

AUDIT COMMITTEE

24 SEPTEMBER 2015

AUDIT COMMITTEE TERMS OF REFERENCE

REPORT OF CORPORATE GOVERNANCE GROUP

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RECENT REFERENCES:

none

EXECUTIVE SUMMARY:

The terms of reference for the Audit Committee were established when the Committee was first set up in 2011. The Corporate Governance Group has reviewed the CIPFA best practice guidance and is proposing that the Committee adopt revised Terms of Reference, as Appendix 1. For comparison the existing Terms of Reference are provided at Appendix 2.

RECOMMENDATIONS:

1. That the Audit Committee considers the report and the draft revised Terms of Reference at Appendix 1 and recommends any changes to the current Terms of Reference to Council for approval.

## AUDIT COMMITTEE

24 SEPTEMBER 2015

### AUDIT COMMITTEE TERMS OF REFERENCE

#### REPORT OF CORPORATE GOVERNANCE GROUP

#### 1 Report

- 1.1 The terms of reference for the Audit Committee were established when the Committee was first set up in 2011. The Corporate Governance Group has reviewed the CIPFA best practice guidance and is proposing that the Committee adopt revised Terms of Reference, as provided at Appendix 1. For comparison the existing Terms of Reference are provided at Appendix 2.
- 1.2 Best practice suggests that the committee should formally report on their activity to Council – see “Accountability arrangements” Appendix 1 – no.s 31 & 32). This has been considered by the Audit Committee in the past (when a self assessment against best practice was conducted) and it was determined at the time not to do this, because of the transparency of reports and minutes of Committee meetings. If adopted this would be an additional requirement for the Committee to report to the Council.
- 1.3 The Committee are asked to consider the draft revised Terms of Reference and to determine the terms of reference to be adopted for the future.

#### OTHER CONSIDERATIONS

#### 2 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 2.1 The Audit Committee is a key component of Winchester City Council’s corporate governance. Good corporate governance supports the achievement of the objectives of the Community Strategy and Portfolio Plans.

#### 3 Resource Implications:

- 3.1 There are no direct implications.

#### 5. Risk Management Issues

- 5.1 The effectiveness of Corporate Governance within the Council is a principal ingredient to the organisation’s objective of being an effective Community Leader. The efficacy of the governance arrangements directly affects the Council’s ability to deliver its contribution to the objectives within the Community Strategy and Portfolio Plans.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

Appendix 1: Draft revised Terms of Reference for the Audit Committee

Appendix 2: Current Terms of Reference for the Audit Committee

## **DRAFT REVISED TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

### **Statement of purpose**

- 1 The Audit Committee is a key component of Winchester City 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.
- 2 The purpose of the 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 Winchester City Council's 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.

### **Delegated Powers**

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

- 3 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 4 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.
- 5 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 7 To monitor the effective development and operation of risk management in the Council.
- 8 To monitor progress in addressing risk-related issues reported to the committee.
- 9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 11 To monitor the counter-fraud strategy, actions and resources.

### **Internal Audit**

- 12 To approve the Internal Audit Charter.

- 13 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 14 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.
- 15 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 16 To make appropriate enquiries of both management and the Chief Internal Auditor to determine if there are any inappropriate scope or resource limitations.
- 17 To consider reports from the Chief Internal Auditor on Internal Audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) 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.
- 18 To consider the Chief Internal Auditor's annual report:
  - a) 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.
  - b) 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.
- 19 To consider summaries of specific internal audit reports as requested.
- 20 To receive reports outlining the action taken where the Chief Internal Auditor 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.
- 21 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.
- 22 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.
- 23 To support the development of effective communication with the Chief Internal Auditor.

**External Audit**

- 24 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 25 To consider specific reports as agreed with the external auditor.
- 26 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 27 To commission work from internal and external audit.
- 28 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

**Financial Reporting**

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

**Accountability Arrangements**

- 31 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.
- 32 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.

## **CURRENT TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

### 1. Audit Activity

- a) To consider the Internal Audit Manager'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.
- b) To consider summaries of specific internal audit reports.
- c) To consider reports dealing with the management and performance of the internal audit service.
- d) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- e) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- f) To consider specific reports as agreed with the external auditor.
- g) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- h) To approve the appointment of the Council's external auditor.
- i) To commission work from internal and external audit.

### 2. Regulatory Framework

- a) To maintain an overview of the Council's Constitution in respect of Contract Procedure Rules and Financial Procedure Rules.
- b) To review any issue referred to it by the Chief Executive, Head of Finance, Monitoring Officer or a corporate director, or any Council body.
- c) To monitor the effective development and operation of risk management and corporate governance in the Council.
- d) To monitor Council policies on whistleblowing and the anti-fraud and anti-corruption strategy and the Council's complaints process.
- e) To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.

f) To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

g) To consider the Council's compliance with its own and other published standards and controls.

### 3. Accounts

a) To review and 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.

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