

# COUNCIL

## Audit Committee Terms of Reference 11 April 2018

### Report of the Audit Committee

#### PURPOSE OF REPORT

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

**This report is public**

#### RECOMMENDATIONS

- (1) **That the Audit Committee's Terms of Reference, is amended by the inserting after 8.22 a new 8.23 as set out below, and to renumber the existing 8.23 as 8.24**
- (2) **"8.23 - 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 "**

#### 1.0 Background

- 1.1 Article 14.01 states the Monitoring Officer and the Audit Committee will monitor and review the operation of the Constitution to ensure the aims and principles of the constitution are given full effect.
- 1.2 On 21 February 2018, the Audit Committee considered a proposal to amend its terms of reference to reflect a change to their current responsibilities. The details of the change, and why it is necessary, is set out in the original report to the Audit Committee, appended to this report (Appendix A). After consideration of the change, the Committee resolved:
  - That the proposed revision of the Audit Committee's Terms of Reference be accepted and recommended to full Council for adoption.

- 2.0 That the terms of reference be reviewed later in the municipal year following the publication of CIPFA's Audit Committee's: Practical Guidance for Local Authorities and Police

#### 3.0 Proposed Revision

- 3.1 A copy of the revised TOR is attached at Appendix B. There was only one proposed change to the Audit Committee's Terms of Reference in relation to the Committee undertaking the annual review of the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000.

#### 4.0 Conclusion

- 4.1 The Council is asked to approve the proposed revision 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**

This amendment is to Part 3 of the Constitution 'Responsibility for Functions'. The Audit Committee Terms of Reference which are set out in Part 3 Section 8 of the Constitution which are excluded from amendment by Article 14.02 (a) (ii) which specifically excludes constitutional amendments to Part 3, which is restated in Part 3 section 10.6.

Therefore this matter must be approved by full Council under Article 14.02.

Changes to the Constitution may only be approved after hearing recommendations on a proposal from the Monitoring Officer and/or the Audit Committee. This report is a recommendation from the Audit Committee which is supported by the Monitoring Officer.

**BACKGROUND PAPERS**

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# AUDIT COMMITTEE

21 February 2018

## Audit Committee Terms of Reference

### Report of Internal Audit & Assurance Manager

#### PURPOSE OF REPORT

Annual Review of Audit Committee's Terms of Reference

**This report is public**

#### RECOMMENDATIONS

- (1) That the proposed revision of the Audit Committee's Terms of Reference be accepted and recommended to full Council for adoption.
- (2) That the terms of reference be reviewed later in the municipal year following the publication of CIPFA's Audit Committee's: Practical Guidance for Local Authorities and Police (2017 Edition).

#### 5.0 Background

- 5.1 Audit Committees are a key component of corporate governance. Their overall purpose being to provide 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.
- 5.2 In 2013, CIPFA issued practical guidance for Audit Committees and provided local authorities with a suggested terms of reference setting out the purpose and the core functions required. The terms of reference state that 'The purpose of an Audit Committee is to provide 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 processes'.

#### 6.0 Proposed Revision

- 6.1 Since its last review in 2015, there is only one proposed change to the Audit Committee's terms of reference (paragraph 8.23) in relation to the Committee undertaking the annual review of the council's use of the Regulation of Investigatory Powers Act (RIPA) 2000. CIPFA are in the process of reviewing current Audit Committee guidance, which will be published later in the year. The amended terms of reference is attached as Appendix A.

#### 7.0 Details of Consultation

- 7.1 None specifically regarding this report.

#### 8.0 Options and Options Analysis (including risk assessment)

- 8.1 The options available are to accept the proposed revisions to the terms of reference for recommendation to Full Council, or recommend alternative wording if necessary.

- 8.2 In addition, to agree that the terms of reference be reviewed later in the municipal year following the publication of CIPFA guidance, or wait until the next review in February 2019.

**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**

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## Audit Committee Terms of Reference – Current 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 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.
- 8.24 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.