

## **F - Audit Committee**

### **Terms of Reference for the Audit Committee of the Borough Council of King's Lynn & West Norfolk**

#### **Introduction**

The Audit Committee of the Borough Council of King's Lynn & West Norfolk was established in 2006 to support the authority's governance, risk management, and internal control framework, ensuring the effective and efficient use of resources. The committee is independent of both the executive and scrutiny functions and operates in accordance with the principles and recommendations of the CIPFA Audit Committees Position Statement 2022.

#### **Purpose**

The primary purpose of the Audit Committee is to provide independent assurance and high-level focus on the adequacy of governance, risk, and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk, and control, gives greater confidence to all those charged with governance that those arrangements are effective across the Council and its Wholly Owned Companies.

The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

#### **Membership**

- ✓ The Audit Committee shall consist of 7 members and no councillor shall be appointed who is a member of the Cabinet, or a Deputy Cabinet Member.
- ✓ Members should be appointed to ensure independence and objectivity.
- ✓ The Chair of the Audit Committee shall be appointed by Full Council and the Audit Committee shall appoint its own Vice Chair.
- ✓ The Chair will be strong, and independently minded, displaying a depth of knowledge, skills, and interests. The key personal skills needed to be effective are:
  - Promoting apolitical discussion.
  - Managing meetings to cover all business and encouraging a candid approach from all participants.
  - Maintaining the focus of the committee on matters of greatest priority.
- ✓ At least one member should have recent and relevant financial experience.
- ✓ At least one member should be an independent co-opted member (in a non-voting capacity) where an appointment has been made by the Audit Committee. However, the Audit Committee may still operate and conduct meetings in the absence of an independent co-opted member.
- ✓ A self-assessment review of the Audit Committee's effectiveness shall be conducted on an annual basis, to help ensure the appropriate membership of the Committee and to inform on relevant training needs necessary to fulfil the role of the Audit Committee effectively.
- ✓ All members will show a willingness to operate in an apolitical manner.
- ✓ Members of the Committee shall:
  - Show unbiased attitudes treating auditors, the executive and management fairly.

- Have the ability to challenge the executive and senior managers when required, and.
- Show knowledge, expertise, and interest in the work of the committee.

## **Independent Members**

- ✓ The Committee shall include up to two independent co-opted members appointed by the Audit Committee following an open recruitment process.
- ✓ Independent Members shall bring relevant expertise and provide independent challenge.
- ✓ Contribute to meetings by offering challenge, objectivity, insight and feedback in a politically neutral manner.
- ✓ Independent Members are not part of quorum as acting in advisory, non-decision-making capacity.
- ✓ Independent Members will be removed by Full Council if:
  - Attendance is poor
  - Conduct breaches standards
  - Independence is compromised
- ✓ Rights of Access:
  - Same rights as Elected Members
  - Information relevant to their role
  - Ability to question Officers and Auditors
  - Request reasonable and additional information

## **Meetings**

- ✓ The committee shall meet at least four times a year.
- ✓ Additional meetings may be convened by the Chairperson as deemed necessary where workloads require it.
- ✓ A quorum for meetings shall be 3 members.
- ✓ Meetings shall be attended by the Head of Internal Audit, the Chief Financial Officer, or their relevant deputies, and representatives from External Audit as required.
- ✓ Other attendees may include the Monitoring Officer and the committee have the right to call on any other officers or agencies of the council (or Wholly Owned Companies) as required.
- ✓ There should be opportunity for the Audit Committee to meet privately and separately with the Head of Internal Audit and the External Auditor, independent of the presence of those officers with whom the auditor must retain a working relationship. If the Committee decides that a meeting is required, suitable arrangements will be made by the Chairperson.
- ✓ Portfolio holders and other Cabinet members will be invited to attend meetings in a non-voting capacity.

## **Core Functions and Responsibilities**

### **1. Governance, Risk, and Control**

- ✓ Review the Council's governance arrangements against the good governance framework, including the ethical framework, and consider the Code of Corporate Governance.
- ✓ Review and approve the Annual Governance Statement (AGS), and specifically consider whether it properly reflects the risk environment and supporting assurances,

including the Head of Internal Audit's annual opinion, and fairly concludes that governance arrangements are fit for purpose.

- ✓ Review the Council's Financial Regulations and Contract Standing Orders and recommend any proposals for changes to Cabinet/Full Council.
- ✓ Monitor the effective development and operation of risk management in the Council (notably through monitoring progress identified on risks included in the corporate risk register).
- ✓ Consider the effectiveness of the Council's risk management arrangements.
- ✓ Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- ✓ Report and/or recommend matters for the attention of Council through the Cabinet on issues that require further review or action.
- ✓ Request further review on matters that arise from internal and external audits, where concerns exist, and further information or assurance is required.
- ✓ Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

## 2. Internal Audit

- ✓ Approve the Internal Audit Charter.
- ✓ Consider the Head of Internal Audit's annual report covering conformance with the Internal Audit Standards, the annual opinion of the adequacy and effectiveness of governance, risk management and internal control at the Council and Internal Audit's performance.
- ✓ Review and 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.
- ✓ Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- ✓ Make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- ✓ Consider any impairments to the independence or objectivity of the Head of Internal Audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- ✓ Consider progress reports on the work of Internal Audit, including key findings, issues of concern and actions in hand as a result of internal audit work, and the implementation of agreed recommendations.
- ✓ Monitor the implementation of agreed recommendations and seek further assurance from Officers as necessary where these remain outstanding.
- ✓ Contribute to the Quality Assurance and Improvement Plan (QAIP) and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- ✓ Ensure internal audit has unrestricted access to all activities, records, property, and personnel necessary for the performance of its duties, including the Audit Chairperson.

## 3. External Audit

- ✓ Consider whether to opt in or out of the national scheme run by the Public Sector Audit Appointments Limited (PSAA) and if opt out, oversee the external audit process, including the appointment, reappointment, and removal of external auditors.

- ✓ 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 Council's auditor panel as appropriate.
  - ✓ Consider the External Auditor's annual audit plan, and annual report for the Financial Statements, and report on value for money arrangements at the Council.
  - ✓ Comment on the scope and depth of external audit work as necessary and to ensure it gives value for money.
  - ✓ Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - ✓ Consider additional commissions of work from External Audit as necessary.
  - ✓ Monitor the implementation of External Audit recommendations.
  - ✓ Ensure effective coordination and relationship between internal and external audit.
  - ✓ Provide free and unfettered access to the Audit Committee Chairperson for the auditors, including the opportunity for a private meeting with the Committee.
4. Wholly owned Companies and Significant Partnerships/Collaborations
- ✓ Review the governance and assurance arrangements for significant partnerships or collaborations in which the authority is a direct participant or holds a controlling interest. This excludes any organisations that fall outside of the Council's jurisdiction, ownership, or formal collaboration agreements.
  - ✓ Receive assurance that there is a sound system of control, and risk management in place by means of an annual report from the Shareholder Committee for the wholly owned companies.
5. Arrangements for audit and assurances
- ✓ Receive reports by any other inspectorates where relevant which refer to the adequacy of the risk management framework, the internal control environment, and the integrity of financial reporting.
  - ✓ Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
  - ✓ Recommend to Cabinet for the Instigation and/or investigation or review on matters that arise from internal and external audits, where further information is required.
  - ✓ Make recommendations to the Policy Review and Development Panels for the review of matters where the Audit Committee have outstanding issues or concerns over assurance.
  - ✓ May question Chief Officers and Cabinet Members around progress and performance against audit recommendations.
6. Financial Reporting
- ✓ Review and approve the annual financial statements (including statutory statements and legislative disclosures), and specifically, 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.
  - ✓ Consider the External Auditor's annual report, and report to those charged with governance any issues arising from the audit of the accounts as necessary.
  - ✓ Consider the External Auditor's report of Value for Money Arrangements for the Council.
  - ✓ Monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

## 7. Counter Fraud and Corruption

- ✓ Review and monitor the Council's policies and procedures for preventing and detecting fraud and corruption.
- ✓ Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- ✓ Review the Whistleblowing Policy and ensure that effective arrangements are in place for whistleblowing.

### **Exclusions within the Wider Functions of the Executive**

The Audit Committee shall not assume any executive responsibilities and shall not:

- × Make or implement decisions on behalf of the Council (except in respect of the approval of the Annual Financial Statement of Accounts and the Annual Governance Statement)
- × Directly manage or approve budgets other than those related to the internal audit function.
- × Oversee operational activities or performance of specific service delivery areas, which remain the responsibility of the Cabinet, boards, or panels.
- × Involve itself in any operational issues or complaints handling.
- × Determine the authority's strategic objectives or policy framework, which is the remit of the Cabinet.

### **Reporting**

- ✓ The Audit Committee shall report regularly to the Cabinet/Full Council., providing an annual report on the adequacy of the authority's governance, risk management, and internal control frameworks, financial reporting, and internal and external audit functions.
- ✓ Report to full Cabinet/Full Council annually on the Committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- ✓ Publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement 2022.

### **Review of Terms of Reference**

These Terms of Reference shall be reviewed every 3 years by the Audit Committee and approved by Full Council to ensure they remain relevant and effective.

Approved by Full Council on 30 January 2025.

