MD3519 Appendix A

GLA Audit Committee

Terms of Reference

Context

1. The Greater London Authority Audit Committee (the Committee) is established by the Mayor in line with the functions set out below and the requirements of Section 33A of the Local Audit and Accountability Act 2014. These terms of reference and membership arrangements will be reviewed to ensure compliance with any related regulations issued by the Secretary of State, including around membership of and the appointment of members to the Committee.

Purpose

2. The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. 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. The Committee has oversight of both internal and external audit together with the financial, risk and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3. The Committee is expected to operate in an apolitical way, be independent of executive decision making and able to provide objective oversight. The Committee's functions must be exercised with a view to supporting the effective exercise of both executive and scrutiny functions within the GLA.

Terms of reference

4. The terms of reference of the Committee are:

   a) to review and scrutinise the Authority's financial affairs, ensuring that there is sufficient assurance over governance, risk and control

   b) to review and assess the Authority's risk management, internal control and governance arrangements

   c) to review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the Authority's functions

   d) to make reports and recommendations to the Authority in relation to reviews conducted under a), b) and c) above.

5. In fulfilling these terms of reference, the Committee is expected to carry out the functions set out at Annex A.

Membership and terms of appointment

6. The Committee will consist of 6 members, comprising:

   a) a representative of the Mayor

   b) two members of the London Assembly

   c) three independent persons, including the chair and deputy chair.

7. Appointments will be made by the Mayor of London. The duration and any conditions of all members' appointments will be set out in their terms of appointment. London Assembly Members will be nominated by the London Assembly.

8. A representative of the Mayor and the Chair of the London Assembly (or their nominee) will be invited to take part in the interviews for Independent Persons, alongside the GLA's Chief Finance Officer. Formal decisions after the conclusion of the interview process on the appointment and the terms and conditions of that appointment will be taken by the Mayor via letter. The appointment process should comply with relevant provisions of the Protocol on Mayoral Appointments.

9. Independent persons will usually be appointed for an initial four-year term. The Mayor may choose to extend appointments for a second term of up to four years, following consultation with the independent Chair, the Chair of the London Assembly and the Chief Finance Officer. Re-appointments (and the length of any re-appointment term) should take into account of the need to ensure the terms of Independent Persons do not come to an end at the same time. Mayoral and Assembly representatives will be appointed for the duration of the relevant Mayoral/Assembly term.

10. When nominating elected representatives to be on the Committee or when appointing independent persons, consideration should be given to aptitude and relevant knowledge, skills and experience. The appointment of independent persons on the Committee should consider the overall knowledge and expertise of the existing members.

11. A member may resign at any time by giving notice to the committee clerk in writing, having immediate effect. The Mayor may terminate a member's appointment to the Committee at any time, having immediate effect. Grounds for termination might include – but are not limited to – lack of attendance at Committee training or multiple meetings of the Committee, without good reason. The Mayor will consult with the Chair or Deputy Chair of the Committee, as appropriate, prior to taking a decision to terminate an appointment.

Chairing arrangements

12. The Mayor of London will appoint one of the independent persons as Chair of the Committee and will also appoint an independent person as Deputy Chair, to Chair in the event of the Chair's absence or vacancy.

Authority

13. The Committee will make recommendations to the Authority within the scope of topics set out at paragraph 2. The Committee has no authority to take formal decisions on behalf of the Mayor. However, its recommendations and opinions should carry weight and have influence with the leadership team and those charged with governance. Recommendations made by the Committee will, where accepted and where their implementation requires a formal decision, be subject to the Authority's formal decision-making processes.

14. Recommendations put forward by the Committee are expected to comply with the Authority's Financial Regulations, GLA Contracts & Funding Code, and all other applicable GLA policies and procedures (as amended from time to time), unless recommendations relate to updating those policies.

15. In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, the Mayor of London has responsibility for the approval of the annual GLA Statement of Accounts.

Meeting arrangements

16. Meetings will be held quarterly. The Chair of the Committee may call additional meetings as required.

17. The quorum for a meeting of the Committee will be three members, comprising the following as a minimum:

- the Chair or Deputy Chair
- one Member of the London Assembly

- one Mayoral representative.

18. Unless regulations apply part VA of the Local Government Act 1972 to the Committee or otherwise regulate quorum, a member may (subject to legal advice and any statutory guidance) be counted in the quorum if they are able to participate in the proceedings by remote means and remain available throughout the discussion and decision for each item for which they are counted as part of the quorum.

19. It is envisaged that Committee decisions will be made by consensus. In the event of a consensus not being reached a decision can, at the request of any member present, be put to a vote of those members present at the meeting and entitled to vote, with the Chair exercising their additional and casting vote in the event of a tie.

20. Substitute members are not permitted.

21. The Committee will invite, as regular attendees: representatives of the external auditor and internal audit; the Chief Finance Officer; and the Chief Officer. Other attendees may include the Monitoring Officer.

22. Secretariat services will be provided by the Authority's Committee Services Team.

Reporting procedures

23. The Committee will report annually on how it has complied with CIPFA's position statement on the principles and practice of Committees, how it has discharged its responsibilities, and include an assessment of its performance. The report will be available to the public. The Committee should evaluate its impact and identify areas for improvement.

Diversity

24. London's diversity is its biggest asset and the Committee strives to reflect and value this across its work. Committee members are required to ensure that the diversity of London's communities and economy is acknowledged and embedded in the Committee's work.

Openness and transparency

25. If regulations do not formally apply part VA of the Local Government Act 1972 to the Committee, the Committee will apply the principles regarding transparency and openness of meetings and papers set out in that part. Broadly, this means that meetings will be held in public and papers published, unless they involve the likely disclosure of "exempt" information (which is defined in law) and following the application of a public interest test.

Conduct and interests

26. All Committee members will be required to sign terms of appointment, which include a requirement to observe the seven principles of public life (the Nolan Principles).

27. Committee members will be asked to commit to a Code of Conduct for the Committee through their terms of appointment unless otherwise bound by the GLA's Code of Conduct for elected Members or the GLA's Code of Ethics and Standards for staff.

28. Members must register and declare all relevant interests, seek advice from officers on any issue where a conflict of interest is or may be arising and agree to comply with any guidance provided by the GLA's Monitoring Officer.

Training

29. In line with current CIPFA guidance, Committee members are expected to undertake induction and ongoing training, informed by regular assessment of their knowledge and skills, to ensure that the committee collectively has the expertise required to oversee governance, risk management, internal

control, audit and financial reporting effectively. Members will attend a training session on appointment to the Committee arranged by the Chief Finance Officer or their representative. Reasonable notice of – and options for – the date and time of the training will be provided.

Annex A to the Terms of Reference

GLA Audit Committee Functions

Governance and Risk

- To review corporate governance arrangements.
- To monitor the effective development and operation of risk management.
- 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 GLA'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 GLA 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

<u>Governance reporting</u>

- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit'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 GLA's objectives.

<u>Financial reporting</u>

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the draft annual statement of accounts before approval by the Mayor.
- To consider the external auditor's report.

Arrangements for audit and assurance

- To consider the GLA's framework of assurance and ensure that it adequately addresses the risks and priorities of the GLA.

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 Appointments, the Authority's auditor panel or the Local Audit Office as appropriate.
- To consider the external auditor's annual letter and relevant reports.
- 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 head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit 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 head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services.
- To consider the head of internal audit's annual report.
- To consider summaries of specific internal audit reports as requested.
- 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 GLA or there are concerns about progress with the implementation of agreed actions.
- 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.
- 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.

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 the Mayor 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.