



Audit Committee
Thursday, 17th December, 2020 at 3.00 pm
in the Remote Meeting on Zoom and available for the
public to view on WestNorfolkBC on You Tube - Zoom
and You Tube

Reports marked to follow on the Agenda and/or Supplementary Documents

1. **Audit Committee Draft Terms of Reference - TO FOLLOW (Pages 2 - 8)**

Contact

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POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	17 th December 2020		
TITLE:	Audit Committee Terms of Reference		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Cllr Brian Long, Leader		
REPORT AUTHOR:	Kathy Woodward, Shared Internal Audit Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

REPORT SUMMARY

PURPOSE OF REPORT/SUMMARY:
<p>The Audit Committee was established in 2006, with Terms of Reference drawn up in line with the guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The Terms of Reference need to be reviewed every three years and presented to Cabinet and Council for approval. The last review was carried out in 2016.</p>
KEY ISSUES:
<p>The Audit Committee effectiveness report highlighted improvements required to meet the requirements of the CIPFA Audit Committees Practical Guidance for Local Authorities 2018.</p> <p>This included updating the purpose of the committee and its core functions to reflect the work of the committee.</p> <p>This review also considers amending the review period required for updating future versions of the Terms of Reference.</p>
OPTIONS CONSIDERED:
<p>Option 1 – approved the draft Audit Committee Terms of Reference and amended review period</p> <p>Option 2 – reject the draft Audit Committee Terms of Reference and amended review period.</p>
RECOMMENDATIONS:
<p>That Audit Committee recommends to Cabinet and Council that the revised Terms of Reference for the Audit Committee be adopted.</p>
REASONS FOR RECOMMENDATIONS:
<p>To enable the Audit Committee to continue to fulfil its role as required by Accounts and Audit Regulations 2015 and in accordance with the guidelines provided by CIPFA Audit Committees Practical Guidelines for Local Authorities 2018.</p>

REPORT DETAIL

1. Introduction

- 1.1 The Accounts and Audit Regulations 2015 require that a council must review the effectiveness of its systems of internal control and that the findings of the review are considered by '*the members of the body meeting as a whole or by a committee*'. The Audit Committee fulfill this requirement.
- 1.2 The Audit Committee was established in 2006 with Terms of Reference based on guidance issued by CIPFA. In order to ensure that they remain relevant and up-to-date it is necessary to review them every three years. The last review took place in 2016 and are now overdue for review.
- 1.3 This report describes the revisions to the Terms of Reference and presents the updated version (**Appendix A**) for approval

2. Review Details

- 2.1 The Terms of Reference have been revised considerably from the previous version in accordance with CIPFA Audit Committees Practical Guidance for Local Authorities 2018. It has not been possible to show the revisions as tracked changes on the attached Terms of Reference due to the number of revisions and alterations. (**Appendix A**).
- 2.2 There are two fundamental changes to the document. The first has revised the committee's Statement of Purpose and also makes reference to the Councils governance framework and the committee's role in supporting good governance.
- 2.3 The second change has seen the committee's responsibilities summarised into 5 main categories and details of the core functions relating to each of the new areas of responsibility included within their own sub headed section (F9 – F13). These new sections more accurately reflect the areas covered by the committee.
 - Governance, risk and control;
 - Internal Audit;
 - External Audit;
 - Financial reporting; and
 - Accountability Arrangements
- 2.3 Other minor changes have been made to update the composition section making reference to political proportionality and the appointment of the Chairperson.
- 2.4 A reference to training for the committee has not been made in this set of Terms of Reference. This has previously been discussed at Audit Committee meetings, but not included at this stage.
- 2.5 It is proposed to review the terms of reference every four years to coincide with the appointment of new members one year after local elections take place, to ensure any new committee and its members are fully aware of their role to be able to effectively evaluate the current Terms of Reference.
- 2.4 A new review date of May 2024 has been set.

3. Issues for the Panel to Consider

- 3.1 To consider whether the revised Terms of Reference for Audit Committee accurately reflect the work of the committee and comply with the guidelines used to periodically assess the effectiveness of the committee.
- 3.2 To consider amending the review period of the Terms of Reference to every four years to coincide with the appointment of new members of the Audit Committee.

4. Corporate Priorities

- 4.1 This review supports achievement of the Councils Corporate Priorities

5. Financial Implications

None

6. Any other Implications/Risks

- 6.1 Although legislation does not require specific audit committees, a council is required to ensure that it has a sound system of internal control which;
 - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.*Accounts and Audit Regulations 2015*

7. Equal Opportunity Considerations

None

8. Consultation

None

9. Conclusion

None

10. Background Papers

CIPFA Audit Committees Practical Guidance for Local Authorities (2018)
Accounts and Audit Regulations 2015

F – Audit Committee

Composition

- F.1 The Audit Committee shall consist of 9 Members, proportionate to the political representation of the Council, and no councillor shall be appointed who is a member of the Cabinet, or a Deputy Cabinet Member.
- F.2 The Chairperson will be appointed by Council and the committee shall appoint its own Vice-Chairperson.

Introduction

- F.3 The Audit Committee has been established since 2006, with Terms of Reference drawn up in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).
- F.4 These Terms of Reference describe the purpose, authority and principal responsibilities of the Audit Committee.
- F.5 The Terms of Reference shall be reviewed every four years and presented to Council for approval. The Terms of Reference were last reviewed in 2020.

The next review is due – May 2024

Statement of Purpose

- F.6 The audit committee is a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- F.7 The purpose of the 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 governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Responsibilities

F.8 There are 5 main areas that the Audit Committee has responsibility for. These areas are the following:-

- Governance, risk and control;
- Internal Audit;
- External Audit;
- Financial reporting; and
- Accountability Arrangements

F.9 Governance, Risk and Control

- a) Review the council's governance arrangements against a framework, including ethical framework and local code of governance, ensuring the Council's priorities are addressed.
- b) Review the council's assurance statements, including the Annual Governance Statement (AGS) and the Internal Audit Annual Opinion, to check that they properly reflect the risk environment and supporting assurances.
- c) Monitor the progress and development of agreed actions required to address risks and risk management highlighted in reports to the committee.
- d) Take into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's governance framework, risk management and control.
- e) Consider the council's arrangements for securing value for money and their effectiveness.
- f) Assess the potential harm to the council from fraud and corruption, monitoring counter-fraud strategy, actions and resources.
- g) Review governance arrangements for significant partnerships or collaborations.
- h) Receive notification via a report of any changes to, and updates of, the Accounts and Audit Regulations 2015 and any other relevant legislation.

F.10 Internal Audit

- a) Approve the audit charter.

- b) Approve the internal audit plan, determining any potential scope and resource limitations, the use of other sources of assurance and any work required when placing reliance upon these sources.
- c) Approve any significant interim changes to the audit plan or resources.
- d) Consider the annual report from the head of internal audit, which will assist in reviewing the AGS, and reports on the team's performance during the year.
- e) Receive reports where management has accepted a level of risk unacceptable to the authority, or if there are progress concerns over the implementation of previously agreed actions.
- f) To contribute to the external quality assessment of internal audit that takes place every five years.
- g) The head of internal audit shall have access to the chair of the audit committee, and be able to meet privately with the committee itself if required.
- h) Consider having an independent member, with relevant experience, knowledge and skill set on the Audit Committee.

F.11 External Audit

- a) Support the independence of external audit through consideration of its 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.
- b) Consider the external auditor's annual letter and all reports, specific or otherwise, including to those charged with governance.
- c) Ensure the scope and depth of external audit work provides value for money.
- d) Receive the reports of external audit and inspection agencies.
- e) 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.

F.12 Financial Reporting

- a) When reviewing the Statement of Accounts, consider whether appropriate accounting policies have been followed and if there are any concerns with the financial statements that need to be brought before Council.

- b) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- c) Reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)

F.13 Accountability Arrangements

- a) Report to those charged with governance any committee findings, conclusions and recommendations concerning the adequacy and effectiveness of governance, risk management, internal control, financial management and internal and external audit functions.
- b) Report to Cabinet on a regular basis on the committee's performance relating to its Terms of Reference and effectiveness.
- c) Publish an annual report on the work of the committee.

Meetings

- F.14 There will be a minimum of four meetings per annum, but this can be increased if the workload requires it. The forthcoming programme of work will be reviewed at each meeting.
- F.15 There should be opportunity for the Audit Committee to meet privately and separately with 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 Chair.