

AUDIT COMMITTEE

DATE OF MEETING: 28 MARCH 2023

TITLE OF REPORT: AUDIT COMMITTEE TERMS OF REFERENCE

Report of: Executive Director of Corporate Services

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non-Exempt

PURPOSE OF REPORT

1. The Audit Committee's terms of reference should reflect best practice. Current best practice is contained in guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in support of their 2022 Position Statement on Audit Committees.
2. New terms of reference are proposed that reflect best practice. They are attached at Appendix A. They are significantly different than the current terms of reference, providing more detail on the Committee's role in overseeing corporate governance matters, risk management, financial management and reporting, external and internal audit and countering fraud.
3. The terms of reference also formally recognise the requirement that the Committee has to report annually to the Council on how it has complied with the 2022 Position Statement, discharged its responsibilities and assessed its performance.

RECOMMENDATION

The Committee is asked to consider the revised terms of reference (Appendix A) prior to recommending to full Council at its meeting on 27 April 2023 that it formally adopts them.

BACKGROUND

4. The Committee's terms of reference should be reviewed annually. The current terms of reference are based upon CIPFA guidance that was issued in 2013. New terms of reference have been prepared that reflect the CIPFA 2022 Position Statement.
5. The Position Statement includes suggested terms of reference. These have been reviewed and used as the basis for the Committee's own terms of reference.

MAIN ISSUES

6. The terms of reference cover the following areas:

Oversight of corporate governance arrangements including reviewing the local code of governance and approving the annual governance statement.

Reviewing governance and assurance arrangements for significant partnerships or collaborations.

Considering the Council's risk management arrangements, which includes providing comment to Cabinet on the risk management policy.

Monitoring financial management arrangements including compliance with the CIPFA Financial Management Code and approving the annual Statement of Accounts.

Oversight of external audit arrangements, including consideration of all reports issued to the Council by the external auditor.

Oversight of internal audit arrangements, including approving the Internal Audit Charter and work plans. The Committee shall also fulfil the Board responsibilities of the Public Sector Internal Audit Standards.

Monitoring the Council's counter fraud strategy, actions taken and reviewing the assessment of fraud risks.

7. The Audit Committee agreed at its October 2022 meeting that it wished to include provision for the future appointment of no more than two independent persons. The terms of reference allow for such appointments at a future date.
8. The terms of reference include a requirement that the Audit Committee review its terms of reference annually. This should ensure that they remain current and in line with good practice.
9. Best practice is for the Audit Committee to provide Council with an annual report, outlining the work that it has performed, its effectiveness and compliance with the CIPFA Position Statement. The proposed terms of reference reflect these requirements.
10. The Audit Committee approved the Internal Audit Charter in July 2022. The Audit Committee's responsibilities in the Audit Charter and terms of reference are aligned to ensure that no differences exist.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan

11. The Audit Committee is a key component of the Council's corporate governance framework. Adopting new terms of reference will ensure it meets good governance practice and so helps to deliver the Corporate Plan priority of delivering an efficient and effective Council.

Service Plan

- Is the proposal identified in the Service Plan? No
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal?
Yes

Legal and Constitutional Issues

12. Full Council is required to adopt the terms of reference of the Audit Committee. Once adopted, they are included in the Constitution.
13. In adopting the terms of reference, full Council formally gives to Audit Committee delegated powers to approve the annual statement of accounts (terms of reference item 3 j).

Financial and Resource Implications

14. There are no immediate financial or resource implications arising from adopting new terms of reference.
15. The terms of reference allow for the future appointment of no more than two independent persons to the audit committee. At the time those appointments are being considered, a decision will be required as to whether or not any allowance shall be paid to the independent persons.

Risk Management

16. Poor or inappropriate terms of reference may not adequately define the Audit Committee's responsibilities, scope or workload. This may lead to issues not being presented to the Audit Committee that should be, or them receiving reports that should be presented elsewhere. The terms of reference proposed clearly define responsibilities and scope and should ensure that the Audit Committee considers issues that are within its remit and it is therefore able to fulfil its governance responsibilities.

EQUALITIES

17. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

18. No direct carbon/environmental impacts arising from the recommendation.

ACTION

19. If the Audit Committee accepts the recommendation, the terms of reference will be submitted to the 27 April Council meeting for adoption, and inclusion within the Constitution.

Contact Details: David Harwood, Interim Internal Audit Manager

Appendix A: Audit Committee terms of reference

Appendix B: Details of changes made since last iteration of terms of reference

Background Papers: None