

Audit Committee Terms of Reference – Appendix 2

Terms of Reference:

The purpose of the Audit Committee is to provide independent assurance to the Council on the following responsibilities:

- (i) The effectiveness of the Council's risk management, internal control and its overall assurance framework;
- (ii) The effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon (i) above;
- (iii) Reviewing the performance of the Council's Internal Audit section
- (iv) Receipt and review of External Audit reports and liaison with external auditors on significant matters identified.
- (v) Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
- (vi) To consider, accept and take a view on the Statement of Accounts and the Annual Governance Statement.
- (vii) Ensuring effective scrutiny of treasury management policies and practices including the annual investment strategy.

Accountability:

1. The Audit Committee will be a stand alone Committee of the Council. All Audit Committee members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.
2. The Chair of the Audit Committee will be appointed by Full Council, who will ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny and Regulatory Committees, or the Full Council.
3. The Chair of the Audit Committee will present an Annual Report on the work of the Audit Committee to the Full Council

Authority and Access:

4. The Audit Committee has a right to request relevant information from any Members / Officers.
5. The Committee can require any member of the Cabinet or, senior officer (Chief Executive, Group Director, or Director) to attend before it to facilitate consideration by the Committee of matters within the remit of such Member or officer.
6. The Audit Committee will not be able to transact the powers, functions and duties reserved to the Council, the Cabinet, Overview and Scrutiny and other Regulatory Committees.

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7. The Audit Committee will have access to in-house legal and other professional advice.
8. The Chair of the Audit Committee, external and internal auditor will meet as necessary and the Head of Internal Audit will provide necessary services / support and assistance to the Audit Committee.
9. Any Member, Officer or member of the public, who has any concern covered by the Terms of Reference of the Audit Committee, may raise the matter with the Chair of the Committee who will obtain, if necessary, relevant advice from the Monitoring Officer, or the Section 151 Finance Officer before taking any action with regard to the same.

Membership

10. Audit Committee members will be appointed by the Council and consist of at least 5 members in accordance with the rules governing political balance. A member of the Cabinet shall not be eligible to be a member of the Audit Committee. The Council may co-opt other non-voting members, as required.
11. The decisions of the Audit Committee will not be of an executive nature, and like other Regulatory Committees, the decisions will not be the subject of Scrutiny call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer, or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with relevant Standing Orders.

Attendance

12. The Audit Committee shall meet on a regular basis. Council officers and others may attend all or part of the meeting at the invitation of the committee. Attendees may include:
 - Deputy Leader or nominee
 - Chief or Deputy Chief Executive
 - Director of Finance
 - Monitoring Officer (Director of Law and Democratic Services)
 - Head of Internal Audit
 - An observer from the Scrutiny Committee
 - Other Directors and Managers, as required
13. Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Committee will meet, at least, annually with:
 - the external and internal auditors together; and/or
 - in private, with the external auditor.

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Meetings

14. Subject to there being sufficient business to transact, the Audit Committee will meet, at least, four times a year. The External Auditor, or Head of Internal Audit may request a meeting if they consider it necessary. Appendix A contains an outline Audit Committee timetable.
15. The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

Quorum

16. The quorum for any meeting will be in accordance with the Council's Standing Order 26 (Council Procedure).

Work Profile of the Audit Committee

17. The Audit Committee will take a strategic view on the Council's assurance framework and to this end is likely to receive and advise upon the following areas of work:
 - Whether there is an appropriate culture of risk management and related control throughout the Council;
 - The Annual Governance Statement (AGS)
 - The Annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit;
 - Significant changes required to Financial Regulations and the Accounting Procedures Manual;
 - The framework and processes for risk assessment, analysis and management within the Council;
 - The effective co-ordination between internal and external audit;
 - The budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee; and
 - Agreement of the annual Internal Audit Plan and the performance against the completion of this plan
 - Ensuring effective scrutiny of treasury management policies and practices including the annual investment strategy.
 - Generally, on how the Audit Committee could add value to the Council and how it can best work with other Council bodies such as Overview and Scrutiny and Standards.
18. **To consider: Audit Activity**
 - The Head of Internal Audit's Annual Audit 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.

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- Internal Audit's Charter, the Annual Plan and to monitor the management and performance of internal audit and the delivery of the plan.
- Whether the Internal Audit function is adequately resourced.
- Summaries of specific Internal Audit reports.
- A report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- The External Auditor's Annual Letter, relevant reports and the report to those charged with governance.
- Specific Audit Commission reports as agreed with the External Auditor.
- To review the planned programme of work with the External Auditor commenting on the scope and depth of external audit work and to ensure that it gives value for money.
- To liaise with the Audit Commission over the appointment of the Council's external auditor.
- To receive and respond to, relevant external inspection reports and gain assurance that agreed recommendations made have been implemented.
- To commission work from internal and external audit.

19. To consider: Regulatory Framework

- To review and advise the Cabinet on the embedding and maintenance of an effective system of corporate governance in relation to internal control and risk management.
- To review and advise the Council on the Council's Constitution in respect of contract procedure rules, financial regulations etc.
- To review the Council's assurance framework ensuring that it details the strategic objectives of the Council identified risks to meeting these objectives, mitigating controls and levels of assurance.
- To obtain assurance from relevant bodies of the proportionality, independence and appropriateness of the Council's Anti-fraud and Corruption strategy including the Whistleblowing process.
- To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- To review the Council's own compliance with its own and other published standards and controls.
- To review any issue referred to it by the Chief Executive, a Director, the Monitoring Officer, Head of Internal Audit, or any Council body.

20. To consider: Accounts

- To consider, accept and take a view on the annual Statements 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.
- To consider, accept and respond to the External Auditors' report on the Statement of Accounts.

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Audit Committee – Draft Work Plan for 2010/11

	Agenda Item / Issue	June	September	November	January	March	April
1	Review of internal audit annual plan.						X
2	Review of internal audit progress reports and summary of key findings.	X	X	X	X	X	X
3	Review of final accounts timetable, plans, progress and any updates on changes to financial procedures.				X		X
4	Review of final accounts and financial statements.	X					
5	Review and approval of audited final accounts and financial statements		X				
6	Review and approval of the process for compiling the Statement on Internal Control.					X	
7	Approval of the Annual Governance Statement	X					
8	Review of external audit annual plan (June) and their annual letter (January).	X			X		
9	Receipt of Head of Internal Audit's annual report.	X					
10	Private discussions with internal and external audit.				X		
11	Self-assessment of Audit Committee's effectiveness and review its terms of reference and work programme.	X					
12	Review Internal Audit's terms of reference and the Council's Audit Strategy.					X	
13	Review of the effectiveness of the system of Internal Audit	X				X	
14	Risk Management update and review of losses and special payments.		X		X		X

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	Agenda Item / Issue	June	September	November	January	March	April
15	Receipt of assurance reports i.e. Performance Management; Standards; Overview & Scrutiny; Monitoring Officer as appropriate.		X	X	X	X	X
16	Review of other reports and policies as appropriate e.g. Internal audit reports identifying significant risks, changes to Financial Regulations, Inspection Reports.	X	X	X	X	X	X
17	Receipt of report on CIPFA Benchmarking exercise for Internal Audit			X			
18	Scrutiny of treasury management policies and practices including the annual investment strategy.	X			X		

Note: Training to be provided by Members in accordance with their need.