decisions, nor will it be able to demonstrate it has effective governance in place.

4. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

- 4.1 The review of the ToR links into objection three of the Corporate Plan, *"Delivering good quality, high value for money services with good control and compliance with statutory obligations"*.

5. LEGAL IMPLICATIONS

- 5.1 If the Committee does not update its ToR to reflect current legislation requirements and Chartered body recommendations, the Council will not be fulfilling its statutory duties.

6. OTHER IMPLICATIONS

- 6.1 Any amendments to the Committee's ToR or committee size will need to be updated in the Constitution.

7. REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 The proposed decisions are necessary to ensure the Committee has ToR which reflect the current legislation and Chartered body recommendations, which in turn enable effective governance. The proposal to reduce committee size is to ensure the ongoing effectiveness of the committee.

8. LIST OF APPENDICES INCLUDED

Appendix 1 – Revised Terms of Reference, Corporate Governance Committee

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REVISED TERMS OF REFERENCE – CORPORATE GOVERNANCE COMMITTEE

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's 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 all those charged with governance that those arrangements are effective.

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.

Governance, 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 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.

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 Internal Audit Manager's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement 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.

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.

External audit

- 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 Arrangements (PSAA) or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- 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 audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 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.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the Internal Audit Manager to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the Internal Audit Manager 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 Internal 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 QAIP.
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the Internal Audit Manager's annual report, including:
 - the statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the results of the Quality Assurance and Improvement Plan (QAIP) that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - 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 (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Internal 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 QAIP and in particular to 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 AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the Corporate Governance Committee chair for the Internal Audit Manager, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To 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.
- To report to full council on a regular basis on the committee's 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.

Constitutional, Conduct and Regulatory Arrangements

To undertake the following constitutional arrangements:

- Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council.

- Consider the periodic electoral review and review District and Parish electoral arrangements including boundaries and other electoral matters.
- Determination of Community Governance Reviews.

To undertake the following conduct arrangements:

- The promotion and maintenance of high standards of conduct within the Council.
- To advise the Council on the adoption or revision of its Codes of Conduct for Members.
- The promotion and maintenance of high standards of conduct within the town and parish councils within Huntingdonshire.
- To advise the Council on the adoption or revision of a Protocol for Member/Officer relations.
- To advise the Council on the adoption of a Code of Conduct for Planning and monitoring operation of the Code.

To undertake the following regulatory arrangements:

- Reviewing and monitoring the policy and procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1999.
- Consideration of reports by the Local Government Ombudsman including compensatory payments