

Report of:	Meeting	Date	Item No.
Corporate Director of Resources (S.151 Officer)	Audit Committee	7 February 2012	4

REVIEW OF AUDIT COMMITTEE'S TERMS OF REFERENCE

1. Purpose of Report

- 1.1 The periodic consideration of the terms of reference of the Audit Committee in accordance with best practice guidance.

2. Outcomes

- 2.1 The annual review of the Audit Committee terms of reference.

3. Recommendations

- 3.1 That the Audit Committee considers the terms of reference and proposed amendments attached at Appendix 1.
- 3.2 That any proposed changes be recommended to the Standards Committee and the Council for approval.

4. Background

- 4.1 Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. Indeed, the 'Delivering Good Governance in Local Government' guidance note recommends that local authorities review their governance arrangements against a number of key principles and report annually on their effectiveness in practise. The guidance also reflects the requirement for local authorities to have an effective audit committee in place as part of their democratic structure. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They also enhance public trust and confidence in the financial governance of an authority and as such, the Council agreed the establishment of an Audit Committee at their meeting on 8 December 2005.
- 4.2 The original terms of reference for the Audit Committee were subsequently revised following the meeting held on the 7 February 2006 and were confirmed by Council at their meeting on the 16 February 2006.

5. Key Issues and Proposals

- 5.1** At the last meeting of the Committee, members considered the Annual Review of the Audit Committee's Performance against accepted best practice. A periodic review of the terms of reference adopted by the Audit Committee is recognised as good practice and consequently, the current terms of reference, with any suggested amendments highlighted for information, are included for review at Appendix 1.

IMPLICATIONS	
Finance	None arising directly from the report.
Legal	Any changes to the terms of reference would be subject to confirmation by the Standards Committee and approval by Council.
Community Safety	None arising directly from the report.
Equality and Diversity	None arising directly from the report.
Sustainability	None arising directly from the report.
Health and Safety	None arising directly from the report.
Risk Management	An effective Audit Committee will assist the Council to demonstrate good risk management by: <ul style="list-style-type: none"> • Raising awareness of the need for internal controls; • Increasing public confidence in the Council's objectivity and fairness of financial and other reporting; • Reinforcing the importance and independence of internal and external audit; and • Providing additional assurance through a process of independent and objective review.
Asset Management	None arising directly from the report.
Climate Change	None arising directly from the report.

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List of Background Papers:		
Name of Document	Date	Where available for inspection
A Toolkit for Local Authority Audit Committees	Draft	Audit and Risk Management
Audit Committees: Practical Guidance for Local Authorities	2005	Members Library Audit and Risk Management
Delivering Good Governance in Local Government Guidance Note- CIPFA	2007	Audit and Risk Management

LIST OF APPENDICES

Appendix 1 – Audit Committee Terms of Reference

arm/audit/cr/12/0702jb1

Article 7 – Audit Committee

7.01 Terms of Reference

The Council will appoint an Audit Committee, independent from both the Executive and [the](#) Overview and Scrutiny functions, with the following Terms of Reference:

- (a) To oversee all arrangements for both internal and external audit of the Council's accounts and records.
- (b) To liaise with the Audit Commission over the appointment of the Council's external auditor.
- (c) To consider and make recommendations on:
 - (i) The Annual Audit Plan and the regular reports detailing progress against this plan.
 - (ii) The Annual Audit Letter issued by the external auditor, and any other statutory report of the external auditor.
 - (iii) The content of the Council's Annual Governance Statement with regards to its overall assurance framework. The Committee will review and approve the statement prior to publication.
 - (iv) Any internal audit report that may be referred to them by the Executive, any member of the Management Team, Leader of the Council or Chair of [the an](#)-Overview and Scrutiny Committee.
 - (v) The effectiveness and adequacy of the response by a Member or Officer of the Council to any internal or external audit report.
 - (vi) The systems of control and the Council's arrangements to prevent fraud and corruption.
 - (vii) Any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all assets, financial or otherwise.
- (d) If necessary for the purpose of its functions, to examine and consider specific matters that have been the subject of an audit report, with the right to call for the production of relevant documents in the possession or control of the Council, its Executive or an officer.
- (e) To maintain and make changes to the Council's Financial Regulations and Financial Procedure Rules (without reference to the Standards Committee or the full Council).
- (f) To maintain and make changes to Council policies on whistle blowing, anti-fraud and corruption, money laundering and, subject to consultation with the Monitoring Officer, gifts and hospitality and registering interests.

- (g) To be the Member Committee with specific responsibility for effective risk management within the Council. The Committee will monitor the progress of embedding risk management into the Council's processes, as outlined in the Risk Management Strategy.
- (h) 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.
- (i) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

7.02 Role

The Audit Committee is the Member level forum for ensuring that effective and transparent governance arrangements are in place, that adequate controls are in place to mitigate key risks and that resources are used effectively. The Committee will have regard to guidance issued by the Audit Commission and the Chartered Institute of Public Finance and Accountancy or any other relevant body and Members shall receive training appropriate for this role.

arm/audi/cr/12/0702jb1 Appendix 1