

AUDIT COMMITTEE TERMS OF REFERENCE

1.0 Purpose

1.1 The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated internal control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.0 Membership

2.1 The Audit Committee must remain apolitical. It must display unbiased attitudes, treating auditors, the executive and management equally. It also has the ability to challenge the Leader and Chief Executive when required. The Audit Committee will comprise:

- Five Members in accordance with the political balance rules being four Conservative and one Liberal Democrat who may be represented by designated substitutes in their absence. Any designated substitute must be appropriately trained. None of the Members should be Members of the Executive or Scrutiny Chairs or Vice-Chairs.
- The Section 151 Officer and the Audit Service Manager will normally attend every meeting. Should the Section 151 Officer feel there was an item on the agenda which would benefit from the Leader's presence, or the presence of a Portfolio Holder, the Chairman of the Audit Committee would be informed and he could invite the Leader or Portfolio Holder to attend.

2.2 Other officers will be invited to attend as and when required.

2.3 There will be a standing invitation to the External Auditor to attend all meetings and he/she should attend the Audit Committee at least twice a year to report on the findings of the audit of the Council.

3.0 Meetings

3.1 The Audit Committee will meet at least four times a year. The Chairman of the Audit Committee may convene additional meetings as he/she deems necessary.

3.2 The Chief Executive, the Section 151 Officer, or the Audit Service Manager may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

- 3.3 The Audit Committee, Audit Service Manager and external audit have the opportunity for private discussions without the Section 151 Officer or other executive directors being present if issues need exploring in this forum.
- 3.4 The Corporate Head of Legal and Democratic Services is responsible for ensuring the Audit Committee is serviced with all necessary papers and support to enable it to fully discharge its responsibilities.

4.0 **Reporting**

- 4.1 An annual report from the Audit Committee will be considered by Council. This will raise any issues of concern to Council and provide its opinion on the adequacy and effectiveness of the Council's internal control and risk management arrangements. It will also identify where in their view, the Audit Committee have added value and improved or promoted the control environment.

5.0 **Core Functions**

- 5.1 The Audit Committee's core functions will be to:

- Approve, but not direct, the internal audit strategy and plans ensuring that appropriate risk assessments have been carried out when formulating internal audit plans; and to monitor performance against the plan.
- Review summary internal audit reports and the main issues arising, and seek assurance from management that action has been taken where necessary.
- Receive the annual report of the Audit Service Manager.
- Consider the reports of external audit and other inspection agencies.
- Ensure that there is effective liaison between external and internal audit and other relevant bodies and that the value of the audit process is actively promoted.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated counter fraud, **bribery** and anti-corruption arrangements.
- **Monitor and overview the Speaking Up About Wrongdoing Policy.**
- Consider the robustness of the authority's Treasury Strategy Reports before their submission to Cabinet and full Council.

- Seek assurances that action is being taken by management on risk related issues identified by auditors and inspectors, resolving any outstanding differences between internal audits and management when action or major recommendations have not been agreed.
- Be satisfied that the authority's assurance statements, including the Annual Governance Statement (AGS) properly reflect the risk environment and any actions required to improve it.
- Review the audit planning proposals, monitor progress against the audit plan, review the financial statements, external auditor's opinion and reports to members on the Statement of Accounts and monitor management action in response to the issues raised by external audit.

5.2 In carrying out the core functions the Audit Committee will approve an annual work plan. This will enable members to consider, review and as appropriate approve:-

- An annual review of the Terms of Reference for the Audit Committee to ensure they are current and up-to-date and make recommendations for change to Full Council for consideration.
- Any proposals for the revision of the Terms of Reference of Internal Audit.
- The Audit Service Managers' Annual Report and opinion on the authority's framework of Internal Controls.
- Half yearly reports on the work completed by Internal Audit and the progress made by directorates in implementing recommended actions.
- Revisions to the annual audit plan as advised by the Audit Service Manager and agreed by the Section 151 Officer.
- The authority's Statement of Accounts before submission to full Council.
- A report on the review of the adequacy of the Council's Corporate Governance arrangements.
- A report on the effectiveness of the system of Internal Audit.
- A report on the review of the adequacy of the Council's risk management arrangements.
- The authority's Annual Governance Statement.

- The External Auditor's Work Plan, including comments on the scope and depth of external audit work and to ensure it gives value for money.
- The External Auditor's Management Letter.
- The Annual Governance Report from the External Auditor following completion of the annual audit of the Accounts.
- Reports on any joint projects undertaken by Internal and External Audit.
- Reports on Internal Audit investigations including frauds and consideration of recommendations for strengthening internal controls and Housing Benefit Enforcement activities.
- The annual review and re-affirmation of the authority's Counter Fraud, **Bribery** and Anti-Corruption Strategy to ensure on-going training and awareness of all staff regarding counter fraud, **bribery** and anti-corruption measures.
- **An annual report on the effectiveness of the authority's Whistleblowing policies.**
- A bi-annual report on the continued adequacy and effectiveness of, and management compliance with, the authority's Financial Rules.
- Any issues within the remit of the Audit Committee referred to it by the Chief Executive, the Section 151 Officer, Monitoring Officer or any Council body for determination.
- Treasury Strategy Reports including the Annual Investment Strategy and Minimum Revenue Provision Policy before submission to full Council.
- The mid year Treasury Strategy Report and Annual Treasury Report before submission to full Council.

6.0 **Powers of the Audit Committee**

- 6.1 The Committee will have no delegated powers, but can require relevant officers to attend at any meeting where such attendance would be expedient to the work of the Committee.

7.0 **Audit Committee Competency Framework**

- 7.1 All Members of the Audit Committee should have, or acquire as soon as possible after appointment:-

- An understanding of the objectives and current significant issues facing the council.
- An understanding of the council's structure including key relationships with external partner organisations.
- An understanding of any relevant legislation or other rules governing the operation of the council.
- A broad understanding of the local government environment, in particular its accountability structures and current, major initiatives.

7.2 CIPFA recommends that the Audit Committee should corporately possess an appropriate level of knowledge/skills/experience in:-

- Finance.
- Risk management.
- Audit.
- Treasury management.
- The authority's governance and regulatory frameworks.
- An understanding of the wider governance environment in which the council operates and the accountability structures within that environment and
- That the Committee should receive appropriate levels of training.

Reviewed and updated **22 March 2012**.