

Appendix 1 - TERMS OF REFERENCE – AUDIT COMMITTEE

1. Governance

- a) The Audit Committee receives its authority and purpose direct from full Council and is independent of the Executive, Scrutiny, and other strategic groups and functions.
- b) The Audit Committee is a key component of the council's corporate governance arrangements, and as such has the right of free and unfettered access, via the council's statutory officers (chief executive, s151 officer and monitoring officer) to officers, members, other committees and functions including scrutiny committees, corporate risk management boards, and other groups as requested.
- c) The Audit Committee shall comprise five (5) members (political balance to apply), and lay members as appointed and recruited by advertisement.
- d) The quorum shall be three (3) members.
- e) Includes to its meetings, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer and the head of resources. These officers should also be able to access the committee, or the chair, as required.
- f) Has the right to call any other officers or agencies of the authority as required via the Head of Internal Audit, or statutory officers.
- g) Should assess the development needs of its committee members and provide appropriate briefings and training.
- h) May recommend to council to co-opt independent members to bring additional knowledge and expertise to the committee, or to reinforce neutrality or maintain continuity.
- i) Meets formally at least 4 times a year, and to review the workplan informally at least 4 times a year between the formal meetings.
- j) Meets privately and separately with the External Auditor and the Internal Audit Manager
- k) Reports regularly on its work to those charged with governance, and at least annually provides an assessment of its performance including updates on key deliverables, successes and concerns. An annual public report should demonstrate how the committee has discharged its responsibilities.
- l) Report key risk management, internal control or governance issues to the Executive or Council

2. Statement of Purpose

- a) To provide an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial management.
- b) To provide independent assurance to full Council and those charged with governance of the adequacy of the risk management framework and the internal control environment.
- c) To ensure the integrity of the financial reporting, treasury management and supporting governance processes including the work of internal audit and

external audit, helping to ensure efficient and effective assurance arrangements are in place.

- d) To consider and make recommendations on any other matters relating to corporate governance which are properly referred to the Committee inter alia, by the CMT, North Somerset Council Executive, Committees and Panels or which otherwise come to its attention.
- e) To prepare an annual report to council on the work of the Committee, including any measures necessary to improve the effectiveness of the Committee.
- f) To promote the value of the audit process.
- g) To keep abreast of audit developments and practice within Local Government as a whole.
- h) To ensure that environmental impact is included as an integral part of council processes and reports.
- i) To have a clear policy on those items to be considered in private and those to be considered in public.
- j) To commission work, via the head of audit, from internal and external audit.

3. Corporate Governance, Risk Management and Internal Control

- a) To consider the council's arrangements for corporate governance and compliance with its own and other published standards and controls and recommending and agreeing necessary actions to ensure compliance with best practice.
- b) To review the adequacy of the Council's Corporate Governance arrangements, including matters such as internal control and risk management, financial strategy and policy, systems and processes, information technology, security and assurance, business continuity, critical incident, emergency management, procurement, and third party/outsourced services.
- c) To review the Annual Governance Statement prior to approval and be satisfied that it properly reflects the risk environment and any supporting assurances, including those from significant partners.
- d) To ensure that each Directorate embraces Risk Management and Internal Control at all levels, and provides appropriate visibility, transparency, and accountability on risk management, internal control, and governance issues, and can demonstrate that actions taken in respect of those issues contribute to improved Directorate performance.
- e) To monitor the effective development and operation of risk management in the council, and monitor progress in addressing risk-related issues where they are reported to, or come to the attention of, the committee.
- f) To review the Risk Management Annual Report and make recommendations as appropriate.
- g) To regularly review the Corporate Risk Register and make recommendations as appropriate.
- h) To ensure that appropriate council policies on 'whistle blowing' and complaints are in place, review and monitor their operation, and recommend changes as necessary.
- i) To review and approve the Risk Management Strategy and receive an annual Plan and monitor actual delivery against the plan at every meeting.
- j) To review and approve the Internal Control Strategy and receive an annual

- Plan and monitor actual delivery against the plan at every meeting.
- k) To monitor the operation of the Council's Constitution and keep its terms under review, including all procedure rules
 - l) To consider and make recommendations on any proposals to make changes to the Constitution prior to its consideration by the Council.
 - m) To inform the work of the remuneration Panel in advance of them making submissions to the Council.
 - n) To approve payments or other benefits in cases of maladministration as required and make recommendations arising from any review by the Local Governance Ombudsman.

4. Internal Audit and Fraud

- a) To ensure the independence and objectivity of the internal audit function
- b) To support the effectiveness of the internal audit process
- c) To promote the effective use of internal audit
- d) To monitor the effectiveness of the counter-fraud and anti-corruption strategy, actions and resources and recommend any necessary changes;
- e) To approve the internal audit charter;
- f) To review and approve the Audit Strategy and to recommend any necessary changes
- g) 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;
- h) To monitor the delivery of the Internal Audit Plan and effectiveness of Internal Audit
- i) To review significant interim changes to the risk-based internal audit plan and resource requirements;
- j) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;
- k) To consider reports from the head of internal audit on internal audit's performance during the year. These will include updates on the work of internal audit including key findings, issues of concern, and action in hand as a result of internal audit work;
- l) To consider the head of internal audit's annual report including conformance with professional standards, and their opinion on the risk and internal control environment, the level of assurance it can give over the Council's corporate governance, and recommend any necessary changes;
- m) To consider summaries of specific internal audit reports where significant weaknesses have been identified.
- n) To monitor the implementation of agreed Internal and External audit recommendations using a progress report supplied by Internal Audit at every meeting and on demand ;
- o) 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 or there are concerns about progress with the implementation of agreed actions;
- p) To review the Fraud and Corruption Annual Report and make recommendations as appropriate;

- q) To contribute to the external quality assessment of internal audit that takes place at least once every five years;
- r) To provide free and unfettered access to the audit committee for the head of internal audit, including the opportunity for private meetings with the committee.

5. External Audit

- a) To oversee the appointment process for the External Auditor whether through Public Sector Audit Appointments Ltd (PSAA) or the authority's own auditor panel as appropriate.
- 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.
- c) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements following receipt of the External Auditor's assessment.
- d) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- e) To consider specific reports as agreed with the external auditor including the External Audit Update Report and recommend any necessary changes.
- f) To comment on the scope and depth of external audit work in the External Audit Plan, to monitor its delivery and effectiveness during the year and to ensure it gives value for money.
- g) To monitor management action in response to issues raised by external audit.
- h) To support effective relationships between external audit and internal audit and other relevant bodies.

6. Financial Control & Reporting

- a) To review and approve the Council's annual statement of accounts; 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.
- b) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- c) To review and scrutinise the Council's Treasury Management arrangements including its Treasury Management & Investment Strategy and to make recommendations as appropriate.
- d) To review the Treasury Management Updates and Outturn and make recommendations as appropriate
- e) To review and consider any changes to Accounting policies and procedures that impact on the Council's accounting arrangements.
- f) To review and consider any changes to the Council's Financial Regulations and Contract Standing Orders prior to approval by Council.