

AUDIT PANEL		
Report Title	CIPFA Audit Committee Terms of Reference (toR) comparison to London Borough of Lewisham Audit Panel ToR)	
Key Decision	No	Item No. 8
Ward	ALL	
Contributors	Acting Chief Finance Officer	
Class	Part 1	Date: 26 March 2019

1. Purpose of the report

- 1.1. This report presents members of the Audit Panel with a comparison of the CIPFA Audit Committee model terms of reference (ToR) for a Local Authority (2018 edition) with the ToR of the Council's Audit Panel.

2. Recommendations

- 2.1. It is recommended that the Audit Panel note the contents of this report.

3. Background

- 3.1. At their last meeting in December 2018 the Audit Panel considered their terms of reference and asked officers to undertake a 'compare and contrast' exercise with CIPFA's recommended Audit Committee terms of reference.

4. Comparison of Audit Panel ToR

- 4.1. The tables attached to this report at Appendix 1 set out:
- The Lewisham Audit Panel ToR as per the November 2018 Constitution;
 - The CIPFA 2018 model Local Authority Audit Committee terms of reference;
 - A cross referencing of the the Lewisham ToR to the CIPFA model; and
 - Comment on the level of alignment - Met, Partially Met or Not Met.
- 4.2. This also recognises that the Audit Panel is a Panel rather than Committee with the role of the Public Accounts Select Committee within Lewisham's Mayoral model completing some of the functions identified in the CIPFA reference model.
- 4.3. Overall the ToR cover all the expected areas, especially when considered alongside the Council's compliance with the Public Sector Internal Audit Standards (PSIAS) as set out in the Internal Audit Charter and reviewed annually by the Audit Panel.

5. Legal implications

- 5.1. There are no legal implications arising directly from this report.

6. Financial implications

6.1. There are no financial implications arising directly from this report.

7. Equalities implications

7.1. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010

8. Crime and disorder implications

8.1. There are no crime and disorder implications arising directly from this report

9. Environmental implications

9.1. There are no specific environmental implications arising directly from this report

10. Background papers.

10.1. There are no background papers.

If there are any queries on this report, please contact:

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Appendix 1: Suggested CIPFA Audit Committee Terms of Reference (ToR) compared to Lewisham Audit Panel ToR

CIPFA - Governance The terms of reference (ToR) should set out the committee’s position in the governance structure of the authority.

The LB Lewisham – ToR for the Audit Panel are included in the Council’s constitution, which details how it fits into the councils’ structure. See pg 19 (13) / Article 9 Committees Pg 58 (9.3) – see below

<p>9.3 The Council will also appoint an advisory Audit Panel as set out in the first column of the table below with the composition set out in the second column and the terms of reference set out in the third column</p>	
<p>Audit Panel</p>	
<p>Composition</p>	<p>Terms of Reference</p>
<p>Consisting of 6 non-executive Councillors, one of whom shall serve as chair and up to 4 independent co-opted members</p>	<p>(a) To receive, review and where appropriate advise and make recommendations to the Council on the following matters:</p> <ol style="list-style-type: none"> 1. The review and approval of the Council’s Internal Audit strategy, plans and resources. 2. Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function. 3. The annual report of the Council’s Head of Internal Audit and Inspection Agencies 4. Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. 5. The external auditor’s Annual Plan, relevant reports, and reports to those charged with governance. 6. External inspection reports and specific reports as agreed with the external auditor

Appendix 1: Suggested CIPFA Audit Committee Terms of Reference (ToR) compared to Lewisham Audit Panel ToR

	<ol style="list-style-type: none">7. The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.8. An overview of the Council's Constitution in respect of audit procedure rules, contract procedure rules, and financial regulations.9. The Council's assurance arrangements including the Statement of Internal Control [now the Annual Governance Statement].10. The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive.11. The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit.
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Appendix 1: Suggested CIPFA Audit Committee Terms of Reference (ToR) compared to Lewisham Audit Panel ToR

No.	CIPFA's example ToR	LBL ToR – comparison	Comments
1	<p>Statement of purpose Our audit committee is a key component of [name of authority]'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.</p>	<p>See ToR 1, 5 and 8.</p> <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. • The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. • An overview of the Council's Constitution in respect of audit procedure rules, contract procedure rules, and financial regulations. 	Met
2	<p>The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of 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</p>	<p>See ToR 2, 3, 4, 7, 9, 10, 11, and see constitution for who they provide assurance to section Article 6, 6.6 and section 13)</p> <ul style="list-style-type: none"> • Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function. • The annual report of the Council's Head of Internal Audit and Inspection Agencies • Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. • The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. 	Met

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No.	CIPFA's example ToR	LBL ToR – comparison	Comments
		<ul style="list-style-type: none"> • The Council's assurance arrangements including the Statement of Internal Control [now the Annual Governance Statement]. • The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive. • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	
3	<p>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</p>	<p>See ToR 5 & 9</p> <ul style="list-style-type: none"> • The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. • The Council's assurance arrangements including the Statement of Internal Control [now the Annual Governance Statement]. 	<p>Met LBL ToR doesn't specifically say Audit Panel to compare frameworks. However, this is covered through compliance with the PSIAS set out in the Charter reviewed by the Audit Panel annually – see below</p>
4	<p>To review the AGS 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</p>	<p>See ToR 9</p> <ul style="list-style-type: none"> • The Council's assurance arrangements including the Statement of Internal Control [now the Annual Governance Statement]. 	<p>Met</p>

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5	To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements	See ToR 11 <ul style="list-style-type: none"> The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	Met LBL ToR doesn't specifically identify VFM but this is implicit under the duties for external audit.
6	To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	See ToR 1, 3 , & 7 <ul style="list-style-type: none"> The review and approval of the Council's Internal Audit strategy, plans and resources. The annual report of the Council's Head of Internal Audit and Inspection Agencies The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. 	Met
7	To monitor the effective development and operation of risk management in the council.	See ToR 2 <ul style="list-style-type: none"> Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function. 	Met
8	To monitor progress in addressing risk-related issues reported to the committee.	See ToR 7 <ul style="list-style-type: none"> The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. 	Met
9	To consider reports on the effectiveness of internal controls and	See ToR 2, 4	Met

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	monitor the implementation of agreed actions	<ul style="list-style-type: none"> • Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function. • Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. 	
10	To review the assessment of fraud risks and potential harm to the council from fraud and corruption.	See ToR 7 <ul style="list-style-type: none"> • The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. 	Met Annual AFACT report covers key fraud risks and work areas to comply with transparency code.
11	To monitor the counter-fraud strategy, actions and resources.	See ToR 3, 7, & 11 <ul style="list-style-type: none"> • The annual report of the Council's Head of Internal Audit and Inspection Agencies • The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	Met Work of AFACT covered in annual report to Audit Panel and considered as part of internal and external audit reporting.
12	To review the governance and assurance arrangements for	See ToR 3 & 6	Partial

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	<p>significant partnerships or collaborations. CIPFA considers that the requirement to review and make recommendations on the authority's financial affairs will be fulfilled by reference to items 5, 9 and 10 in these suggested terms of reference as well as those under financial reporting</p>	<ul style="list-style-type: none"> • The annual report of the Council's Head of Internal Audit and Inspection Agencies • External inspection reports and specific reports as agreed with the external auditor 	<p>More relevant to combined authorities?</p>
13	<p>Internal audit To approve the internal audit charter.</p>	<p>See ToR 1 (included in Charter)</p> <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. 	<p>Met</p>
14	<p>To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.</p>	<p>See ToR 1</p> <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. 	<p>Met</p>
15	<p>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.</p>	<p>See ToR 1</p> <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. 	<p>Met</p>
16	<p>To approve significant interim changes to the risk-based internal audit plan and resource requirements.</p>	<p>See ToR 1 & 2</p> <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. • Internal Audit progress reports on a quarterly basis summarizing the audit reports issued 	<p>Met</p>

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		and performance of the Internal Audit function.	
17	To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.	See ToR 1 & 4 <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. • Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. 	Met
18	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.	See ToR 1 & 11 <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	Partially met Potential conflicts from acting up arrangements have been declared in 2018/19 and noted by external audit. Restructure looking to eliminate these going forward.
19	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: 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 QAIP	See ToR 2 & 4 <ul style="list-style-type: none"> • Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function. • Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. 	Met

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	c) 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.		
20	To consider the head of internal audit's annual report: a) 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 internal audit. 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 – these will assist the committee in reviewing the AGS	See ToR 3 (includes PSIAS and QAIP, and annual opinion) • The annual report of the Council's Head of Internal Audit and Inspection Agencies	Met
21	To consider summaries of specific internal audit reports as requested.	See ToR 2 • Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function.	Met
22	To receive reports outlining the action taken where the head of internal audit has concluded that management has	See ToR 2, 3 & 4	Met

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	accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions	<ul style="list-style-type: none"> • Internal Audit progress reports on a quarterly basis summarizing the audit reports issued and performance of the Internal Audit function. • The annual report of the Council's Head of Internal Audit and Inspection Agencies • Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. 	
23	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.	See ToR 3 (and a part of the Charter) <ul style="list-style-type: none"> • The annual report of the Council's Head of Internal Audit and Inspection Agencies 	Met
24	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).	See ToR 3 <ul style="list-style-type: none"> • The annual report of the Council's Head of Internal Audit and Inspection Agencies 	Met
25	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	See ToR 1 & 6 (Charter includes this) <ul style="list-style-type: none"> • The review and approval of the Council's Internal Audit strategy, plans and resources. • External inspection reports and specific reports as agreed with the external auditor 	Met
26	External audit To support the independence of external audit through consideration	See ToR 5 & 11	Met

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	of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	<ul style="list-style-type: none"> • The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	
27	To consider the external auditor's annual letter, relevant reports and the report to those charged with governance	See ToR 5, 6 & 11 <ul style="list-style-type: none"> • The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. • External inspection reports and specific reports as agreed with the external auditor • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	Met
28	To consider specific reports as agreed with the external auditor	See ToR 5, 6, & 11 <ul style="list-style-type: none"> • The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. • External inspection reports and specific reports as agreed with the external auditor • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	Met

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29	To comment on the scope and depth of external audit work and to ensure it gives value for money.	See ToR 5 <ul style="list-style-type: none"> The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. 	Met
30	To commission work from internal and external audit.	Audit Panel is advisory only Public Sector Internal Audit Standards identify role as “proving (but not directing) the risk-based plan, considering the use made of other sources of assurance”	Not met Delivered via PASC, M&C & Council
31	To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies	Nothing specific.	Not met
32	Financial reporting 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.	See ToR 10 <ul style="list-style-type: none"> The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive. 	Met
33	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts	See ToR 10 & 11 <ul style="list-style-type: none"> The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the 	Met

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		<p>financial statements or from the audit that need to be brought to the attention of the Executive.</p> <ul style="list-style-type: none"> • The external auditor's opinion and reports to members, and monitoring of management action in response to issues raised by external audit. 	
34	<p>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.</p>	<p>See ToR 4, 5, 7, 10 & 11</p> <ul style="list-style-type: none"> • Reports from Internal Audit on the implementation of agreed recommendations where management have failed to undertake the necessary actions within the planned audit time frame. • The external auditor's Annual Plan, relevant reports, and reports to those charged with governance. • The monitoring of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. • The Council's Annual Statement of Accounts, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive. • The external auditor's opinion and reports to members, and monitoring of management 	Met

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No.	CIPFA's example ToR	LBL ToR – comparison	Comments
		action in response to issues raised by external audit.	
35	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	Constitution directs this to the Public Accounts Select Committee who in turn report to Mayor & Cabinet and onto Council	Partially Met Audit Panel reports to PASC annually – not full Council – in the Mayoral model.
36	To publish an annual report on the work of the committee.	Not in the Audit Panel ToR as a Panel not a Committee. This is covered by the Public Accounts Select Committee ToR at 6.6 of the Constitution: <i>Public Accounts Select Committee</i> <ul style="list-style-type: none"> • “To scrutinise the effectiveness of the Audit Panel.” and • “To receive reports as appropriate from the Audit Panel in respect of their overview of contract procedure rules and financial regulations” 	Met via PASC

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