

**Audit Committee Terms of Reference
23 September 2015**

Report of the Monitoring Officer

PURPOSE OF REPORT

To seek Council's approve to revised terms of reference for the Audit Committee.

This report is public

RECOMMENDATIONS

- (1) **That the proposed revisions of the Audit Committee's Terms of Reference, set out in Appendix A, be approved.**

1.0 Background

- 1.1 On 17 June 2015 the Audit Committee considered proposals to change its terms of reference to reflect changes to legislation. The full details of the changes, and why they are necessary, are set out in the original report to the Audit Committee, appended to this report. After consideration of the changes, the Committee resolved:

"That the proposed revisions to the Audit Committee's Terms of Reference be accepted and recommended to full Council for adoption."

2.0 Proposed Revision

- 2.1 A copy of the current TOR along with the proposed revision are attached as Appendix A to the original report (attached). All of the proposals are relatively minor in nature.

3.0 Conclusion

- 3.1 Council is asked to approve the proposed revisions to the terms of reference for the Audit Committee as detailed in the attached appendix.

**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer is presenting this report as the officer responsible for maintaining the Constitution.

BACKGROUND PAPERS

Contact Officer: Debbie Chambers
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Ref:

AUDIT COMMITTEE

Audit Committee Terms of Reference 17th June 2015

Report of Internal Audit Manager

PURPOSE OF REPORT

To seek Members' acceptance to revised terms of reference for the Audit Committee, to be recommended to full Council for approval.

This report is public

RECOMMENDATIONS

- (1) **That the proposed revisions of the Audit Committee's Terms of Reference are accepted and recommended to full Council for adoption.**

1.0 Background

- 1.1 No substantive changes have been necessary to the Audit Committee's terms of reference (TOR) for a number of years. Over the past 12 months, two new pieces of legislation, the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 have brought in changes to audit arrangements which need to be reflected in the TOR.

2.0 Proposed Revision

- 2.1 A copy of the current TOR along with the proposed revision are attached as Appendix A. All of the proposals are relatively minor in nature and at this stage do not change the substantive role and responsibilities of the Committee. In brief the changes are:
- A slight change in the Committee's focus in evaluating the performance of Internal Audit. The previous requirement for an annual evaluation of the effectiveness of Internal Audit is replaced by consideration of Internal Audit's compliance with professional standards. This refers to the Public Sector Internal Auditing Standards (PSIAS) introduced in 2013. A report on compliance with the standards will be included in the wider reporting to Audit Committee concerning the annual review of governance. (paragraph 8.9)
 - With the abolition of the Audit Commission, interim arrangements are in place to deal with the appointment of Councils' external auditors via the Public Sector Audit Appointments Ltd. The Local Audit and Accountability Act provides for the future appointment of external auditors by the body itself, although the exact date at which this will commence is as yet unclear. The proposed revision provides for the Committee to continue to review internal audit arrangements on behalf of full Council in this interim period. (paragraph 8.10)
 - Updating reference to current legislation from the Accounts and Audit (England) Regulations 2011 to the Accounts and Audit Regulations 2015 (paragraph 8.17 and 8.18)

- Deletion of the reference to the Committee having a role in acting “as the mechanism for Members as the mechanism for Members of the Council to liaise with the Independent Remuneration Panel on the Members’ Allowances Scheme of the Council to liaise with the Independent Remuneration Panel on the Members’ Allowances Scheme” Other arrangements are in place to manage this function. (paragraph 8.24)

3.0 Details of Consultation

3.1 None specifically regarding this report.

4.0 Options and Options Analysis (including risk assessment)

4.1 The options available are to accept the proposed revisions to the terms of reference for recommendation to full Council, or recommend alternatives wording if necessary.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) Not applicable	
FINANCIAL IMPLICATIONS None directly arising from this report	
SECTION 151 OFFICER’S COMMENTS The Section 151 Officer has been consulted and has no further comments	
LEGAL IMPLICATIONS None directly arising from this report	
MONITORING OFFICER’S COMMENTS The Monitoring Officer has been consulted and has no further comments	
BACKGROUND PAPERS	Contact Officer: Derek Whiteway Telephone: 01524 582028 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/comm/audit/150617TOR

Current Version**SECTION 8 – AUDIT COMMITTEE**

Composition: 7 Members of the Council on a PR basis, Chairman and Members of the Committee appointed by Council annually. The Chairman must not be a member of Cabinet or Overview and Scrutiny. Changes can be made by Council during the course of the year.

Terms of Reference

- 8.1 To review all matters relating to Internal and External Audit. It will have the right of access to all the information it considers necessary and can consult directly with Internal and External Auditors.
- 8.2 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:-
 - the soundness, adequacy and application of controls;
 - compliance with policies, procedures and statutory requirements;
 - arrangements for safeguarding the Council's assets and interests;
 - the integrity and reliability of management information and financial records;
 - the economic, efficient and effective use of resources.
- 8.3 To approve a Statement of Purpose for the Audit Committee.
- 8.5 To approve Internal Audit plans.
- 8.6 To monitor Internal Audits progress with the annual Audit Plan, evaluating the effectiveness of Internal Audit and the use of audit resources and approving adjustments to the Audit Plan.
- 8.7 To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified.
- 8.8 To receive the Internal Audit Annual Report and annual controls assurance statement.
- 8.9 To review internal audit's compliance with 'proper practices' as set out in the Public Sector Internal Audit Standards and perform an annual evaluation of the effectiveness of Internal Audit in accordance with the Accounts and Audit (England) Regulations 2011.
- 8.10 To be consulted as part of the process in agreeing the appointment by the Audit Commission of the Council's external auditor.
- 8.11 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.
- 8.12 To monitor the External Auditor's progress with the Annual Plan.
- 8.13 To receive all scheduled outputs from the External Auditor's work, including the annual Audit Letter.
- 8.14 To review and comment upon liaison arrangements between Internal and External Audit with a view to optimising the effective deployment of Audit resources.

- 8.15 To evaluate the adequacy and effectiveness of the Council's financial and operational policies and procedures including financial and accounting management through discussions with the External Auditors, Internal Auditors and appropriate officers.
 - 8.16 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.
 - 8.17 To approve the annual Statement of Accounts on behalf of full Council in accordance with the Accounts and Audit (England) Regulations 2011.
 - 8.18 To monitor the effective development and operation of risk management and corporate governance by considering the effectiveness of the Council's adopted local Code of Governance. Also to oversee the production of the authority's annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2011 and recommend its adoption.
 - 8.19 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.
 - 8.20 To review any issue referred to it by the Chief Executive or any Council body.
 - 8.21 To consider any matters referred to it by the Monitoring Officer in accordance with Overview and Scrutiny Procedure Rule 12.
 - 8.22 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.
 - 8.23 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.
 - 8.24 To act as the mechanism for Members of the Council to liaise with the Independent Remuneration Panel on the Members' Allowances Scheme.
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Proposed Revision

SECTION 8 – AUDIT COMMITTEE

Composition: 7 Members of the Council on a PR basis, Chairman and Members of the Committee appointed by Council annually. The Chairman must not be a member of Cabinet or Overview and Scrutiny. Changes can be made by Council during the course of the year.

Terms of Reference

- 8.1 To review all matters relating to Internal and External Audit. It will have the right of access to all the information it considers necessary and can consult directly with Internal and External Auditors.
- 8.2 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:-
 - the soundness, adequacy and application of controls;
 - compliance with policies, procedures and statutory requirements;
 - arrangements for safeguarding the Council's assets and interests;
 - the integrity and reliability of management information and financial records;
 - the economic, efficient and effective use of resources.

- 8.3 To approve a Statement of Purpose for the Audit Committee.
- 8.5 To approve Internal Audit plans.
- 8.6 To monitor Internal Audit's progress with the annual Audit Plan, evaluating the effectiveness of Internal Audit and the use of audit resources and approving adjustments to the Audit Plan.
- 8.7 To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified.
- 8.8 To receive the Internal Audit Annual Report and annual controls assurance statement.
- 8.9 To review internal audit's compliance with public sector internal auditing standards or guidance, in accordance with the Accounts and Audit Regulations 2015.**
- 8.10 To review and advise full Council on arrangements relating to the appointment of the Council's external auditor under the provisions of the Local Audit and Accountability Act 2014.**
- 8.11 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.
- 8.12 To monitor the External Auditor's progress with the Annual Plan.
- 8.13 To receive all scheduled outputs from the External Auditor's work, including the annual Audit Letter.
- 8.14 To review and comment upon liaison arrangements between Internal and External Audit with a view to optimising the effective deployment of audit resources.
- 8.15 To evaluate the adequacy and effectiveness of the Council's financial and operational policies and procedures including financial and accounting management through discussions with the External Auditors, Internal Auditors and appropriate officers.
- 8.16 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.
- 8.17 To approve the annual Statement of Accounts on behalf of full Council in accordance with the Accounts and Audit Regulations 2015.**
- 8.18 To monitor the effective development and operation of risk management and corporate governance by considering the effectiveness of the Council's adopted local Code of Governance. Also to oversee the production of the authority's annual Governance Statement in accordance with the Accounts and Audit Regulations 2015 and recommend its adoption.**
- 8.19 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.
- 8.20 To review any issue referred to it by the Chief Executive or any Council body.
- 8.21 To consider any matters referred to it by the Monitoring Officer in accordance with Overview and Scrutiny Procedure Rule 12.
- 8.22 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.
- 8.23 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.

8.24 ~~To act as the mechanism for Members of the Council to liaise with the Independent Remuneration Panel on the Members' Allowances Scheme.~~
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