

Audit Committee Terms of Reference March 2023

Committee Size

To be comprised of:-

- Five Councillors, none of which are members of the Cabinet.
- Two people who are not councillors or officers of the Council (independent members).

Statement of purpose

- 1 The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.
- 2 The Committee has oversight of both internal 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.

Governance, risk and control

- 3 To review the Council's corporate governance arrangements against the Good Governance Framework, including the ethical framework and consider RMBC's Code of Governance.
- 4 To monitor the effective development and operation of risk management in the Council
- 5 To monitor progress in addressing risk-related issues reported to the Committee.
- 6 To review risk registers and consider their adequacy and effectiveness in capturing and assessing risks and completing mitigating actions.
- 7 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 8 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 9 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 10 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 11 To monitor the Counter-Fraud Strategy, actions and resources.
- 12 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 13 To deal with any matters referred to the Committee by the Statutory Officers.

Governance Reporting

- 14 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's Framework of Governance, risk management and control.
- 15 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the Authority's objectives.
- 16 To approve the final AGS for publication.

Financial Reporting

- 17 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 18 To review the draft annual Statement of Accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 19 To approve the final audited annual Statement of Accounts for publication. Specifically, to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 20 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for Audit and Assurance

- 21 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 22 To consider reports on progress against actions from external inspections and audits.

External audit

- 23 To 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 Public Sector Audit Appointments (PSAA).
- 24 To approve the external auditor's annual plan.
- 25 To approve any revisions to the external auditor's plan.
- 26 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 27 To consider specific reports as agreed with the external auditor.
- 28 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 29 To consider additional commissions of work from external audit.

- 30 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
- 31 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.

Internal Audit

- 32 To approve the Internal Audit Charter.
- 33 To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 34 To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
- 35 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 36 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 37 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards.
- 38 To consider reports from the Head of Internal Audit on Internal Audit's performance during the year. These will include:-
 - updates on the work of Internal Audit including progress against the plan; key findings and issues of concern; action in hand as a result of Internal Audit work; and performance indicators.
 - regular reports on the results of Quality Assurance and Improvement Programme.
 - reports on instances where the Internal Audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS
- 39 To approve the Head of Internal Audit's annual report including:-
 - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
 - 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.
- 40 To consider summaries of specific Internal Audit reports.
- 41 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 42 To contribute to the QAIP and in particular, to the External Quality Assessment of Internal Audit that takes place at least once every five years.
- 43 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for him/her to meet privately with the committee.

Treasury Management

- 44 To review Treasury Management Policy, Strategy and procedures and to be satisfied that controls are satisfactory
- 45 To receive annual reports on Treasury Management, specifically the outturn report and the mid-year report
- 46 To review the treasury risk profile and adequacy of treasury risk management processes
- 47 To review assurances on Treasury Management, for example an Internal Audit report, external audit report or other review.

Accountability arrangements

- 48 To 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.
- 49 To report to full council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
- 50 To submit a report on the work of the Committee to the Council on an annual basis, including a conclusion on compliance with the CIPFA Position Statement on Audit Committees.