

Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	13 March 2018	4

## 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 they 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 those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 4.2 In 2013, CIPFA issued practical guidance for Audit Committees and provided local authorities with a suggested term of reference setting out the purpose and the core functions required. The terms of reference state that 'The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes'.

### 5. Key Issues and proposals

- 5.1 At the last meeting of the Audit Committee, members considered the annual review of the committee's performance against the 'self-assessment of good practice' which is documented in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'. The self-assessment requires that an annual review of the Audit Committees' terms of reference be completed.

**5.2** Since its last review in March 2017, there have been no changes necessary to the Audit Committee's terms of reference; however, CIPFA are in the process of reviewing current guidance, which will be published later in the year.

**5.3** The current terms of reference are included for consideration at Appendix 1.

<b>Financial and legal implications</b>	
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.

<b>risks/implications</b>	<b>✓ / x</b>
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

<b>risks/implications</b>	<b>✓ / x</b>
asset management	x
climate change	x
data protection	x

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<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

**List of appendices**

Appendix 1 – Audit Committee Terms - Terms of Reference

## **Audit Committee - Terms of Reference**

### **7.01 Purpose**

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The Audit Committee will have regard to relevant government guidance, the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and any other relevant body and members shall receive training appropriate for this role.

### **Core Functions**

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

- To be satisfied that the Council's Annual Governance Statement properly reflects the risk environment, any actions required to improve it and demonstrates how governance supports the achievement of the authority's objectives;
- In relation to the council's internal audit functions, the Audit Committee will oversee its independence, objectivity, performance and professionalism, support the effectiveness of the internal audit process and promote the effective use of internal audit. This will involve consideration of the annual audit plan, the receipt of regular reports detailing progress against the plan and the annual report;
- To review the risk profile of the organisation and consider the effectiveness of the council's risk management arrangements. This will involve monitoring the progress of embedding risk management, reviewing the council's risk registers and other assurances provided, ensuring that action is being taken where necessary to mitigate such risks;
- To monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the council's exposure to the risks of fraud and corruption. This will involve maintaining and making changes where needed to the council's counter fraud policies;
- To consider the reports and recommendations of external audit, including the auditor's report to those charged with governance (ISA 260) on issues arising from the audit of the accounts;

- To review the financial statements, external auditor's opinion and reports to members and to monitor management action in response to issues raised by External Audit;
- To support effective relationships between internal and external audit, inspection agencies and other relevant bodies and encourage the active promotion of the value of the audit process;
- 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; and
- To maintain and make changes to the council's Financial Regulations and Financial Procedure Rules (without reference to full council).

arm/audit/cr/18/1303jb1