

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT COMMITTEE TERMS OF REFERENCE REVIEW

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To review the Committee's terms of reference and updated accordingly.

2. BACKGROUND INFORMATION

- 2.1 Audit Committees are a key part of governance arrangements and can make a real difference to the way public services are run. They provide an independent, high-level resource supporting strong public financial management and governance.
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) publication – Audit Committees, Practical Guidance for Local Authorities and Police (2013 edition) sets out guidance on the function and operation of audit committees in local authorities. The committee's terms of reference reflect this professional guidance and reflect changes such as the introduction of the Public Sector Internal Audit Standards. As reported in April 2016 the self-assessment carried out by the Audit Service Manager concluded that Audit Committee operated in line with the guidance.
- 2.3 The Terms of Reference of the Audit Committee are laid out in the Council's constitution. It is considered good practice for them to be reviewed annually to ensure that they keep up to date with the regulatory changes and the needs of the Council. A review of the Terms of Reference has been undertaken, as shown on Appendix A. The terms of reference continue to reflect the purpose and activity of the committee and they have been updated to reflect changes to the regulatory environment.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee propose the changes to the terms of reference are updated in the Council's Constitution.

4. ANALYSIS OF OPTIONS

4.1 The proposed amendments reflect current regulations and good practice in relation to accounting and audit and also incorporate activity that has developed in recent years within the scope of the Committee.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no additional resource implications. However regular reviews of internal control and governance arrangements, including the role of the audit committee, should safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACTASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The review of the terms of reference is the result of consideration of professional guidance and external audit's reporting requirements.

7.2 There are no conflicts of interests to declare.

8. R

9. RECOMMENDATIONS

8.1 That the Audit Committee propose that the terms of reference as shown in Appendix A are adopted within the Council's Constitution.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report:

Chartered Institute of Public Finance and Accountancy (CIPFA) – Audit Committees, Practical Guidance for Local Authorities and Police (2013 edition)

APPENDIX A

Audit Committee Terms of Reference Review

Current TOR as per constitution	Suggested Change
Audit Activity	Internal Audit
<p>(a) To consider the head of internal audit's annual report and opinion, a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p>	<p>To approve the audit charter and annual audit plan;</p> <p>To consider the head of internal audit's annual report and opinion, including</p> <ul style="list-style-type: none"> • a summary of internal audit activity (actual and proposed); • the level of assurance it can give over the council's control framework; and • the performance and effectiveness of internal audit (including compliance with Public Sector Internal Audit Standards, results of the Quality Assurance and Improvement Programme, and relevant external inspections)
<p>(b) To consider significant issues rising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale</p>	<p>No change</p>
<p>(c) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. This includes reports dealing with the management and performance of the internal audit service.</p>	<p>To consider the external auditor's annual letter, relevant reports, and the auditors ISA 260 report on the conclusion of the accounts</p>
<p>(d) To consider specific reports as agreed with the external auditor</p>	<p>no change</p>
<p>(e) To comment on the scope and depth of external audit work and to ensure it gives value for money.</p>	
<p>(f) To liaise with the Audit Commission over the appointment of the council's external auditor.</p>	<p>To be kept informed of over the appointment of the council's external auditor by Public Sector Appointments Limited (PSAA)</p>

Regulatory Framework	
<p>(a) To maintain an overview of the council's constitution and governance arrangements in respect of contract procedure rules, financial regulations and the shared services programme with North East Lincolnshire Council, Including the joint committee established thereunder.</p>	<p>No change</p>
<p>(b) Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations. This includes:</p> <ul style="list-style-type: none"> • monitoring and reviewing the Risk Management Group's facilitation role in maintaining and developing the risk management framework in accordance with best practice. • approval of the risk management strategy • consideration of progress reports throughout the year. 	<p>(b) Consider the effectiveness of the authority's risk management arrangements. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations. This includes:</p> <ul style="list-style-type: none"> • Receiving an annual report from the Director of Governance and Partnerships on the effectiveness of the Council's risk management arrangements (and periodic updates where applicable) • approval of the risk management strategy
<p>(c) To monitor the council's counter-fraud and anti-corruption strategy (including the Whistle Blowers' Charter).</p>	<p>(c) To Consider the effectiveness of the Council's anti-fraud and corruption arrangement. This includes:</p> <ul style="list-style-type: none"> • Receiving an annual report of the outcome Council's anti- fraud and corruption activities (and periodic updates where applicable) • Approval of the anti-fraud and corruption strategy and supporting policies such as the whistleblower's charter

<p>(d) To oversee the production of the council's Annual Governance Statement and adopt it alongside the council's accounts</p>	<p>(d) To review, and recommend approval of, the Annual Governance Statement 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.</p>
<p>(e) To consider the council's arrangements for corporate governance and agreeing necessary action to ensure compliance with best practice</p>	<p>(e) To consider the council's arrangements for corporate governance and agreeing necessary action to ensure compliance with CIPFA/ SOLACE governance framework and approval of the Code of Corporate Governance</p>
<p>(f) To consider the council's compliance with its own and other published standards and controls.</p>	<p>No change</p>
<p>(g) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.</p>	<p>No change</p>
<p>(h) Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice</p>	<p>No change</p>

Financial reporting	
(a) To approve the accounting policies to be used to prepare the accounts.	No Change
(b) To review and/or approve the annual statement of accounts. Specifically, to consider whether the approved 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.	No change
(c) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	(c) To consider the auditors ISA 260 report on the conclusion of the accounts