

## **Audit Committee**

**20 May 2024**

### **Review of the Audit Committee Terms of Reference and Self- Assessment of Effectiveness**



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## **Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager**

### **Electoral division(s) affected:**

Countywide.

### **Purpose of the Report**

- 1 To present Members with the findings of the evaluation of the self-effectiveness of the Audit Committee carried out during the Audit Committee Workshop session which took place on 13 February 2024, as prescribed by CIPFA in their document Audit Committees: Practical Guidance for Local Authorities and Police 2022.
- 2 To present to members with the amended Terms of Reference for the Audit Committee which will be presented to Full Council for formal review and approval in May 2024.

### **Executive Summary**

- 3 The CIPFA Publication – Practical Guidance for Local Authorities and Police 2022 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA’s view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.
- 4 Audit Committees are a key component of an authority’s governance framework and provide an independent and high-level resource to support governance and strong public financial management.
- 5 The Committee at its meeting on 29 September 2023 were provided with a copy of the CIPFA Position Statement the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 and CIPFA’s Audit Committee Arrangement: Self-Assessment of Good Practice document and it was agreed that a self-assessment of the Audit Committees

effectiveness against the good practice guidance recommended by CIPFA would be undertaken.

- 6 On 13 February 2024, the Committee attended a workshop to undertake the review of the effectiveness. This report presents the outcome of the review.

## **Recommendations**

- 7 Members of the Audit Committee are asked to:
- (a) Note and comment on the completed self-assessment and evaluation of good practice for Audit Committees in Local Authorities set out in Appendix 2;
  - (b) Note the changes to the Audit Committee's Terms of Reference incorporating CIPFA's model Terms of Reference defined in the Practical Guidance for Local Authorities 2022 set out at Appendix 3, which have been incorporated into the Part 3A of council's revised Constitution and will be subject to review and approval by Full Council on 22 May 2024.
  - (c) Note and comment on the training plan for Audit Committee Members for the Municipal Year 2024/25 set out at Appendix 4 and obtain agreement that Members will attend a training session on 31 July 2024 to address the training needs identified.
  - (d) Note that the outcome of the self-assessment will form the basis of the future annual reporting from Audit Committee, compiled by the Chair of Audit Committee, supported by the Chief Internal Auditor, which will be prepared for presentation to Full Council demonstrating how the Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

## Background

- 8 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
- 9 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives.
- 10 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 11 The previous review of Audit Committee effectiveness was carried out in accordance with the previous CIPFA Publication – Practical Guidance for Local Authorities and Police 2018 Edition, the outcome of which was reported to Audit Committee on 31 May 2019.
- 12 As a result of the self-assessment and evaluation of effectiveness, although no significant gaps have been identified, several areas for improvement were identified with regards to the purpose and governance of the Committee, as well as the training and development opportunities available to Audit Committee Members . The completed assessment is at attached at Appendix 2.
- 13 One of the areas of improvement identified was that the Audit Committee Terms of Reference required reviewing and updating. The amended Terms of Reference is attached at Appendix 3.
- 14 In addition, as part of the review, each individual member was provided with a self -assessment of their core knowledge and skills to complete to ensure the Committee is as effective as possible and to identify any future training needs. As several areas of improvement were identified, a training plan for Audit Committee Members for the Municipal Year 2024/25 has been compiled and is attached at Appendix 4

## Background papers

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 is attached below:



CIPFA Audit  
Committees Position !

- CIPFA's Audit Committees: Practical Guidance for local authorities and police is attached below:



Guiding the audit  
committee - supplement

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective corporate and financial governance of the Council and provides relevant and appropriate challenge and oversight where necessary. It is good practice for the Audit Committee to review its effectiveness periodically to ensure that its arrangements reflect best practice.

### **Finance**

There are no specific financial implications associated with this report.

The Audit Committee has clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

### **Consultation**

The Audit Committee were consulted as part of the workshop on 13 February 2024. The proposed amendments to the Committee's terms of reference were considered by the Constitution Working Group on 22 February as part of the Annual Review of the Constitution and were supportive of the proposals.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

**Risk**

The Audit Committee provides an independent review of the Council's risk management framework and comments on its effectiveness.

**Procurement**

None.

## Audit Committee Arrangements: Self-Assessment of Good Practice carried out on 13<sup>th</sup> February 2024

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

*“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”*

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
<b>Audit Committee Purpose and Governance</b>							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5	Dedicated Audit Committee established as a full, politically balanced committee of Council which operates under the terms of reference set out in DCC Constitution (Section 3A-10 to 3A-11 on pages 62 and 63) and is not combined with other functions.
2	Does the Audit Committee report directly to the governing body (pcc and chief constable / full council / fire authority etc)					5	Audit Committee reports directly to Full Council (in a local authority the full council is the body charged with governance).  An annual report from Audit Committee for the period September 2022 to August 2023 was provided to Full Council in October 2023.

3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?					<p>5</p> <p>The third para on p23 of 2022 CIPFA guidance makes specific reference to approval of financial statements specifying “Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role.”</p> <p>In 2010, Full Council delegated Audit Committee with the responsibility for the review and approval of the following under the terms of reference set out in DCC Constitution ;  <u>Approval of Final Accounts</u> - (Section 3A-10 on pages 62) “Audit Committee approves the Council’s Final Accounts”          (Section 3A-11 on pages 63 item Q) approve the annual statement of accounts;</p> <p><u>Approval of Annual Governance Statement</u> - (Section 3A-11 on pages 62 item N) “approval and adoption of the Council’s Annual Governance Statement”</p> <p><u>Approval of Risk Management Policy and Strategy</u>          Although there is currently no reference relating to the approval of the council’s risk management arrangements with the TOR Section for Audit Committee within the Constitution, reference is made to Audit Committee approval of the council’s Risk Management policy statement and strategy within Section AF-14 on page 230 of the Constitution)</p> <p>To summarise, Audit Committee has delegated authority for the approval of the annual statement of accounts, the Annual Governance Statement and Risk Management policy statement and strategy and this is reference within the Constitution as required.</p>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?				3	<p>The current terms of reference for Audit Committee does not reflect the specific 2022 CIPFA guidance wording.</p>



							<b>Key Consideration 1</b> - The Terms of Reference is being revised and updated in accordance with the CIPFA 2022 Position Statement and guidance in preparation for the 2024 annual review of Constitution.	
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3		An e-form knowledge self-assessment completed for this review identified that the understanding of the role and remit of Audit Committee is variable across the Committee Membership.  Therefore, a training plan has been compiled, which includes the provision to help improve the understanding of the role and purpose of the Audit Committee.	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5	This is often demonstrated during Audit Committee meetings e.g. during 2023 meetings, questions posed by Audit Committee Members resulted in two presentations being delivered by Officers at the Audit Committee meeting which took place on 29 <sup>th</sup> February 2024. This has proved worthwhile and there was positive feedback from Audit Committee Members.	
7	Does the governing body hold the audit committee to account for its performance at least annually?					5	Audit Committee reports annually to Full Council on the work carried out by the Committee. (last annual report was presented to AC on 29 <sup>th</sup> Sept 23 before being presented to Full Council on 18 <sup>th</sup> October 2023 by the Audit Committee Chair)	
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:							
	• Compliance with the CIPFA position statement 2022					5	The next Audit Committee Annual Report for 2023/24 will include a summary of this latest review of effectiveness, which is against the latest 2022 CIPFA position statement guidance.  <b>As per Key consideration 1</b> – Review wording in next revision of Constitution in relation to 4 above.	
	• Results of the annual evaluation, development work undertaken and planned improvements					5		
	• How has it fulfilled its terms of reference and the key issues escalated in the year?					5		
<b>Core Functions</b>								
	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:							
	Governance arrangements					5	Adequately set out in DCC Constitution	

	Risk management arrangements				5	Adequately set out in DCC Constitution
	Internal control arrangements, including <ul style="list-style-type: none"> <li>• Financial management</li> <li>• Value for money</li> <li>• Ethics and standards</li> <li>• Counter fraud and corruption</li> </ul>			3		<p>Financial Management is included within the Committee's financial reporting arrangements on the accounts, but the FM Code is not set out in explicit terms within the committee's terms of reference. However, Finance do separately take a report to Committee on the FM Code Key consideration.</p> <p><b>1a - As per Key consideration 1</b> – Consider amended wording in the ToR to encompass principles of the FM Code, but not make it explicit in case the Code changes.</p> <p><u>Value for Money</u> It is current practice for the Audit Committee to approve the final accounts (Page 230 of the Constitution), which contains an annual VFM opinion</p> <p>Page 10 of the CIPFA guidance states “When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance”</p> <p>“When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement”</p> <p><b>1b - As per Key consideration 1</b> – Consider amended wording in the ToR to ensure that the roles and responsibilities of the Audit Committee in relation to Value for Money is clearly defined.</p> <p><u>Ethics and standards</u> Page 282 of the Constitution details the Code of Conduct for DCC Members</p>

						<p><u>Counter Fraud and Corruption</u> Page 10 of the CIPFA guidance states “The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee’s responsibility to have oversight of arrangements means that they should be able to judge whether the authority’s arrangements are fit for purpose</p> <p>The audit committee should have oversight of the authority’s counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation”</p> <p>DCC’s Constitution -The Audit Committee will review and endorse the Council’s Counter Fraud and Corruption Strategy and will seek assurance on its effectiveness and that of other fraud related policies and procedures (page 234)</p> <p>Counter Fraud and Corruption Strategy reported to AC 30<sup>th</sup> Sept 2022. Internal Audit and Corporate Fraud Report to the Chief Officers and the Audit Committee on the use of resources to counter fraud and corruption and of any investigatory work undertaken. (page 235)</p> <p>Bi annual PPP reporting. Annual PPP reporting 22/23 on 30th June 23 and 23/24 first quarter reported to AC on 27th Nov 23</p>
Annual governance statement					5	It is the responsibility of the Audit Committee to approve the Annual Governance Statement and to seek the necessary assurance that the Council’s corporate governance arrangements including risk management and internal control are effective (Page 232 of the Constitution).
Financial reporting					3	The Audit Committee approves the final accounts (Page 230 of the Constitution). In and a suite of other financial reports are presented to AC for

							<p>review e.g. Treasury Management, final outturn for the General Fund and the Collection Fund, review of accounting policies approval of the annual statement of accounts, Changes to the Code of Practice for Local Authority Accounting in the UK (CIPFA Code) as reported to Council annually.</p> <p><b>1c - As per Key consideration 1</b>– Consider amended wording in the ToR to ensure that the roles and responsibilities of the Audit Committee in relation to Treasury Management activities is clearly defined.</p>
	Assurance framework					5	<p>AC is an advisory committee to both the Council and the Executive on audit and governance issues in order to provide independent and effective assurance over the adequacy of the Council's financial management and reporting, risk management framework, and other processes required to achieve the council's corporate and service objectives (as referenced within Page 221 of DCC's Constitution).</p>
	Internal Audit					5	<p>P62 of the Constitution which refers to the Head of Internal Audit's annual report and opinion, and 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> <ul style="list-style-type: none"> <li>-consider summaries of Internal Audit reports on a quarterly basis;</li> <li>-consider reports dealing with the performance of the Internal Audit service;</li> <li>- consider a report from Internal Audit on agreed audit recommendations not implemented within a reasonable timescale;</li> </ul>
	External Audit					5	<p>The Audit Committee currently approves the final accounts (Page 230 of the Constitution)</p>
10	Over the last year, has adequate consideration been given to all core areas?					5	Yes
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?					5	At DCC, Audit Committee also review Health, Safety and Wellbeing Performance reports

12	Has the committee met privately with the external auditors and head of internal audit in the last year?				3		This practice is not currently in place.  <b>Key Consideration 2</b> – Consideration should be given for arrangements to be made for Audit Committee to meet privately with the external auditors and head of internal audit.
<b>Audit Committee Membership</b>							
13	Has the committee been established in accordance with the 2022 guidance as follows?						
	• Separation from executive					5	Yes
	• A size that is not unwieldy and avoids use of substitutes					5	The current composition of AC is 9 Elected Members and 2 Independent Members.
	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					5	There are currently 2 Independent Members
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					5	DCC Voting members - Each political group is allocated a certain number of seats on the Audit Committee in line with its political proportionality on the County Council. Group Leaders are then informed of the number of seats they are entitled to on each Committee and it is for them to let us know who they are nominating to those seats and that skills and knowledge is considering as part of this decision making.  Independent Members - These are recruitment through an external recruitment exercise, which includes a personal specification setting out the skills, knowledge and experience required. All applicants meeting the essential criteria are interviewed as part of the standard recruitment process.
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?				3		There is a program of Member Induction following each election and training for Audit Committee members is mandatory.  The last mandatory training for Audit Committee Members was hosted by Stephen Carter on 24 June 2021 following 2021 elections.

						<p>If any Members are appointed subsequent to this who have not received the training then a bespoke training is provided to that Member, arranged through Democratic Services and the appropriate officer within the Internal Audit Service.</p> <p>An e-form knowledge self assessment was completed by Members during this review and a training plan has been compiled to further enhance Members skills and knowledge.</p>
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?			2		<p>The CIPFA Position Statement specifies “While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance”.</p> <p><u>Mandatory Training Provision</u> Although there is mandatory training established for all voting Audit Committee Members, not all Members have participated in the training and development opportunities which are available.</p> <p><b>Key Consideration 3</b> – All voting Audit Committee Members are reminded of the training and development opportunities available via the Members portal and Members are encouraged to participate in the training offer provided.</p> <p>In addition, although the HIA provides Internal Audit training and support to new AC Members on appointment, this review identified one elected Member who had not been informed of the Audit Committee training offer available and as such, had not participated in the training required prior to attending Audit Committee meetings.</p> <p><b>Key Consideration 4</b> – Member training should be arranged as required.</p> <p><u>Personal Development Review (PDR)</u> All voting Audit Committee Members are offered an annual PDR but this is not a mandatory requirement.</p>

							<b>Key Consideration 5</b> – All voting Audit Committee Members are reminded that PDR's are available and Members are encouraged to participate in the PDR process.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3		<p>The response rate for the knowledge self-assessment carried out by Members was 73% (8 out of 11 assessments were submitted).</p> <p>Although the 10 questions posed showed that collectively Members consider there to already be a satisfactory level of knowledge, a number of areas were identified which Members considered to require improvement.</p> <p>Therefore, a training plan has been compiled, to further enhance the skills and knowledge of Audit Committee.</p>
18	Is adequate secretariat and administrative support provided to the committee?					5	Experienced and comprehensive committee support is being provided.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?				3		<p>Committee has good working relationships with key people, including internal audit, the CFO and External Auditor.</p> <p><b>As per Key consideration 2</b> – in relation to point 12 above.</p>
<b>Engagement and Outputs</b>							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					5	<p>An Annual Report from Audit Committee, including a summary of work completed during the municipal calendar year, was presented to Council on 18<sup>th</sup> October 2023. This provided Council with the opportunity to offer feedback on the work and performance of the Audit Committee. It was noted in the minutes that Councillor Watson considered the effectiveness of the Audit Committee to be excellent and Council was requested to note the report.</p> <p>Councillor R Bell, Deputy Leader and Portfolio Holder for Finance thanked Councillor Watson for his report and paid tribute to the work of our Audit Committee over the last year. Councillor Bell also thanked thank the officers who furnished the Committee with the many detailed reports it considered which allowed it to provide robust</p>

							overview and assurance of the Council's corporate and financial governance arrangements, and risk management and internal control frameworks.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5	Alex Watson is an experienced Chair, having previously been Council Leader and has extensive experience of audit and local government.
22	Are meetings effective with a good level of discussion and engagement from all the members?					5	Meetings are quorate and exhibit some levels of engagement, for example requesting risk and finance updates resulting in the delivery of additional items at subsequent meetings.
23	Has the committee maintained a non-political approach to discussions throughout?					5	Yes
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					5	Yes, as necessary and required. The Chair and Vice Chair attend AC pre meetings with Section 151 and the Chief Internal Auditor and Corporate Fraud Manager which provides the opportunity for such discussions to take place.  Risk discussions during meetings have resulted in updates being provided and presentations being delivered by key officers at subsequent Audit Committee meetings and key officer and action owners have been called into Audit Committee to provide updates on the progress made in implementing audit findings
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5	This has not been required as yet, but the option is available if needed.
26	Do audit committee recommendations have traction with those in leadership roles?					5	Yes, the Director of Resources (S151 officer) and CMT regularly review and engage in discussions on the implementation of audit recommendations.
27	Has the committee evaluated whether and how it is adding value to the organisation?					5	Yes, through completion of the Annual Report from the Audit Committee to Full Council.
28	Does the committee have an action plan to improve any areas of weakness?					5	Through this assessment and reporting through the next Annual Report to Full Council
29	Has this assessment been undertaken collaboratively with the audit committee members?				3		This assessment has been subject to input from Audit Committee members meeting with the Chair, Chief Internal Auditor and the Finance Manager to discuss the roles, skill sets and responsibilities set out in the CIPFA 2022 Guidance.



							Can improve the outcome of the assessment further via participation from all members.
	<b>Subtotal Score</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>27</b>	<b>150</b>	
	<b>Total Score</b> (max score is 200 – 40 questions multiplied by 5)	<b>179</b>					



## DURHAM COUNTY COUNCIL – AUDIT COMMITTEE

### TERMS OF REFERENCE

#### 1. Governance

- 1.1 The Audit Committee is an advisory committee to both the Council and the Executive. 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 the governance, risk and control gives greater confidence to Cabinet and Full Council that the arrangements are effective.
- 1.2 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.
- 1.3 The Chair of the Audit Committee reports on the work undertaken by the Committee to Full Council.
- 1.4 To help maintain its independence, the Audit Committee has the right to meet privately with the External Auditor and the Chief Internal Auditor and Corporate Fraud Manager as considered necessary.
- 1.5 The Audit Committee can request employees, elected members, partners, contractors and the public to attend meetings in order to seek information and explanations as is considered necessary to fulfil its role.
- 1.6 The Committee has access to other committees, e.g. Overview and Scrutiny, from which it can gain assurance on the adequacy and effectiveness of the Council's governance arrangements

#### 2. Composition and Meetings

- 2.1 The membership of the Audit Committee shall comprise of nine Members of the Council and three co-opted non-voting members.
- 2.2 A quorum of three elected members (including the Chair or Vice Chair) is required for decisions of the Committee to be ratified.

- 2.3 The Chair of the Audit Committee will be independent of the Executive and will not be the Chair of a Scrutiny Committee or the Standards Committee.
- 2.4 The Audit Committee will meet at least four times a year. Meetings will be open to the public, but they may be excluded where information of an exempt or confidential nature is being discussed.

### **3. Terms of Reference**

#### **Governance, Risk and Control**

- 3.1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of corporate governance.
- 3.2 To monitor the effective development and operation of risk management in the Council.
- 3.3 To monitor progress in addressing risk-related issues reported to the Committee.
- 3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.7 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption
- 3.8 To monitor the counter fraud strategy, actions and resources.
- 3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.

## **Financial and Governance Reporting**

### **Governance Reporting**

- 3.10 To review and approve the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- 3.11 To consider whether the annual elevation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives

### **Financial Reporting**

- 3.12 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 3.13 To approve 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.
- 3.14 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 3.15 To provide independent and effective assurance over the adequacy of the Council's financial management and reporting, treasury management strategy, risk management framework, and other processes required to achieve the Council's corporate and service objectives.

### **Arrangements for audit and assurance**

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

### **External Audit**

- 3.17 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 PSAA or the authority's auditor panel as appropriate.
- 3.18 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

- 3.19 To consider specific reports as agreed with the external auditor.
- 3.20 To comment on the scope and depth of external audit work and to ensure that it gives value for money.
- 3.21 To consider additional commissions of work from external audit.
- 3.22 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 3.23 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**

- 3.24 To approve the internal audit charter.
- 3.25 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 3.26 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.
- 3.27 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 3.28 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 3.29 To consider any impairments to the independence or objectivity of the Head of Internal Audit arising from additional role or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 3.30 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 (QUAIP).
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAs) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- 3.31 To consider 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 (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 AGS).
- 3.32 To consider summaries of specific internal audit reports as requested.
- 3.33 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.
- 3.34 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.
- 3.35 To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations.
- 3.36 To 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.

### **Accountability arrangements**

- 3.37 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.
- 3.38 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.

- 3.39 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA Position Statement.

### **Counter Fraud and Corruption**

- 3.40 To review and approve the Counter Fraud Strategy and considering whether it meets recommended practices alongside approving the Council's Sanctions Policy.
- 3.42 To review and approve the Council's Confidential Reporting Code (Whistleblowing).
- 3.43 Championing good counter fraud and anti-corruption practice to the wider organisation.
- 3.44 Reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and the local community.
- 3.45 Reviewing the Counter Fraud Plan of activity and resource, seeking assurance that it is in line with the strategy and fraud risk profile.
- 3.46 To review and approve the Council's Anti Money Laundering Policy.
- 3.47 Monitoring the performance of the Corporate Fraud Team.
- 3.48 Overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

### Audit Committee Training Plan for the Municipal Year 2024/25

Area of Training Identified	Training Scope to include	Training to be delivered by
<b>Audit Committee Purpose and Governance</b>		
The Audit Committee's role and its place within the Governance structure of the organisation	<p>The Audit Committee's place within DCC's governance structure</p> <p>The Terms of Reference for Audit Committee, including the Committees' role and responsibilities</p> <p>Code of Conduct for AC Members</p>	Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager
<b>Core Functions</b>		
Governance	<p>The seven principles as outlined in Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016)</p> <p>How the principles of governance are implemented locally as set out in the local code of governance</p> <p>The requirements of the Annual Governance Statement (AGS)</p>	<p>Faith Huntington, Risk, Insurance and Governance Manager</p> <p>John Blowes – Risk and Governance Officer</p>
Risk Management	The principles of risk management, including how it	Faith Huntington, Risk, Insurance and Governance Manager



	<p>supports good governance and decision making and the role of the Audit Committee.</p> <p>Overview of the Council's risk management policy and strategy</p> <p>Overview of the organisation's risk management methodology and the current risk maturity for DCC.</p>	<p>John Blowes – Risk and Governance Officer</p>
<p>Internal Audit</p>	<p>Overview of the requirements of the PSIAS/LGAN and how these apply to DCC.</p> <p>The arrangements in place for audit planning and the delivery of the internal audit service within the council i.e. – the structure of the Internal Audit Service and its client base</p> <p>Overview of the Internal Audit Strategy and Audit Charter</p> <p>Arrangements in place for ensuring that the IAS is compliant with the PSIAS/LGAN i.e., annual review?</p> <p>Arrangements for the EQA of internal audit including:</p>	<p>Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager</p> <p>Nicola Cooke – Internal Audit Manager</p>

	<p>-how frequent assessments take place, who and what is involved in the assessment, how the results of the assessment are reported</p> <p>IA progress reporting</p> <p>Annual Audit reporting including the provision of the annual assurance opinion.</p>	
Financial Management	<p>How the organisation meets the requirements of the role of the CFO as required by The Role of the Chief Finance Office in Local Government (CIPFA 2016)</p> <p>An overview of how good financial management is set out in the CIPFA Financial Management Code, and the level of compliance required.</p> <p>Treasury Management – including the role of AC in the Effective Scrutiny of Treasury Management assessment tool, including Regulatory requirements, treasury risks, and the council's treasury management strategy</p>	Joanne McMahon – Finance Manager

External Audit	<p>Arrangements in place for the appointment of the external auditors and quality management undertaken by the provider.</p> <p>-Overview of the key reports and assurances that the external audit provides.</p>	Mark Outterside, Mazars
Counter Fraud and Corruption	<p>Overview of the principal Fraud Risks posed to DCC.</p> <p>The principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014)</p> <p>Overview of fraud risk management and the council's arrangements for tackling fraud</p> <p>Whistleblowing arrangements in place within DCC.</p>	Paul Gibbon, Corporate Fraud Manager