

AUDIT COMMITTEE

Statement of purpose

The committee's purpose is to provide an independent, objective and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring 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, and risk management, together with the financial and governance reports, - helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

4.4.1 Composition and Meetings

Membership of the Audit Committee will be allocated in accordance with political balance rules. In addition, two independent members will be appointed to the Committee. The Committee shall meet four times per year in accordance with a schedule agreed by Council. Additional meetings may be arranged with the agreement of the ChairmanChair. The Audit Committee may appoint specialist advisors to support it in its work if required. Funding will be secured in advance of any appointment and financial commitment on a case by case basis.

4.4.2 Restrictions on Membership

Members of the Executive and Overview and Scrutiny Committees shall not be Members of the Audit Committee.

4.4.3 Functions

4.4.3.1 Governance, risk and control

- a. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- b. To monitor the effective development and operation of risk management in the council.
- c. To monitor progress in addressing risk-related issues reported to the committee.
- d. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- e. To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- f. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- g. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- h. To monitor the counter fraud strategy, actions and resources.
- i. To review the governance and assurance arrangements for significant partnerships or collaborations.

4.4.3.2 Financial and governance reporting

Governance reporting

- a. 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.

- b. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- c. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met, and that reporting is objective and fair-
- d. 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.
- e. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

4.4.3.3 Arrangements for audit and assurance

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

External audit

- a. 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 (PSAA) or the authority's auditor panel as appropriate.
- b. To consider the external auditor's annual letter, relevant reports including value for money, and the report to those charged with governance.
- c. To consider specific reports as agreed with the external auditor.
- d. To review the external audit plan and comment on the scope and depth of external audit work and to ensure it gives value for money.
- e. To consider additional commissions of work from external audit.
- f. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- g. 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

- h. To support and oversee internal audit arrangements.
- i. To approve the internal audit charter.
- j. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- k. To approve review and scrutinise 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.
- l. To monitor progress against the internal audit plan and approve significant interim changes to the risk-based internal audit plan and resource requirements.
- m. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- n. 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.

- o. 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 Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and Local Government Application Note (LGAN) and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - 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).
 - To consider summaries of specific internal audit reports as requested.
 - To monitor the implementation of internal audit recommendations by management and 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 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.
 - 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.

4.4.3.4 Accountability arrangements

- a. 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.
- b. 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.
- c. To publish an annual report to full Council on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

4.4.3.1 Audit Activity – Monitoring the Council's Operations

- a) ~~To approve the Head of Governance and Improvement Services' annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements. In addition to approve any significant additional consulting services engaged upon during the year, since the submission of the annual internal audit plan~~

- ~~b) To consider summaries of specific internal audit reports as requested and make recommendations as appropriate.~~
- ~~c) To consider reports dealing with the management and performance of the providers of internal audit services and make recommendations as appropriate.~~
- ~~d) To consider a report on agreed internal audit recommendations not implemented within a reasonable timescale and agree actions as appropriate. The Committee may require Directors to attend for the consideration of specific reports.~~
- ~~e) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.~~
- ~~f) To consider specific reports as agreed with the external auditor.~~
- ~~g) To comment on the scope and depth of external audit work, to ensure it gives value for money and to make recommendations as appropriate.~~
- ~~h) To commission work from internal and external audit.~~
- ~~i) To approve the External Audit Plan.~~
- ~~j) To agree the Treasury Management Strategy and Policies prior to recommendations being made to the Executive and Council.~~

- ~~k) To monitor treasury management decisions to ensure compliance with the approved Treasury Management Strategy.~~

~~4.4.3.2 Regulatory Framework~~

- ~~a) To maintain an overview of the Constitution in respect of contract procedure rules and financial regulations and to make recommendations to Council as appropriate.~~
- ~~b) To compliment the work of the Standards Committee in relation to its role in promoting good governance and ensuring adherence to the Codes of Conduct for Members and Officers, making recommendations to and receiving recommendations from it as appropriate.~~
- ~~c) To review any issue referred to it by the Council, Chief Executive or Directors.~~
- ~~d) To provide an independent assurance of the adequacy of the Risk Management Strategy and the associated control environment. In particular
 - ~~i) To receive the annual review of internal controls and be satisfied that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it;~~
 - ~~ii) To receive quarterly reports reviewing implementation of the Council's Risk Management Policy and Strategy to determine whether strategic risks are being actively managed;~~
 - ~~iii) To review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive when changes occur;~~
 - ~~iv) To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of Enterprise Risk Management (ERM) as and when specific training needs are identified.~~~~
- ~~e) To agree the following policies prior to their adoption being recommended to Council for inclusion in the Constitution:
 - ~~i) Anti-Fraud and Anti-Corruption Policy;~~
 - ~~ii) Whistleblowing Policy;~~
 - ~~iii) Anti-Money Laundering Policy;~~
 - ~~iv) Prosecution and Sanction Policy; and~~
 - ~~v) Anti-Bribery Policy.~~~~
- ~~f) To monitor Council policies on whistleblowing and the anti-fraud and anti-corruption strategy and the Council's complaints process.~~
- ~~g) To oversee the production of the Authority's Annual Governance Statement and to recommend its adoption.~~
- ~~h) To consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.~~
- ~~i) To consider the Council's compliance with its own and other published standards and controls and to make recommendations as appropriate.~~

4.4.3.3 Accounts

- ~~a) To agree 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.~~
- ~~b) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.~~

4.4.3.4 Training

To identify training opportunities for Audit Committee Members and all Members of the Council in corporate governance issues and to make recommendations as appropriate.

4.4.4 Reporting Lines

The Audit Committee shall make formal recommendations to Council as appropriate, in accordance with its functions described in [Rule 4.4.3](#). The Minutes of the Committee shall be formally recorded and received by Council. The [ChairmanChair](#) of the Committee shall draw to the attention of Council any issues that require action.

4.4.4.1

The Audit Committee shall have clear reporting lines and rights of access to other committees and functions, and make recommendations to these bodies as appropriate.

4.4.5 Review of Terms of Reference

These Terms of Reference shall be reviewed on an annual basis. Any changes proposed by the ~~Assistant Director Governance~~~~Head of Governance and Improvement Services~~, in consultation with the [ChairmanChair](#), shall be submitted to the Council for approval.

4.4.6 Public and Member Questions

Public and Member questions can be asked in accordance with the requirements set out in [Chapter 4.2](#) of this Constitution.

4.4.7 Petitions

Petitions can be submitted to the Audit Committee subject to the requirements of the Council's Petition Protocol described in Chapter 3.5 of this Constitution.

4.4.8 Quorum

The quorum of a meeting of the Audit Committee shall be three.

4.4.9 Speaking Rights

A Member of the Council who is not a Member of the Committee shall be entitled to attend and speak (but not vote) at any full meeting of the Audit Committee. Members attending under the provision shall notify the [ChairmanChair](#) of the Committee in advance that they will be attending.

Members of the public or other organisations shall only be entitled to speak at a full meeting of the Committee by invitation from the [ChairmanChair](#).

4.4.10 Disturbance by Public

If a member of the public interrupts proceedings, the [ChairmanChair](#) will warn the person concerned. If they continue to interrupt, the [ChairmanChair](#) will order their removal from the meeting room.

If there is a general disturbance in any part of the meeting room open to the public, the [ChairmanChair](#) may call for that part to be cleared.

4.4.11 Duration of Meeting

As set out in [Chapter 4.2](#), unless the majority of Members present vote for the meeting to continue, any meeting of the Audit Committee that has not concluded by 10.30pm will adjourn immediately. If, once a motion to continue has been proposed and seconded, the majority of Members present vote to continue, the meeting will continue for a further period not exceeding 30 minutes.

Remaining business will be considered at a time and date fixed by the [ChairmanChair](#). If he/she does not fix a date the remaining business will be considered at the next ordinary meeting.

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