

Audit Committee

Terms of Reference

Description

The Audit Committee (the Committee) is a politically balanced Non-Executive Committee of Council. The Committee is necessary to satisfy the requirements of the Accounts and Audit (England) Regulations 2015 and Section 151 of the Local Government Act 1972, and fulfil certain requirements of the Local Audit and Accountability Act 2014. The Committee is accountable to Council and will report annually to Council as set out below.

To ensure compliance with the Accounts and Audit (England) Regulations 2015 and Section 151 of the Local Government Act 1972 the Committee operates within the relevant sections of:

- Audit Committee – Practical Guidance for Local Authorities and Police 2022 (CIPFA)
- Position Statement on Local Authority Audit Committees 2022 (CIPFA)
- Financial Management Code 2020 (CIPFA)
- Treasury Management in the Public Services Codes of Practice 2021 and Guidance Notes 2022 (CIPFA)
- Delivering Good Governance in Local Government (CIPFA)
- Relevant Internal Audit Standards (RIAS)
 - a new standard the Global Internal Auditing Standard (the Standard) was issued in January 2024 for implementation by January 2025
- the Code of Practice on Managing the Risk of Fraud and Corruption 2014 (CIPFA)

and Risk Management Frameworks.

Purpose

The purpose of the Audit Committee is to:

- (a) provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, giving greater confidence to all those charged with governance that those arrangements are effective
- (b) oversee the financial reporting and annual governance processes.
- (c) oversee internal audit and external audit, together with the financial and governance reports helping to ensure there are adequate arrangements in place for both internal challenge and public accountability
- (d) consider assurance of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment including emphasis on:
 - governance risks around high level financial strategy and reserves
 - governance risks connected to asset realisation
 - governance of Capital Programme and projects
 - value for Money and Delivering Objectives
 - governance of linked incorporated bodies
- (e) review and advise on proposed and actual changes to the Council's policies and procedures pertaining to governance.

Objectives

The Audit Committee will:

Audit Committee Accountability Arrangements

- (a) report annually to Council on the work of the Committee and the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose during the previous year, including a conclusion on the compliance with the CIPFA Position Statement.
- (b) report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

Governance, Risk and Control

- (c) review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance
- (d) consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- (e) receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers
- (f) monitor the effective development and operation of risk management in the Council
- (g) monitor progress in addressing risk-related issues reported to the Committee
- (h) consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
- (i) review the assessment of fraud risks and potential harm to the Council from fraud and corruption
- (j) monitor the counter-fraud strategy, actions and resources
- (k) review the governance and assurance arrangements for Council owned companies, significant partnerships or other collaborations, including reports of companies assurance

Arrangements for Audit and Assurance

- (l) consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council

External Audit

- (m) support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by the Public Sector Audit Appointments Limited (PSAA) or the Authority's auditor panel as appropriate
- (n) consider the external auditor's annual letter, relevant reports and the report to those charged with governance
- (o) consider specific reports as agreed with the external auditor
- (p) comment on the scope and depth of external audit work and ensure it gives value for money
- (q) consider additional commissions of work from external audit

- (r) advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
- (s) provide External Auditors with free and unfettered access to the audit committee chair, including the opportunity for a private meeting with the committee

Internal Audit

- (t) approve the internal audit charter including internal audit rights to documents, records, information, and explanations set out in the Accounts and Audit Regulations
- (u) consider any impairments to the independence or objectivity of the Head of Internal Audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments
- (v) make appropriate enquiries of management and the Head of Internal Audit¹ to determine if there are any concerns regarding organisational independence of the internal audit activity or senior management support
- (w) approve the risk-based internal audit plan, including internal audit resource capabilities and the approach to using other sources of assurance and any work required to place reliance upon those other sources
- (x) approve significant interim changes to the risk-based internal audit plan and resource requirements if any
- (y) consider summaries of specific internal audit reports as requested
- (z) contribute to the QAIP and in particular to ensure that an external quality assessment of internal audit that takes place at least once every five years
- (aa) consider the Head of Internal Audit's annual report, including:
 - a. the results from the internal audit Quality Assurance and Improvement Programme (QAIP) including the level of conformance to relevant internal auditing standards, compliance with laws and regulations and plans for improvement
 - b. the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, together with the summary of the work supporting the opinion.
- (bb) 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.

Finance and Governance reporting

- (cc) review and approve the publication of 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
- (dd) consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
- (ee) effectively scrutinise, review and monitor treasury management strategies and policies including compliance with CIPFA Codes
- (ff) review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances,

¹ As defined by Audit Committee – Practical Guidance for Local Authorities and Police 2022 (CIPFA)

taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control

- (gg) consider any appeals made by an employee against decisions made by the Appointments and Conditions of Service Committee relating to a grievance made against the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees.
- (hh) review the annual audit plan for East Midlands Shared Services (EMSS) including resource requirements and make recommendation(s) to the EMSS Joint Committee
- (ii) consider Head of Internal Audit's report(s) which will include updates on the internal audit plan including conclusions and key findings, assurance, advice, insights and monitoring results, issues of concern and actions in hand as a result of the internal audit work.

Membership and Chairing

The Audit Committee has 9 councillor members and up to 2 external independent members.

Members of the Executive are excluded from membership of the Committee.

The Chair of the Committee will be appointed by Full Council at its Annual General Meeting. If the Chair changes in year, the Committee will appoint a Chair for the remainder of the Municipal Year at its next available meeting.

Directors of any of the Council's Group of companies cannot be a member of the Committee.

External independent members will have full voting rights.

Substitutes

Councillor substitute members are permitted for this Committee.

Independent member substitutes are not permitted for this Committee.

Quorum

The standard quorum for Council committees applies to this Committee.

Frequency of Meetings

The Audit Committee will usually meet six times per year.

Duration

There is no limit on the lifespan of the Audit Committee.