

# Audit Committee

## 27<sup>th</sup> June 2022



**Report of:** Director: Legal and Democratic Services

**Title:** Audit Committee - Terms of Reference

**Ward:** Citywide

**Officer Presenting Report:** Director: Legal and Democratic Services

### Recommendation

**That the Audit Committee note the Terms of Reference for the Committee ( and the Values at Ethics Subcommittee) and the guidance provided in the report regarding the role and specific responsibilities of the Committee.**

### Summary

The report sets out the Terms of Reference and highlights the Committee's role and responsibilities.

## **1. Context**

- 1.1 The Audit Committee is established under Part 2 of the Council's Constitution and its Terms of Reference are set out in Part 2.B of the Constitution (Non- Executive Functions). The Terms of Reference for the Audit Committee are set out in Appendix A of this report.
- 1.2 It is recommended best practice for the Audit Committee to review its Terms of Reference on an annual basis. Officers have reviewed the Terms of Reference and no changes are required to the Terms of Reference this year.

## **2. Role of the Committee**

- 2.1 There are a number of statutory duties, regulations, and standards relating to financial reporting, governance, and audit that the authority must comply with, and the audit committee's role is to oversee these.
- 2.2 The audit committee can support the authority in establishing, maintaining, and improving effective governance, risk management, and internal control arrangements. These arrangements are the enablers that allow the authority to deliver against its objectives and improve its performance. They are essential if the authority is to make best use of all its resources and minimise loss and waste.
- 2.3 As the primary point of contact for the authority's auditors, the Audit Committee provides a forum to review audit conclusions and recommendations. The committee can escalate key recommendations for action, ensuring that areas of concern are given proper attention.
- 2.4 Recommended practice is for Audit Committees to review and assess themselves annually or to seek an external review. The results of the assessment should be available in the annual report from the committee.
- 2.5 The external auditor will consider the effectiveness of the committee when evaluating the authority's governance arrangements. If they have any significant concerns, they will make recommendations for improvement. Any such recommendations should also be included in the committee's annual report.

## **3. Specific responsibilities of the Audit Committee**

The Specific responsibilities of the Audit Committee include the following matters.

- Maintenance of governance, risk and control arrangements.
- Supporting a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Considering the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative

arrangements.

- Monitoring the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
- Be satisfied that the authority's accountability 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.
- Supporting the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.
- Overseeing independence, objectivity, performance and conformance to professional standards of internal audit arrangements and promote the effective use of internal audit within the assurance framework.
- Considering the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contributing to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.

## Proposal

**That the Audit Committee note the Terms of Reference for the Committee (and the Values and Ethics Sub Committee) and the guidance provided in the report regarding the role and specific responsibilities of the Committee.**

## Legal and Resource Implications

### Legal

As set out in the report

**Legal advice provided by** Nancy Rollason Head of Legal Service

### Financial implications

N/A

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 Background Papers:**

None

## Appendix A

### **Audit Committee Terms of Reference**

#### AUDIT COMMITTEE (AND VALUES AND ETHICS SUB COMMITTEE)

##### **Composition of the Committee**

The Audit Committee comprises nine members of the Council and up to two independent members. The independent members are appointed by the committee. The Chair and Vice-Chair of the committee shall be confirmed by the Audit Committee as per committee procedure rules.

Party Group Leaders are not eligible to sit on the Audit Committee. A minimum of three Councillor members of the Audit Committee will be present for the meeting to be deemed quorate.

The Committee may not appoint any person as an independent member who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically restricted post within the Council. Independent membership may only be made if the person has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least five times a year and will maintain the technical capability to discharge the Audit Committee responsibilities of the Council. The Chair of the Committee may convene additional meetings, as deemed necessary. The Audit Committee may hold separate meetings with External / Internal Auditors without officer or executive representation. The Committee should hold at least one such meeting annually with External and Internal Auditors.

##### **Objectives or Purpose**

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects governance, the authority's exposure to risk and weakness of the control environment, and to oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status, and authority of the Internal Audit function and to demonstrate its independence.
- To contribute towards making the authority, its committees and departments more responsive to the audit function.
- To review compliance with the relevant standards, codes of practice and corporate governance policies of the Council.

##### **Audit Activity**

1.1 To approve the Internal Audit Charter and Strategy and monitor its progress.

1.2 To approve the Internal Audit annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations.

1.3 To suggest work for Internal and External Audit.

- 1.4 To consider the Annual Report and opinion of the Head of Internal Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements prior to approving the Annual Accounts.
- 1.5 To oversee and provide assurance to the Council on the provision of an effective internal audit service and consider the main issues arising from summary Internal Audit reports and seek assurance that action has been taken where necessary, particularly in areas of high risk.
- 1.6 To consider reports dealing with the management and performance of the Internal Audit function, including the external peer review and reports on the results of the Quality Assurance and Improvement Programme in order to gain assurance on the effectiveness of the Internal Audit function.
- 1.7 To monitor the implementation of agreed actions within reasonable timescales.
- 1.8 To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports to those charged with governance in the process for the approval of the Annual Accounts.
- 1.9 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales.
- 1.10 To comment on the scope and depth of the external audit work and to ensure it gives value for money.
- 1.11 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor.
- 1.12 To consider the reports of inspection agencies relevant to the Council.
- 1.13 To undertake an annual review of the effectiveness of the system of Internal Audit.
- 1.14 To oversee the appointment / dismissal of the Chief Internal Auditor.

## **2. Regulatory Framework**

- 2.1 To receive assurance reports on the effectiveness of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct and behaviour and to periodically consider proposed changes to the Constitution in order to make recommendations for amendments to Full Council.
- 2.2 To review any issue referred to it by the Head of Paid Service or Executive Director or any Committee of the Council.
- 2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council.
- 2.4 To monitor Council policies on whistleblowing and anti-fraud and anti-corruption policies, including the Council's complaints process.
- 2.5 To review the Council's Annual Governance Statement prior to approval, considering whether it properly reflects the risk environment and supporting assurances, and recommend its adoption for publication with the annual accounts, together with associated plans for addressing areas of improvement and advising the Council as appropriate.
- 2.6 To review the arrangements for corporate governance, including the Code of Corporate Governance, to agree necessary actions to ensure compliance with best practice and to recommend to Full Council as appropriate.

2.7 To review the Council's framework of assurance, for example Assurance maps, and ensure that it adequately addresses the risks and priorities of the Council.

2.8 To review the Council's compliance with its own and published national standards and controls.

2.9 To review assurances and assessments on the effectiveness of the Council's arrangements to secure value for money.

2.10 To review the assessment of fraud risk and potential harm to the Council from fraud and corruption and to monitor the use of resources to address fraud risk.

2.11 To report as appropriate to Full Council on issues which require their attention or further action.

### **3. Accounts**

3.1 To approve the annual Statement 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.

3.2 To consider, in the context of approving the Accounts, the External Auditor's report to those charged with the governance issues arising from the audit of the accounts.

3.3 To review the Council's Treasury Management Strategy and policies, and make recommendations to Full Council for approval.

### **4. Risk Management**

4.1 To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Policy and the Corporate Risk Register.

4.2 To provide assurance to the Council, in the Committee's Annual Report, on the effectiveness of risk management arrangements in place.

4.3 To seek assurances that action is being taken on risk-related issues.

4.4 To be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

### **5. Accountability Arrangements**

5.1 To report to Full Council on an annual basis on assurances received significant control issues, the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

### **Values and Ethics Sub Committee**

The Audit Committee shall appoint a Values and Ethics Sub-Committee.

Composition of Values and Ethics Sub-Committee -

4 Elected members of the Audit Committee (one from each political group represented on the committee), and one independent member, chaired by an independent member.

### **Terms of Reference for Value & Ethics Committee**

To deal with all matters relating to the ethical framework affecting members of the Council under Part 1 Chapter 7 Localism Act 2011 as amended and all other relevant legislation including regulations, directions and guidance. This shall include, but not be limited to: -

1. The promotion of the highest standards of behaviour by members of the Council, including the Mayor, councillors, independent members and co-optees.
2. Advising the Council on the adoption and operation of the Member Code of Conduct, making recommendations for change as the Committee sees fit.
3. Training all members in the operation of the Member Code of Conduct and ensuring it is well publicised both within and outside the Council.
4. The adoption, implementation and maintenance of a procedure for dealing with allegations of breach of the Member Code of Conduct; including monitoring and review and amending it from time to time as the Committee sees fit.
5. Dealing with allegations of Breach of the Member Code of Conduct, where these are referred to them by the Monitoring Officer, and the imposition of sanctions as appropriate in accordance with the law, the Council's Constitution and relevant procedures adopted by the Council.
6. Consideration of applications for dispensation to allow members to participate in consideration of matters in which they would, but for a dispensation, not be able to participate, in circumstances permitted by law.
7. To adjudicate on any dispute relating to the payment of Members' Allowances or expenses under the Members' Allowances scheme in force from time to time.
8. To review the Council's use of the powers available to it under the Regulation of Investigatory Powers Act 2000.
9. Conferring of Alderman/Alderwoman status and the criteria for such awards.
10. To lead on member development and enhance the role of members as city leaders and community councillors.
11. To review compliance of the Mayor and Councillors in terms of mandatory training.
12. To have oversight of the Register of Members' Interests.
13. All things necessary or in the opinion of the Committee appropriate to fulfil the role and remit of a Values and Ethics Committee as defined by law or the Council's Constitution