



# Audit Committee

10 March 2014

<b>Report title</b>	Audit Committee – Terms of Reference	
<b>Cabinet member with lead responsibility</b>	Councillor Paul Sweet Governance and Performance	
<b>Accountable director</b>	Keith Ireland, Delivery	
<b>Originating service</b>	Audit	
<b>Accountable employee(s)</b>	Peter Farrow Tel Email	Head of Audit 01902 554460 <a href="mailto:peter.farrow@wolverhampton.gov.uk">peter.farrow@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Not applicable	

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Consider absorbing the work of the Final Accounts Monitoring and Review Sub Committee, into the main Audit Committee, and if agreed, to refer the recommendation to the Special Advisory Group.
2. Consider increasing the membership of the Monitoring of Audit Investigations Sub Committee from four to six members, and if agreed, to refer the recommendation to the Special Advisory Group.

## Recommendations for noting:

The Committee is asked to note:

3. The updated terms of reference for the committee in order to reflect the new Chartered Institute of Public Finance and Accountancy (CIPFA) Practical Guidance for Local Authorities Audit Committees.

## 1.0 Purpose

- 1.1 The terms of reference for the Audit Committee have been updated to reflect CIPFA's new position statement: Audit Committees in Local Authorities. This statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that audit committees are a key component of governance.
- 1.2 The role of the Final Accounts Monitoring and Review Sub-Committee has reduced over the last 12 months. The last proposed meeting was cancelled due to a lack of business and on the occasions when it has met the level of business has resulted in very short meetings. Therefore, the work undertaken by this committee could and would be better absorbed within the main Audit Committee. The updated terms of reference for the Audit Committee reflect this.
- 1.3 The terms of reference for the Monitoring of Audit Investigations Sub-Committee remain as they were. However, with the expanding role played by this sub-committee in helping to focus attention upon combatting fraud, an increase in the membership from four to six would enable additional members to play a more active part in this high-profile area.

## 2.0 Background

- 2.1 The updated terms of reference for the Audit Committee are detailed below:

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

#### **Statement of purpose**

Our Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Governance, risk and control**

To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement 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.

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

To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

To monitor the effective development and operation of risk management in the Council.

To monitor progress in addressing risk-related issues reported to the committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

### **Internal Audit**

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve 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.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- 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 - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

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.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To support the development of effective communication with the head of internal audit.

### **External Audit**

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Financial Reporting**

To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the Council's annual statement of accounts.

To monitor the on-going progress towards publication of the Council's annual statement of accounts, ensuring the statutory deadlines are achieved.

To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.

To review 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.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability arrangements**

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.

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.

## **Monitoring of Audit Investigations Sub Committee – Terms of Reference**

- Monitor the progress of investigations undertaken by Audit Services.
- Refer significant issues arising from the above to the next scheduled meeting of the Audit Committee.

### **3.0 Progress, options, discussion, etc.**

3.1 The terms of reference will continue to be presented to the Audit Committee on an annual basis for review, in order for the committee to determine their continued suitability in respect of the role of the committee and sub-committees.

### **4.0 Financial implications**

4.1 There are no financial implications arising from the recommendations in this report. (GE/25022014)

### **5.0 Legal implications**

5.1 There are no legal implications arising from the recommendations in this report. (JH/24022014/P)

### **6.0 Equalities implications**

6.1 There are no equalities implications arising from the recommendations in this report.

### **7.0 Environmental implications**

7.1 There are no environmental implications arising from the recommendations in this report.

### **8.0 Human resources implications**

8.1 There are no human resources implications arising from the recommendations in this report.

### **9.0 Corporate landlord implications**

There are no corporate landlord implications arising from the recommendations in this report.

### **10.0 Schedule of background papers**

10.1 None