

<b>SUBJECT:</b>	<b>AUDIT COMMITTEE TERMS OF REFERENCE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE</b>
<b>REPORT AUTHOR:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

## **1. Purpose of Report**

- 1.1 To obtain comments on the Audit Committee Terms of Reference as part of an annual review.

## **2. Executive Summary**

- 2.1 The Audit Committee terms of reference are based on best practice issued by CIPFA, (Chartered Institute of Public Finance and Accountancy) and the Audit Committee is also referenced within the Public Sector Internal Audit standards.
- 2.2 CIPFA updated their guidance on Audit Committees including standard terms of reference in 2018, after which revised terms of reference were agreed to reflect this guidance.

## **3. Background**

- 3.1 CIPFA's 2018 guidance on the function and operation of audit committees in local authorities and police bodies, represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.
- 3.2 Guidance recognises that audit committees are a key component of governance. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation.
- 3.3 Audit committees in local authorities and police bodies are necessary to satisfy the wider requirements for sound financial management and internal control. For example in England, the Accounts and Audit (England) Regulations 2015 state that a local authority is responsible "for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk". In addition, in England, Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs"

#### **4. Changes to Terms of Reference**

4.1 The last changes to the terms of reference were in July 2018. The current terms of reference are attached at Appendix A and there are no suggested changes at the current time.

#### **5. Organisational Impacts**

5.1 Finance (including whole life costs where applicable)

There are no direct financial implications.

5.2 Legal Implications including Procurement Rules

There are no direct legal implications

#### **6 Recommendation**

6.1 That the Audit Committee note the current Audit Committee terms of reference.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** One

**List of Background Papers:** None

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