

## **D. AUDIT AND GOVERNANCE COMMITTEE**

### **1. Composition**

#### **Membership**

The Audit and Governance Committee will be composed of 7 Members as follows:

- (i) 6 Members which consist of two from the voting members of the Combined Authority and four members from the Overview and Scrutiny Committee; and
- (ii) 1 Independent Member.

#### **Chairing the Committee**

The Chair shall be appointed annually from amongst the voting membership of the Committee at its first meeting following the Annual Meeting and before proceeding to other business.

#### **Appointment**

The Combined Authority shall appoint an Audit and Governance Committee at the Annual Meeting of the Combined Authority, which shall consist of:

- (a) members appointed from the voting members of:
  - (i) Combined Authority and
  - (ii) Overview and Scrutiny Committee, together with
  - (iii) another elected voting member as a substitute member of the Audit and Governance Committee to act in the absence of the member appointed above, in such a manner that the members of the Audit and Governance Committee taken as a whole will reflect, so far as reasonably practicable, the balance of political parties for the time being prevailing among members of the Constituent Councils when taken together;
- (b) at least one Independent Person, appointed through the prescribed procedure and who:
  - (i) is not a member, co-opted member or officer of the authority;
  - (ii) is not a member, co-opted member or officer of a parish council for which the authority is the principal authority;
  - (iii) is not a relative, or close friend, of a person within sub-paragraph (i) or (ii); and
  - (iv) was not at any time during the 5 years ending with an appointment
    - (1) a member, co-opted member or officer of the authority; or
    - (2) a member, co-opted member or officer of a parish council for which the authority is the principal authority; and
- (c) such non-voting members may be co-opted from other organisations in such manner and at such times as the Audit and Governance Committee may decide.

### **Quorum**

No business of the Audit and Governance Committee shall be transacted unless at least two-thirds of the voting members are present.

### **Meetings and Procedure**

The Committee will conduct business in accordance with the overview and scrutiny rules, meeting standing orders, access to information rules and other standing orders, codes and protocols set out in Part 4 of this Constitution.

### **Delegation**

The Committee may establish such sub-committees, panels and ad-hoc working groups as it considers expedient to assist it.

## **2. Statement of Purpose**

The Audit and Governance Committee is a key component in the Combined Authority's Corporate Governance Arrangements. Its main objectives are to:

- provide an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards;
- provide independent assurance to members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Combined Authority'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; and
- promote and maintain high standards of conduct by Combined Authority Members.

## **3. Functions**

The Combined Authority has delegated to the Audit and Governance Committee the following roles in order to advise the Combined Authority:

### **Governance, risk and control**

- (a) to review the Combined Authority's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance;
- (b) to satisfy itself that the Combined Authority's Annual Governance Statement properly reflects the risk environment and any actions required to improve it, taking into account the internal audit's opinion on the overall adequacy and effectiveness of the Combined Authority's framework of governance, risk and management control, and demonstrate how governance supports the achievements of the Combined Authority's objectives;

- (c) to consider the Combined Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements;
- (d) to consider the Combined Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Combined Authority;
- (e) to monitor the effective development and operation of risk management in the Combined Authority;
- (f) to monitor progress in addressing risk-related issues reported to the committee;
- (g) to consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
- (h) to review the assessment of fraud risks and potential harm to the Combined Authority from fraud and corruption;
- (i) to monitor the counter-fraud strategy, actions and resources;
- (j) to review the governance and assurance arrangements for significant partnerships or collaborations;

### **Internal audit**

- (k) to consider the effectiveness of the Combined Authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations;
- (l) to monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the Combined Authority's exposure to the risks of fraud and corruption;
- (m) to approve the internal audit charter;
- (n) to approve the Code of Ethics for Internal Audit;
- (o) to review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations;
- (p) to approve the risk-based internal audit plan, including the internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources;
- (q) to support the effectiveness of the internal audit process and promote the effective use of internal audit within the assurance framework;

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- (r) to approve significant interim changes to the risk-based internal audit plan and resource requirements;
- (s) to make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope of resource limitations;
- (t) to oversee internal audit's independence, objectivity, performance and professionalism;
- (u) 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;
- (v) to 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:
  - 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 & Improvement Programme (QAIP);
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).
- (w) to consider the Head of Internal Audit's annual report:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of the internal audit
  - the opinion of the overall adequacy and effectiveness of the Combined Authority'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.
- (x) to consider summaries of specific internal audit reports as requested;
- (y) 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 Combined Authority or there are concerns about progress with the implementation of agreed actions;
- (z) 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;
- (aa) 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;

- (bb) to provide free and unfettered access to the Audit & Governance Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee;

### External audit

- (cc) to support the independence of external audit through consideration of the external annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSAA);
- (dd) to consider the annual letter, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit;
- (ee) to comment on the scope and depth of external audit work and to ensure it gives value for money;
- (ff) to commission work from internal and external audit;
- (gg) to advise and recommend on the effectiveness of relationships between external audit and internal audit, inspection agencies and other relevant bodies;

### Financial reporting

- (hh) 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 Combined Authority;
- (ii) to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts;

### Standards

- (jj) to promote and maintain high standards of conduct by Members;
- (kk) to assist Combined Authority Members to observe the Combined Authority's Code of Conduct for Members;
- (ll) to advise the Combined Authority on the adoption, revision or replacement of the Combined Authority's Code of Conduct for Members and the Combined Authority's Arrangements for Dealing with Complaints that Combined Authority Members have failed to comply with the Combined Authority's Code of Conduct for Members ("the Authority's Arrangements");
- (mm) to monitor the operation of the Combined Authority's Code of Conduct for Members and the Authority's Arrangements;

- (nn) to advise, train or arrange to train Combined Authority Members to observe the Combined Authority's Code of Conduct for Members;
- (oo) to determine, in accordance with the Authority's Arrangements, whether a Member has failed to comply with the Combined Authority's Code of Conduct for Members and, if so, to determine what action (if any) to take in respect of the Combined Authority Member, such actions to include:–
- publication of the findings of the Combined Authority's Standards Committee in respect of the Subject Member's conduct;
  - reporting the findings of the Combined Authority's Standards Committee to the Combined Authority for information;
  - recommendation to the Combined Authority that the Subject Member should be censured;
  - instructing the Combined Authority's Monitoring Officer to arrange training for the Subject Member; or
  - recommendation to the Combined Authority that the Subject Member should be removed from all appointments to which the Subject Member has been appointed or nominated by the Combined Authority;
- (pp) to determine appeals against the Monitoring Officer's decision on the grant of dispensations;

### **Accountability arrangements**

- (qq) to report to the Combined Authority on the Committee's findings conclusions and recommendations concerning the adequacy and effectiveness of the Authority's governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions;
- (rr) to report to the Combined Authority on the performance of the Committee in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose;
- (ss) to publish an annual report on the work of the Committee;

### **Amendments to the Constitution**

- (tt) to consider proposed constitutional amendments;

### **Information Management**

- (uu) to determine on behalf of the CA information management policies and procedures and monitor their application;
- (vv) to report to the CA on an annual basis, the up to date position regarding information management policies, procedures and their application.