

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