

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**AUDIT COMMITTEE TERMS OF REFERENCE REVIEW**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1. To review the Committee's terms of reference.
- 1.2. To propose that the revisions to the terms of reference are adopted within the Council's Constitution.

**2. BACKGROUND INFORMATION**

- 2.1 Audit Committees are a key part of governance arrangements and can make a real difference to the way public services are run. They provide an independent, high-level resource supporting strong public financial management and governance.
- 2.2 The Terms of Reference of the Audit Committee are laid out in the Council's constitution. It is considered good practice for them to be reviewed annually to ensure that they keep up to date with the regulatory changes and the needs of the Council. In April 2018 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated publication – Audit Committees, Practical Guidance for Local Authorities and Police (2018 edition). This sets out guidance on the function and operation of audit committees in local authorities and includes a suggested terms of reference.
- 2.3 The Director of Governance and Partnerships and the Head of Audit and Assurance carried out a review of the Terms of Reference against CIPFA's suggestions as shown on Appendix 1. They have concluded that the terms of reference continue to reflect the activity of the committee, but have identified some areas requiring small amendment to reflect changes to suggested good practice. These changes are as follows:
  - To review the governance and assurance arrangements for significant partnerships or collaborations.
  - To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

- To provide the Audit Committee the opportunity to meet in private with Internal/ External Audit without any other officers present at the end of each meeting , if required.
- 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 (if applicable).
- 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.

### **3. OPTIONS FOR CONSIDERATION**

3.1 The Committee propose the changes to the terms of reference are updated in the Council's constitution.

### **4. ANALYSIS OF OPTIONS**

4.1 The proposed amendments reflect current regulations and good practice in relation to governance, accounting and audit.

### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 There are no additional resource implications. However regular reviews of internal control and governance arrangements, including the role of the audit committee, should safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

### **6. OUTCOMES OF INTEGRATED IMPACTASSESSMENT (IF APPLICABLE)**

6.1 An Integrated Impact Assessment is not required.

### **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

7.1 The review of the terms of reference is the result of consideration of professional guidance and external audit's reporting requirements.

7.2 There are no conflicts of interests to declare.

## **RECOMMENDATIONS**

- 8.1 That the Audit Committee propose that the revised terms of reference are adopted within the Council's Constitution, as per paragraph 2.3.

### **DIRECTOR: GOVERNANCE AND PARTNERSHIPS**

Civic Centre  
Ashby Road  
SCUNTHORPE  
North Lincolnshire  
DN16 1AB  
Author: Peter Hanmer  
Date: 14 June 2017

#### **Background Papers used in the preparation of this report:**

Chartered Institute of Public Finance and Accountancy (CIPFA) – Audit Committees, Practical Guidance for Local Authorities and Police (2018 edition)

**APPENDIX A**

<b>CIPFA suggested TOR</b>	<b>Comparison with NLC Terms of Reference</b>
<b>Governance, risk and control</b>	
To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	Included
To review the AGS 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	Included
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements	Included
To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	Included but not specifically in the TORs wording
To monitor the effective development and operation of risk management in the council.	Included but not specifically in the TORs wording
To monitor progress in addressing risk-related issues reported to the committee	Included but not specifically in the TORs wording
To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	Included
To review the assessment of fraud risks and potential harm to the council from fraud and corruption.	Provide assurance in practice through annual fraud report but not explicitly in TOR
To monitor the counter-fraud strategy, actions and resources.	Included

To review the governance and assurance arrangements for significant partnerships or collaborations.	Not included
<b>Internal audit</b>	
To approve the internal audit charter.	Included
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.	Included
To approve significant interim changes to the risk-based internal audit plan and resource requirements	Provide assurance in practice through the quarterly internal audit updates but not explicitly referred to in the TOR
To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.	Provide assurance through the annual plan, quarterly update reports and the annual Head of Internal Audit report, but not explicitly referred to in the TOR
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.	Provide assurance through the audit charter but not explicitly referred to in the TOR
To consider reports from the head of internal audit on internal audit's performance during the year,. 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 QAIP c) reports on instances where the internal audit function does not conform to the PSIAS considering whether the non-conformance is significant enough that it must be included in the AGS.	Provide assurance in practice through annual fraud report but not explicitly in TOR

To consider summaries of specific internal audit reports as requested	It occurs in practice but explicitly in the TORs
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.	It occurs in practice but explicitly in the TORs
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.	It occurs in practice but explicitly in the TORs
To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.	It occurs in practice (e.g. Audit Committee Chair was interviewed as part of the external quality assessment) but explicitly in the TORs
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.	Not specifically referred to in the TORs
<b>External audit</b>	
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 or the authority's auditor panel as appropriate.	Not specifically referred to in the TORs
To consider the external auditor's annual letter, relevant reports and the report to those charged with governance	Included
To consider specific reports as agreed with the external auditor.	Not specifically referred to in the TORs
To comment on the scope and depth of external audit work and to ensure it gives value for money.	Not specifically referred to in the TORs

To commission work from internal and external audit.	Included
<b>Financial reporting</b>	
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.	Included
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts	Included
<b>Accountability arrangements</b>	
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	Not included
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	Not included
To publish an annual report on the work of the committee	Not included