

AUDIT COMMITTEE – 22 JULY 2015

REVIEW OF TERMS OF REFERENCE AND WORKING ARRANGEMENTS

1. Reason for Report

1.1 To seek agreement from the Committee on a framework for the review of the terms of reference and existing governance arrangements for the Committee in light of Future Council.

2. Recommendations

2.1 The scheduled meeting on the 4<sup>th</sup> November 2015 be used as a workshop to consider the range of issues outlined in the report.

2.2 The draft agenda for the workshop at Appendix B be agreed subject to any views of the meeting.

3. Background

3.1 The original Audit Committee and terms of reference was established in 2006 and although the terms of reference have evolved over time and been reviewed annually there has not been a recent fundamental look at the overall working arrangements and role of the committee to date.

3.2 Given the significant changes facing the Authority through Future Council and the need to ensure that the work of the committee continues to add real value to the organisation it is opportune now to do such a review.

4. Proposed Review

4.1 The existing terms of reference for the committee are attached at Appendix A and as such will still provide the framework to assist discussion in relation to the future focus.

4.2 Clearly we need to determine the new terms of reference and outcomes that the committee wants to achieve in the future so that consideration can then be given to

i. the number and length of formal committee meetings that need to be scheduled to deal with the core business.

ii. the development of a potential workshop / task and finish approach to consider key governance aspects in more detail

iii. potential options of co-opting further members on specific topics as required

iv. greater involvement of officers outside the regular support.

4.3 It is also hoped that such discussions will highlight areas for future development and training to support the objectives of the committee.

4.4 A suggested draft agenda for the workshop is attached at Appendix B for consideration

**DRAFT AUDIT COMMITTEE TERMS OF REFERENCE**

**Statement of Purpose**

1. Our audit committee is a key component of Barnsley BMC'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 our audit committee is
  - To provide independent assurance of the adequacy of the risk management framework and the associated internal control environment.
  - To provide independent review of the Authority's governance, risk management and control frameworks.
  - To oversee the financial reporting and annual governance processes.
  - To oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
  - To promote the application of and compliance with effective governance arrangements across the Authority and its partner organisations.

**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 overall adequacy and effectiveness of the system of internal control and the arrangements for risk management, control and governance processes and securing economy, efficiency and effectiveness (value for money).
6. To consider the council's assurance framework and ensure that it adequately addresses the risks and priorities of the Council.
7. To promote effective risk management throughout the Council in accordance with the Council's Risk Management Policy Objectives Statement.
8. To periodically review the Authority's strategic risk register.
9. To promote effective internal control by the systematic appraisal of the Authority's internal control mechanisms and by the development of an anti-fraud culture.
10. To review the Authority's arrangements for establishing appropriate counter-fraud strategy, policies and procedures.
11. To monitor compliance with and the effectiveness of anti-fraud and corruption policies and procedures.
12. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
13. To consider general issues and statistics in relation to the Council's Corporate Whistleblowing Policy.
14. To monitor compliance with the Authority's Partnership Governance Framework

15. To monitor compliance with the Authority's Information Governance Framework

### **Internal Audit**

16. To approve and periodically review the Internal Audit Strategy and Audit Charter

17. To oversee, in consultation with internal auditors, the preparation of and approve a risk based annual audit plan for the Authority, 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.

18. To receive periodic reports from the internal auditor on performance against the plan.

19. To approve significant interim changes to the risk based internal audit plan and resource requirements.

20. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resources limitations.

21. To review the performance of the internal audit function by way of quarterly performance management reports. These will include:

- Update on the work of internal audit including key findings, issues of concern and action in hand as a result of the internal audit work.
- Regular reports on the results of the Quality Assurance and Improvement Programme.
- Reports on the instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Application Note, considering whether non-conformance is significant enough that it must be included in the AGS.

22. To consider the Head of Internal Audit's annual audit report.

- The statement of the level of conformance with 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.
- 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 AGS.

23. 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.

24. To contribute to the Quality Assurance and Improvements Programme and in particular, to the external quality assessment of internal audit that takes place once every five years.

25. 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.

26. To examine reports previously submitted to the Cabinet in respect of ongoing activities and investigations conducted by internal auditors and to make appropriate comments and recommendations.

27. To support the development of effective communication with the Head of Internal Audit.

28. To enhance the profile, status and authority of the internal audit function and demonstrate its independence.

## **External Audit and other Inspectorates or Regulatory Bodies**

29. To oversee, in consultation with external auditors, the preparation of the annual audit plan for the Authority and to receive periodic reports from the external auditor on performance against the plan to ensure that it gives value for money.
30. To consider and report to Cabinet and the Council the annual audit letter.
31. To commission work from internal and external audit.
32. To consider the appointment of the Council's external auditor
33. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
34. To monitor compliance with external inspectorates' recommendations following their consideration and resolution by the Cabinet and/or Council. This includes
  - external audit reports,
  - Ombudsman reports, and
  - Other external inspectorates' reports
35. To determine any payments or provide other benefits in cases of maladministration by the Authority within the scope of section 92 of the Local Government Act 2000.

## **Financial Reporting**

36. 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.
37. To consider the external auditor's report to those charged with governance on issues arising from the audit of accounts. and monitor management action in response to the issues raised by external audit.
38. To consider and review compliance with the Authority's Treasury Management policy.

## **Accountability Arrangements**

39. 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.

June 2014

## **Annex to Audit Committee Terms of Reference**

### **Constitution of the Audit Committee**

- The Audit Committee comprises nine members of which :-
  - 4 are elected Barnsley Council members
  - 5 non-elected co-opted members
- The Chair will be an elected member
- The Vice Chair will be a co-opted member
- The Audit Committee shall operate on non-political grounds.
- The Committee has 8 scheduled meetings during the municipal year (May to April). These are planned around a combination of the end of the quarters (end of June, September, December and March) and the timetable for the consideration of the annual accounts and annual governance statement.

### **Powers of the Audit Committee**

- The Audit Committee reports directly to the Council.
- The Audit Committee is entitled to refer a matter to the Cabinet for the purposes of policy consideration and review.
- The Audit Committee has the ability to require a Director to attend a meeting to answer questions regarding governance, control or compliance issues identified in Internal or External Audit reports.

### **Attendance**

#### Members

- All members of the Committee are expected to do their best and commit to attend all meetings.

#### Officers

- The Chief Executive, Monitoring Officer and Section 151 Officer shall attend (or be represented) at all meetings of the Audit Committee.
- The Head of Internal Audit and Risk Management or his representative shall also attend all Audit Committee meetings.
- Other officers of the Authority shall attend as requested subject to the agenda of the meeting.
- The Audit Committee will be clerked by an officer from the Legal and Governance Directorate.

#### Quorum

The quorum for the Committee is 5 members of which at least 3 must be co-opted members.

### **Relationship with other Committees**

- The Audit Committee reports directly to the Council.

- The Chair (and/or Vice Chair) of the Audit Committee will attend an appropriate meeting of the Scrutiny Commission Chairs at least annually to share work programmes, avoid duplication and to maximise the benefit of each others work.

### **Member Training**

- Members of the Audit Committee will be required to undertake relevant training to ensure their skills and experiences are such that they maximise their input to the work of the Committee.
- All members of the Committee will complete an annual skills self-assessment to inform the annual training programme.

### **Annual Review and Reporting**

- The Audit Committee will undertake an annual review of its operation, effectiveness and terms of reference.
- This self-assessment will utilise the CIPFA guidance on Audit Committee in Local Authorities.
- The Committee will prepare an annual report covering its activities for the year, its performance and planned outcomes for the following year.

June 2014

## DRAFT AGENDA FOR WORKSHOP

1. Role of the Audit Committee and best Practice
2. Review of terms of Reference
3. Member Profile
4. Core work programme and committee dates
  - a. issues for decision
  - b. issues for information
5. Name of Committee
6. Workshop approach / topics
7. Co-optees