

Swindon Borough Council

Audit Committee – DRAFT Terms of Reference (July 2014)

Purpose

The Audit Committee is a key component of Swindon Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the audit committee is to provide to 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. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and professionalism
 - Support the effectiveness of the internal audit process
 - Promote the effective use of internal audit within the assurance framework
- Consider the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Accountability

- The Audit Committee will be a stand-alone Committee of the Council independent of both the executive and scrutiny functions. 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.
- 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 Full Council.
- The Chair of the Audit Committee will present an annual report on the work of the Audit Committee to Full Council.

Authority and Access

The Audit Committee:

- Has a right to request relevant information from any Members/officers.
- Can require any member of the Cabinet or senior officer i.e. Chief Executive, Board Directors, Head of Service, to attend before it to facilitate consideration by the Committee of matters within the remit of such Member or officer.
- Has rights of access to other committee/functions and other strategic groups
- Have access to in-house legal and other professional advice.
- Will not be able to transact the powers, functions and duties reserved to the Council, the Cabinet, Overview and Scrutiny and other Regulatory Committees.

- Will be able to meet privately and separately with the external auditor and with the Head of Internal Audit.

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 Officer before taking any action with regard to the same.

Membership

Audit Committee members will be appointed by the Council and consist of at least five 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.

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 and Meetings

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.

Council officers and others may attend all or part of the meeting at the invitation of the Committee.

Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Committee can meet, at least, annually with:

- the external and internal auditors together; and/or
- in private, with the external auditor

Appendix A contains an outline Audit Committee timetable.

The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

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

Regular attendees at Audit Committee will include the Chief Financial Officer or appropriately qualified substitute, the Head of Internal Audit and the appointed external auditor. Other attendees may include the Chief Executive and the Monitoring Officer. These officers should also be able to access the Committee or the Chair as required.

Work Profile of the Audit Committee

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
- Agreement of the annual Internal Audit Plan and monitoring 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

Consideration of core functions

When considering its core functions the Committee should review the following:

- **Annual Governance Statement (AGS)**

In relation to the AGS the Committee should undertake the following activities to discharge their responsibilities:

- Review the local code of governance and any changes to the arrangements in the year
- Ensure that the AGS is underpinned by a framework of assurance
- Over the course of the year, receive reports and assurances over the application of the governance framework in practice
- Monitor implementation of action plans or recommendations to improve governance arrangements
- Consider how the organisation applies governance principles in practice during the Committee's review of other agenda items

Given its role in overseeing the local code of governance and the AGS, the Audit Committee has an opportunity to promote the implementation of the principles of good governance across the authority.

- **Internal Audit**

The Audit Committee has a clear role in relation to oversight of the authority's internal audit function.

In relation to overseeing the independence, objectivity, performance and professionalism of the function the following activities are the functional reporting arrangements set out in the Public Sector Internal Audit Standards (PSIAS):

- to review or approve the internal audit charter; risk-based internal audit plan; internal audit budget and resource plan
- make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations
- to receive the annual report, which includes the annual audit opinion on the overall adequacy and effectiveness of governance, risk and internal control
- to discuss with the Head of Internal Audit the form of the external assessment of internal audit and the qualifications and independence of the assessor.
- the Head of Internal Audit should have free and unfettered access to the Chair of the Audit Committee.

The Audit Committee has an important role in supporting the process of internal audit i.e.

- Receiving updates on the work of internal audit including key findings, issues of concern, and action in hand as a result of internal audit work
- Receiving reports on instances where the internal audit function does not conform to PSIAS and considering whether non-conformity is sufficiently significant so that it must be included in the AGS

- Overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates

- **Risk Management**

The role of the Audit Committee in relation to risk management covers three major areas:

- Assurance over the governance of risk, including overseeing the authority's risk management policy and strategy
- Keeping up-to-date with the risk profile and the effectiveness of risk management actions by reviewing arrangements to co-ordinate and lead risk management and following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

- **External Audit**

The Audit Committee's role should include receiving and considering the work of the external auditor. The Committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work in order to monitor the action to be taken. The Committee should also contribute to the authority's response to the annual audit letter.

- **Financial Reporting**

Audit Committee should carry out a review of the financial statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices.

The Committee should consider, accept and respond to the external auditor's report on the statement of accounts.

- **Treasury Management**

The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. The Audit Committee is the nominated committee responsible for the effective scrutiny of the treasury management strategy and policies.

- **Countering Fraud and Corruption**

The Audit Committee's role should be to have oversight of the authority's strategy to counter fraud – assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

- **Value for Money**

The role of Audit Committee is to focus on whether the authority's overall approach to value for money is in line with governance objectives and to receive assurances on this to underpin the AGS.

One specific area of activity for the Committee is to consider the external audit opinion on value for money.

- **Assurance Frameworks and Assurance Planning**

The Audit Committee has a responsibility to understand what assurance is available to support the AGS and to enable it to meet its terms of reference.

Review

These terms of reference will be reviewed on at least an annual basis to ensure that they comply with best practice and reflect any changes in legislation.

Audit Committee – Draft Work Plan for 2014/15

	Agenda Item / Issue	April	July	September	November	February
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
3	Review of final accounts timetable, plans, progress and any updates on changes to financial procedures.					X
4	Review of draft final accounts and financial statements.		X			
5	Review and approval of audited final accounts and financial statements			X		
6	Review of the draft (June), and approval of the final (September), Annual Governance Statement		X	X		
7	Review of external audit annual plan (April) and their annual letter (January).	X				X
8	Receipt of Head of Internal Audit's annual report.		X			
9	Self-assessment of Audit Committee's effectiveness and review its terms of reference.		X			
10	Review of the effectiveness of the system of Internal Audit		X			
11	Risk Management update			X		X
12	Review of Internal Audit's terms of reference and the Council's Audit Strategy				X	
13	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
14	Scrutiny of treasury management policies and practices including the annual investment strategy.	X				X
15	Private discussions with internal and external audit.	As / if required				

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