



Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	28 February 2023	

ANNUAL REVIEW OF AUDIT COMMITTEE'S TERMS OF REFERENCE

1. Purpose of report

- 1.1 The periodic consideration of the terms of reference of the Audit Committee in accordance with best practice guidance.

2. Outcomes

- 2.1 The annual review of the Audit Committee terms of reference.

3. Recommendations

- 3.1 That the Audit Committee considers the previously agreed terms of reference attached at Appendix 1 and agree that the core functions documented at 7.02 accurately reflect the role of the committee.
- 3.2 That the terms of reference be recommended to Full Council for approval.

4. Background

- 4.1 Audit Committees are a key component of corporate governance. Their overall purpose being 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 and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 4.2 In October 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) refreshed their guidance for Audit Committees (Audit Committees Practical Guidance for Local Authorities and Police – The Audit Committee Member in a Local Authority). In addition, a further supplement (Guiding the Audit Committee) was also published to support officers with responsibility for guiding the Audit Committee.
- 4.3 In accordance with the guidance an annual review of the committee's terms of reference should be completed and furthermore the guidance provides

local authorities with a suggested terms of reference setting out the purpose and the core functions required.

5. Key Issues and proposals

5.1 Since its last review in March 2022 the terms of reference at Appendix 1 have been amended to reflect the new refreshed guidance from CIPFA issued in October 2022.

5.2 The amended terms of reference are included for consideration at Appendix 1.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Any changes to the terms of reference would be subject to confirmation by Full Council.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x	risks/implications	✓ / x
community safety	x	asset management	x
equality and diversity	x	climate change	x
sustainability	x	ICT	x
health and safety	x	data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Karen McLellan	01253 887586	Karen.mclellan@wyre.gov.uk	14.02.2023

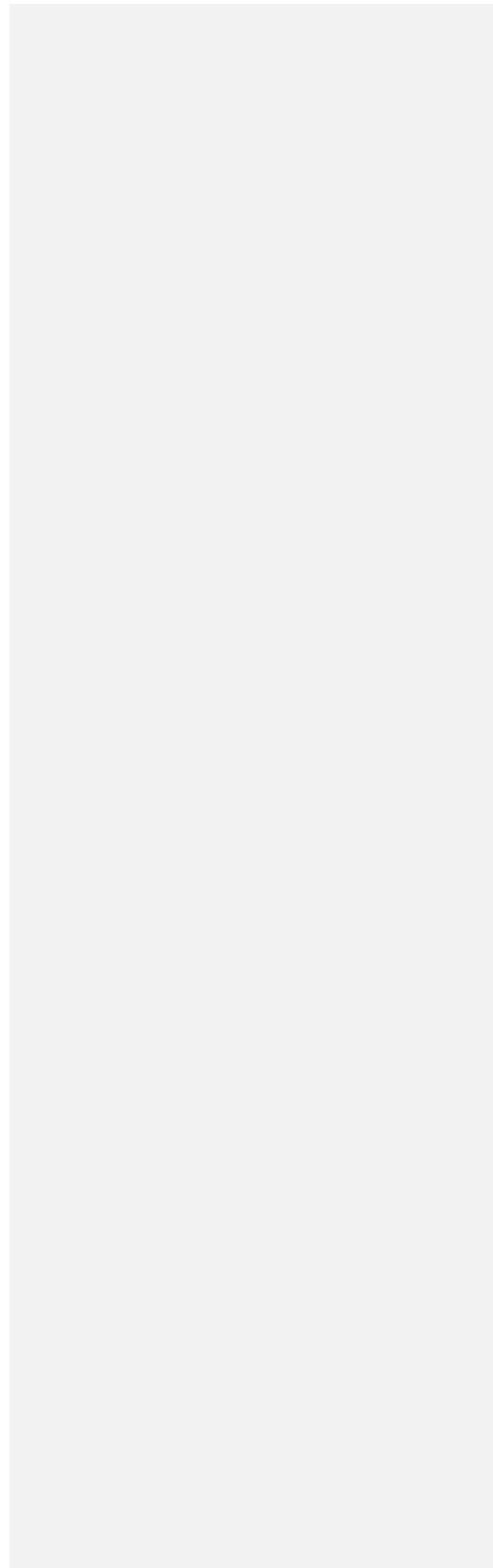
List of background papers:

name of document	date	where available for inspection
------------------	------	--------------------------------

None		
------	--	--

List of appendices

Appendix 1 – Audit Committee Terms of Reference (extract from the Constitution; Article 7)



Audit Committee - Terms of Reference

7.01 Purpose

The audit committee is a key component of Wyre Council's ~~corporate~~ governance ~~framework~~. It provides 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.~~ ~~audit, assurance and reporting arrangements that underpin good governance and financial standards.~~

The ~~purpose of an~~ Audit Committee ~~has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.~~ ~~is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of the authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.~~ ~~It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.~~

7.02 Core Functions

The Council will appoint an Audit Committee independent from both the Executive and the Overview and Scrutiny function and it will have the following core functions:

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 review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the Audit and Risk Manager's/Head of Internal Audit's annual audit opinion.~~
- ~~To consider whether the annual evaluation for the AGS fairly concluded that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.~~
- ~~To consider the 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 assessment on the effectiveness of these arrangements.
- To monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.
- ~~To monitor counter-fraud, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption.~~
- ~~To review the effectiveness of the council's whistleblowing arrangements.~~

- To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

- To approve the internal audit charter.
- To review proposals made in relation the appointment of external providers of internal audit services and to make recommendations ~~on their effectiveness.~~
- To approve the risk-based internal audit plan, including internal audit's resource requirements, ~~and~~ the approach to using other sources of assurances 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 [Audit and Risk Manager](#) to determine if there are any inappropriate scope or resource limitations.
- To ~~consider any impairments to the independence or objectivity of the Audit and Risk Manager arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments. approve and periodically review safeguards to limit impairments to the independence or objectivity of the internal audit team.~~
- ~~To consider reports from the Audit and Risk Manager/Head of Internal Audit on internal audit's the performance during the year, including the performance of external providers of internal audit services. These will include: -This will include an update on the implementation of agreed recommendations.~~
 - o ~~updates on the work of internal audit, including key findings, issues of concern and actions in hand as a result of internal audit~~
 - o ~~regular reports on the results of the Quality Assurance Improvement Programme (QAIP)~~
 - o ~~reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), concerning whether the non-conformance is significant enough that it must be included in the AGS.~~
- ~~To consider the Audit and Risk Manager's Head of Internal Audit's annual report, including:~~
 - o ~~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)~~
 - o ~~the opinion of 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.

Formatted

Formatted: Not Highlight

Formatted

- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement ~~where required to do so by the Accounts and Audit Regulations, and also any external assessments of effectiveness; i.e. the quality assessment of internal audit that takes place at least once every five years in accordance with the Public Sector Internal Audit Standards.~~
- To provide free and unfettered access to the Audit Committee Chair for the ~~Audit and Risk Manager~~ Head of Internal Audit, including the opportunity for a private meeting with the committee.
- To receive reports outlining the action taken where the Audit and Risk Manager ~~Head of Internal Audit~~ 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.

Formatted: Indent: Left: 1.89 cm, No bullets or numbering

Formatted: Not Highlight

Formatted: Not Highlight

Formatted: Not Highlight

Formatted: Not Highlight

External Audit

- To ~~receive and comment upon~~ the scope and depth of external audit work and External Auditor's Annual Plan, ~~considering the scope and depth of external audit work and to~~ ensure it gives value for money.
- To monitor the External Auditor's progress with the Annual Plan.
- To consider the External Auditors' annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the External Auditor.
- To advise and recommend on the effectiveness of relationships between internal and external audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the Audit Committee Chair for the External Auditors, including the opportunity for a private meeting with the committee.
- 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 PSAA, ~~consider periodically (at least annually) whether the Auditors appointed to carry out the External Audit function remain independent and objective and, that their judgement in carrying out that role has not been impaired as a consequence of their participation in any non-audit reviews, services or advice provided to the council.~~
- To consider additional commissions of work from external audit.

Financial Reporting

- To review the annual Statement of Accounts on behalf of Full Council in accordance with the Accounts and Audit Regulations 2015. 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 monitor the arrangements and preparation for financial reporting to ensure that statutory requirements and professional standards can be met.

- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of Full Council, give any instructions to the Section 151 Officer as may be appropriate.

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, prepare an annual report to Full Council setting out the committee's work and performance during the year in relation to the terms of reference and to refer to Council any matters it shall see fit.~~
- To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.
- To review any issue referred to it by the Chief Executive, Monitoring Officer or any Council body.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Other core functions

- To undertake the annual review of the council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the Code of Practice.
- To receive updates and reports from the Head of Governance and Business Support (Data Protection Officer) and to approve policies in relation to Cyber Security and compliance with the Data Protection Act and Regulations made under the Act.