

Constitution - Audit Committee Terms of Reference 24 March 2021

Report of the Monitoring Officer

PURPOSE OF REPORT

Council is asked to consider revised terms of reference, approved by the Audit Committee, for inclusion in the Council's Constitution.

This report is public

RECOMMENDATION

- (1) **That Council approves revised terms of reference for the Audit Committee attached at Appendix A.**

1.0 Introduction

- 1.1 The terms of reference for each committee are contained in Part 2 of the Council's Constitution "Responsibility for Functions". Council's approval is required to make any revisions, additions or removals to the contents of Part 2.

2.0 Background

- 2.1 In February/March 2019, a full review of the Council's Constitution, instigated by the previous administration, was drawing to a close. On 20 February 2019, the Audit Committee considered revisions to its terms of reference and resolved:

(1) That the proposed revision of the Audit Committee's TOR be accepted by the Committee and that the revised TOR be reported to the Constitutional Working Group for inclusion within the amended Constitution which will be approved at Full Council.

- 2.2 Those revised terms of reference are shown at **Appendix A**.

- 2.3 Unfortunately, it appears that an administrative error was made when revising those terms of reference. The Constitution that was approved by Council on 20 April 2019 erroneously included part of the old version of Audit Committee's terms of reference and parts of the new version producing the terms of reference currently in the Constitution and shown at **Appendix B**. The minutes show that this was noted by the Committee when reviewing its terms of reference again on 19 February 2020, however the error was not picked up and reported to Council at that time.

- 2.4 This report is therefore brought to Council now to provide the opportunity to approve

the revised terms of reference shown at **Appendix A**, so that the Constitution can be updated accordingly.

- 2.3 It should be noted that the terms of reference are on the agenda for the March meeting of the Audit Committee, due to be held immediately before this meeting. No further changes are being recommended in the report, and the Chair will be able to confirm to Council whether any changes were requested.

3.0 Conclusion

- 3.1 Council is asked to approve the terms of reference for the Audit Committee which have previously been approved by the Audit Committee in February 2019, February 2020 and are expected to be approved on 24 March 2021.

CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) Not applicable.	
LEGAL IMPLICATIONS None arising directly from this report.	
FINANCIAL IMPLICATIONS None arising directly from this report.	
OTHER RESOURCE IMPLICATIONS Human Resources; Information Services; Property; Open Spaces: None.	
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no comments.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments.	
BACKGROUND PAPERS None.	Contact Officer: Debbie Chambers Telephone: 01524 582057 E-mail: dchambers@lancaster.gov.uk Ref:

Audit Committee Terms of Reference

SECTION 6 – AUDIT COMMITTEE

Composition: Seven Councillors in political balance. Chair appointed by Council annually.

The Chair and Vice Chair must not be a member of the Cabinet or an Overview and Scrutiny Committee.

The Committee has the right of access to all the information it considers necessary in connection with the work of the Committee and may consult directly with Internal and External Auditors.

Statement of Purpose

- 6.1 The audit committee is a key component of Lancaster City Council's corporate governance. It provides an independent high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 6.2 The purpose of an audit committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of Lancaster City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Core Functions

Governance, Risk and control

- 6.3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 6.4 To review the annual governance statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account the head of audit's annual audit opinion.
- 6.5 To consider the reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 6.6 To consider the council's arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
- 6.7 To monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.

- 6.8 To monitor counter fraud, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 6.9 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

- 6.10 To approve the internal audit charter.
- 6.11 To review proposals made in relation the appointment of external providers of internal audit services and to make recommendations on their effectiveness.
- 6.12 To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- 6.13 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 6.14 To approve and periodically review safeguards to limit impairments to independence or objectivity of the internal audit team.
- 6.15 To approve significant changes to the audit plan and resource requirements.
- 6.16 To consider reports from the head of internal audit on the performance during the year. This will include an update on the implementation of agreed recommendations.
- 6.17 To consider the head of internal audit's annual report.
- 6.18 To consider a report on effectiveness of internal audit to support the Annual Governance Statement and also any external assessments of effectiveness; i.e. the quality assessment of internal audit that takes place at least once every five years in accordance with the Public Sector Internal Audit Standards.
- 6.19 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.

External Audit

- 6.20 To receive and comment upon the External Auditor's Annual Plan, considering the scope and depth of external audit work and to ensure it gives value for money.
- 6.21 To monitor the External Auditor's progress with the Annual Plan.
- 6.22 To consider the external auditors' annual letter and the report to those charged with governance.
- 6.23 To consider specific reports as agreed with the external auditor.
- 6.24 To advise and recommend on the effectiveness of relationships between internal and external audit and other inspection agencies or relevant bodies.
- 6.25 To provide free and unfettered access to the audit committee chair for the external auditors, including the opportunity for a private meeting with the committee.

- 6.26 To consider periodically (at least annually) whether the Auditors appointed to carry out the External Audit function remain independent and objective and, that their judgement in carrying out that role has not been impaired as a consequence of their participation in any non-audit reviews, services or advice provided to the Council.

Financial Reporting

- 6.27 To review the annual Statement of Accounts on behalf of full Council in accordance with the Accounts and Audit Regulations 2015.
- 6.28 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 6.29 To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of full Council, give any instructions to the Section 151 Officer as may be appropriate.

Accountability Arrangements

- 6.30 To prepare an annual report to full Council setting out the committee's work and performance during the year in relation to the terms of reference and to refer to Council any matters it shall see fit.
- 6.31 To review any issue referred to it by the Chief Executive or any Council body.

Other core functions

- 6.32 To consider any matters referred to it by the Monitoring Officer in accordance with Overview and Scrutiny Procedure Rule 12.
- 6.33 With the Monitoring Officer to monitor and review the operation of the Constitution to ensure the aims and principles of the Constitution are given full effect.
- 6.34 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
- 6.35 With the exception of those parts of the Constitution, which are assigned specifically to the Council Business Committee, to consider and propose to Council any other amendments to the Constitution as necessary.

(current wording in the Constitution)

Section 6 - Audit Committee

Composition: Seven Councillors in political balance. Chair appointed by Council annually.

The Chair and Vice Chair must not be a member of the Cabinet or an Overview and Scrutiny Committee.

The Committee has the right of access to all the information it considers necessary in connection with the work of the Committee and may consult directly with Internal and External Auditors.

Terms of Reference

- 6.1 To approve a Statement of Purpose for the Audit Committee having regard to best practice including any Codes published by CIPFA and SOLACE.
- 6.2 To ensure that the Council has a sound system of internal control which —
 - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the Council is effective; and
 - (c) includes effective arrangements for the management of risk.
- 6.3 To monitor arrangements for discharging the Council's responsibilities for efficient and effective financial and operational resource management. In pursuing this aim, it will consider:-
 - (a) the soundness, adequacy and application of controls;
 - (b) compliance with policies, procedures and statutory requirements;
 - (c) arrangements for safeguarding the Council's assets and interests;
 - (d) the integrity and reliability of management information and financial records; and
 - (e) the economic, efficient and effective use of resources.
- 6.4 To manage, steer, monitor and review all matters relating to Internal and External Audit; to approve Internal and External Audit plans; and to receive the Internal Audit Annual Report.

- 6.5 To receive and consider all scheduled outputs from the External Auditor's work, including the annual Audit Letter.
- 6.6 To consider periodically (at least annually) whether the Auditors appointed to carry out the External Audit function remain independent and objective and, that their judgement in carrying out that role has not been impaired as a consequence of their participation in any non-audit reviews, services or advice provided to the Council.
- 6.7 To receive and review the findings of both Internal and External Audit examinations; ensure that management takes appropriate action to implement agreed recommendations; and remedy any internal accounting, organisational or operational control weaknesses identified.
- 6.8 To review the effectiveness of the systems of internal control annually and approve the Annual Control Assurance Statement and the Annual Governance Statement.
- 6.9 To review compliance with public sector financial and audit standards and guidance, in accordance with the CIPFA Codes and the Accounts and Audit Regulations 2015.
- 6.10 To review and comment upon liaison arrangements between Internal and External Audit with a view to optimising the effective deployment of audit resources.
- 6.11 To evaluate the adequacy and effectiveness of the Council's financial and operational policies and procedures including financial and accounting management and the management of risk through discussions with the External Auditors, Internal Auditors and appropriate Officers.
- 6.12 To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of Full Council, give instructions to the Chief Finance Officer as may be appropriate.
- 6.13 To approve the Annual Statement of Accounts.
- 6.14 To prepare an Annual Report to Full Council setting out the Committee's work and performance during the year and to refer to Council any matters it shall see fit.
- 6.15 To review any issue referred to it by the Chief Executive, Chief Finance Officer, Monitoring Officer or any Council body.
- 6.16 To consider reports from and matters raised by the Local Government and Social Care Ombudsman.
- 6.17 With the Monitoring Officer to monitor and review the operation of the Constitution to ensure the aims and principles of the Constitution are given full effect.

- 6.18 To undertake an annual review of the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the relevant Codes of Practice.
- 6.19 With the exception of those parts of the Constitution which are assigned specifically to the Council Business Committee, to consider and propose to Council any other amendments to the Constitution as necessary.
- 6.20 To appoint an Audit Panel to make arrangements relating to the appointment of the Council's External Auditor under the provisions of the Local Audit and Accountability Act 2014, unless the External Auditor is appointed through Public Sector Audit and Accounts Ltd.