

## **Audit Committee**

**26 June 2014**

## **Forward Plan of Audit Committee Business**



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## **Report of Chief Internal Auditor and Corporate Fraud Manager**

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### **Purpose of the Report**

1. The purpose of this report is to present a forward plan of Audit Committee Business for the next 12 months for approval.

### **Background**

2. To help the Audit Committee fulfil its functions as set out in the Council's Constitution, the Committee approved a more detailed operational terms of reference (TOR) in November 2011. A copy is attached at Appendix 2.
3. In accordance with paragraph 6.1 of the TOR an annual programme of work, cross referenced to the relevant paragraph within the TOR, has been prepared for the next 12 months. This is attached at Appendix 3 and 4. Appendix 3 details each relevant TOR and the date of the meeting when an item is scheduled to fulfil that specific requirement and Appendix 4 provides a provisional draft agenda for each scheduled meeting.

### **Recommendation**

4. Members approve the proposed forward plan for Committee business as detailed in Appendices 3 and 4 attached.
5. Any amendments to the plan are reported as a standard item on the agenda of each meeting of the Committee.

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## **Appendix 1: Implications**

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### **Finance**

There are no direct financial implications arising for the Council as a result of this report

### **Staffing**

None

### **Risk**

This report requires no decision and so a risk assessment has not been carried out

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

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Human rights**

None

### **Consultation**

None

### **Procurement**

None

### **Disability issues**

None

### **Legal Implications**

None

## **Audit Committee Operational Terms of Reference**

### **1 Objectives**

- 1.1 The Audit Committee will provide independent assurance to Cabinet and Full Council over the:
  - 1.1.1 Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
  - 1.1.2 Financial reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of drawing up, auditing and certifying the Council's annual accounts are dealt with properly.

### **2 Authority**

- 2.1 The Audit Committee reports to full Council on audit and governance issues. It has delegated authority to approve the annual statement of accounts. It also has delegated authority to approve the Annual Governance Statement. 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. It also has a reporting line to Cabinet and the Constitution Working group and makes recommendations on improvements required to the Council's Corporate Governance arrangements. The Chair reports on the work undertaken by the Committee to Full Council.
- 2.2 The role of the Audit Committee in relation to the Council's assurance framework is illustrated in the assurance map attached as an Appendix.
- 2.3 To help maintain its independence, the Committee has the right to meet privately with the External Auditor and the Head of Internal Audit as considered necessary.

### **3 Composition**

- 3.1 The membership of the Audit Committee shall comprise nine Members of the Council and two co-opted non-voting members.
- 3.2 A quorum of three elected members (including the Chair or Vice Chair) is required for decisions of the Committee to be ratified.
- 3.3 The Chair of the Committee will be independent of the Executive and will not be a chair of a Scrutiny Committee or the Standards Committee.

## **4 Terms of Reference**

### **4.1 Objective 1 - Independent assurance over the adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment**

#### **Governance Arrangements – General**

- 4.1.1 To review and endorse the Council's Local Code of Corporate Governance prior to consideration by the Constitution Working Group and approval by Full Council as part of the Council's Constitution.
- 4.1.2 To review how the Audit Committee's work integrates with the wider performance management framework and standards compliance by consideration of the Council's assurance framework.
- 4.1.3 To understand the role of overview and scrutiny committee in relation to the review of performance and the assurance it provides on the effectiveness of the Council's governance arrangements.
- 4.1.4 To approve proposals for the production of the Annual Governance Statement as proposed by the Corporate Director Resources.
- 4.1.5 To review the effectiveness of internal audit each year as required by the Accounts and Audit (England) Regulations 2011.
- 4.1.6 To approve the draft annual governance statement prior to its inclusion in the draft Annual Statement of Accounts.
- 4.1.7 To approve the final annual governance statement as part of the approval of the final Annual Statement of Accounts process.
- 4.1.8 To approve and monitor the implementation of improvements required to the Council's Corporate Governance Arrangements as highlighted in the Annual Governance Statement.

#### **Risk Management**

- 4.1.9 To review and endorse the Council's risk management strategy and policy prior to approval by Cabinet.
- 4.1.10 To maintain an understanding of the risk management process and the key risks facing the Council.
- 4.1.11 To review regular reports from the Corporate Risk Management Group to gain assurance that the Council is monitoring and managing its risks effectively.

- 4.1.12 To seek further assurance from service managers that risks are being effectively managed as considered necessary.
- 4.1.13 To seek assurance on the effectiveness of the operation of the risk management framework.

### **Control Environment**

- 4.1.14 To maintain an understanding of key council policies and procedures which seek to provide effective control over the conduct of Council business, the safeguarding of assets and the timely production of accurate and complete financial information and to seek assurance that there are adequate arrangements in place to ensure that these are being adhered to. This should include procedures set out in the Council's Constitution in respect of Contract Procedure Rules, Financial Procedures Rules, (and supporting Financial Management Standards), Scheme of Delegation, and Codes of Conduct for Members and Officers.
- 4.1.15 To maintain an understanding of the Council's performance management framework.
- 4.1.16 To review the effectiveness of the Council's Counter Fraud and Corruption Strategy and recommend any material changes required to the Strategy to Cabinet.
- 4.1.17 To review the effectiveness of the Council's Anti Money Laundering Policy and recommend any material changes required to the policy to Cabinet.
- 4.1.18 To review the effectiveness of the Council's Whistle-Blowing Policy and recommend any material changes required to the policy to Cabinet.
- 4.1.19 To approve the Council's Internal Audit Charter setting out the Internal Audit Strategy and Terms of Reference.
- 4.1.20 To maintain an understanding of the Internal Audit process and how this relates to risk management.
- 4.1.21 To endorse and provide challenge to proposed Annual Internal Plans ensuring that Internal Audit work is planned with due regard to risk, materiality and coverage.
- 4.1.22 To review the effectiveness of Internal Audit by reviewing and monitoring regular progress reports on its work and performance.
- 4.1.23 To review the effectiveness of External Audit, including consideration of any potential conflicts of interest.

- 4.1.24 To review the Head of Internal Audit's annual report, summary of Internal Audit work and the overall assurance opinion that the service can provide on the effectiveness of the Council's internal control environment that will inform the annual governance statement.
- 4.1.25 To maintain an understanding of the role of External Audit and its relationship with Internal Audit.
- 4.1.26 To maintain an understanding of the role of other key providers of assurance identified in the Council's assurance framework, both external and internal and ensure adequate arrangements are in place for reviewing the reliability and effectiveness of those assurance providers and for addressing any control weaknesses or improvements that they may identify.
- 4.1.27 To review External Audit reports and the Annual Audit Letter and ensure that there are appropriate arrangements in place to address any areas of improvement identified and to inform the operation of Council's current or future audit requirements.
- 4.1.28 To monitor progress made by management in response to both internal and external audit findings and recommendations.
- 4.1.29 To review the scope and depth of External Audit work as set out in their annual plans.
- 4.1.30 Within available resources, to be able to request specific pieces of work from Internal and External Audit.

**4.2 Objective 2 - Independent assurance over the financial reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of drawing up, auditing and certifying the Council's annual accounts are dealt with properly.**

- 4.2.1 To maintain an understanding of the Budget and Policy Framework as set out in the Council's Constitution.
- 4.2.2 To maintain an understanding of the budget procedures as set out in Finance Procedure Rules and Financial Management Standards.
- 4.2.3 To maintain an understanding of internal and external reporting requirements.
- 4.2.4 To approve accounting policies, the approach to accounting estimates and the 'going concern' assertion
- 4.2.5 To review the draft un-audited statements of accounts as certified by the S151 Officer. This review should include ensuring that issues raised in previous financial years have been addressed.

- 4.2.6 To review the Annual Outturn Report and consider how this might impact on the draft accounts.
- 4.2.7 To approve the Final Audited Statements of Accounts, and any material amendment to the draft accounts required as set out in the External Auditor's report on issues arising from the audit of the accounts. and seek assurance that appropriate action has been taken relating to any issue that may impact on the current years accounts. In addition the Committee will consider, with the exception of any matter which may result in the accounts being qualified, any response to the Council's external auditors where it is not considered appropriate to make the amendments recommended.

## **5 Meetings**

- 5.1 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.
- 5.2 To help maintain independence, the Head of Internal Audit is the nominated lead officer for the Committee and will hold pre agenda meetings with the Chair and Vice Chair and will attend every meeting (or arrange deputy).
- 5.3 The S151 Officer and the Monitoring Officer are key corporate governance officers and they or their nominated deputies will attend each meeting.
- 5.4 The External Auditor has the right to attend any audit committee meeting.
- 5.5 Other officers will be invited to attend to present reports and /or answer any questions the Committee may have as considered appropriate to these terms of reference.
- 5.6 Each report presented to Committee will make reference to the relevant paragraph in these terms of reference to clearly demonstrate how the Committee fulfils its role.
- 5.7 A standard item will be added to each committee agenda for the Committee to be given the opportunity to discuss any exceptional items in private at the end of the meeting with Internal/External Audit.

## **6 Programme of Work**

- 6.1 An annual programme of work, cross referenced to these terms of reference, will be agreed annually by the Audit Committee showing expected documents and reports to be presented and any training requirements.

## **7 Performance and Review**

- 7.1 The Audit Committee will carry out an annual self-assessment, including a review of these terms of reference, to evaluate its own performance and determine any action required to improve its effectiveness. The outcomes will be reported to Full Council in the Committees biannual report.