

## **Audit Committee Terms of Reference (Section 9 Constitution)**

### **1 Audit Committee**

- 1.1 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory Committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, and has the right to request reports and seek assurances from relevant officers.
- 1.2 The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26) of the Council Procedure Rules set out in Part 4 of the Constitution.
- 1.3 The Council will appoint an Audit Committee as follows:-
  - a. Seven Members in accordance with the political proportionality rules, who may be represented by designated substitutes in their absence, provided they have met the training requirements.
  - b. None of the Members should be Executive Portfolio Holders or the Mayor.
  - c. The committee membership will also comprise of at least one suitably (maximum of two) experienced or knowledgeable independent member(s), appointed by Council.
  - d. An independent member will also fulfil the role of Chair of the Committee. The independent member(s) will be required to sign a Declaration of Interest and have regard to the Council's Code of Conduct, have a tenure of 2 years, extendable up to a maximum of 8 years, and will not participate in voting. In the event of a tied vote, the independent member serving as Chair will not have the right to a casting vote.
  - e. The Council will also appoint a Vice Chair from the committee's membership. In the absence of the independent Chair, the Vice Chair will act in the Chair for the duration of the meeting. In such circumstances, the Vice Chair in the Chair will retain their voting rights by virtue of being a Councillor.
  - f. The quorum for a meeting of the Committee will be three Councillors.
  - g. The number of ordinary meetings per year will be at least four.

## **2 Statement of purpose**

- 2.1 The Audit Committee is a key component of the City of Lincoln'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.
- 2.2 The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln'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.
- 2.3 To decide upon and authorise allowances to the Committee's Independent Member. The special responsibility allowance of the Chair of the Committee is determined by Council.

## **3 Governance, risk and control**

- 3.1 To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework).
- 3.2 To monitor the effectiveness of the Authority's risk management arrangements (development and operation).
- 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 monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks and potential harm 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.

- 3.10 To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.
- 3.11 To monitor and oversee Information Governance practices within the Council.
- 3.12 To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules.
- 3.13 To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee.
- 3.14 To consider the Council's compliance with its own and other published standards and controls.
- 3.15 To report and make recommendations to Executive or Council on major issues and contraventions.
- 3.16 To support ethical values and reviewing arrangements to achieve those values as appropriate.

## **4 Financial Reporting**

### **Governance Reporting**

- 4.1 To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and supporting assurances (including internal audit's annual opinion on governance, risk and control).
- 4.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- 4.3 To consider whether any non-conformance is significant enough that it must be included in the AGS.

### **Financial Reporting**

- 4.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 4.4 The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 4.4 To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there

are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- 4.5 To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.
- 4.6 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

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

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

### **External Audit**

- 5.2 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 (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.
- 5.3 To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 5.4 To consider specific reports as agreed with the external auditor.
- 5.5 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 5.6 To commission work from internal and external audit, as required, and as resources allow.
- 5.7 To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- 5.8 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.
- 5.9 Monitor management action in response to any issues raised by external audit.

### **Internal Audit**

- 5.10 To approve the Internal Audit Charter.
- 5.11 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

- 5.12 To approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.
- 5.13 To approve significant interim changes to the risk based internal audit plan and resource requirements.
- 5.14 To make appropriate enquiries of both management and the Head of internal audit (Audit Manager) to determine if there are any inappropriate scope or resource limitations.
- 5.15 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 5.16 Consider reports from the Head of internal audit concerning internal audit activity including internal audit reports on the effectiveness of internal controls (key findings and issues of concern) and seeking assurance that action has been taken where necessary on the implementation of agreed actions.
- 5.17 To monitor audit performance, including QAIP (Quality Assurance and Improvement Program) results and any non-conformance with PSIAS (Public Sector Internal Audit Standards) and LGAN (Local Government Application Notes).
- 5.18 Receive and consider the annual report and opinion of the Head of internal audit including conformance with PSIAS.
- 5.19 To consider summaries of specific internal audit reports as requested by the Audit Committee.
- 5.20 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.
- 5.21 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.
- 5.22 Consider the regular review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.

- 5.23 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.
- 5.24 To have the right to call any Officers or Members of the Council as required to offer explanation in the management of internal controls and risks.

## **6 Accountability arrangements**

- 6.1 To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include 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.
- 6.2 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.