

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

4 MARCH 2019

Title:

AUDIT COMMITTEE TERMS OF REFERENCE

**[Portfolio Holder: Cllr Julia Potts]
[Wards Affected: Not applicable]**

Summary and purpose:

This report briefs the Audit Committee on the revised CIPFA Audit Committee Practical Guidance 2018, and recommends that draft revised terms of reference for the Audit Committee are brought to the next meeting of the Committee, following detailed consideration of the new guidance.

How this report relates to the Council's Corporate Priorities:

As a key component of the councils' governance arrangements, the Audit Committee has the potential to be a valuable resource to the whole authority, and adds value by supporting improvements to governance, decision-making, internal control and risk management. An effective Audit Committee therefore supports the delivery of all the Council's Corporate Priorities.

Equality and Diversity Implications:

There are no Equality and Diversity implications arising from this report.

Financial Implications:

There are no financial implications arising from this report.

Legal Implications:

Legal implications, if any, will be reported at the meeting.

Background

1. The Terms of Reference of the Audit Committee were last adopted by full Council at the meeting on 20 February 2018 and reflected the changes agreed by the Committee on 20 November 2017. The Terms of Reference should be reviewed by the Committee on a regular basis, to ensure that they remain relevant and reflect best practice.
2. Consideration of the 2018/19 Terms of Reference was deferred at the meeting on 25 September 2018 to enable the Chairman to formulate suggested amendments for the Committee to consider.
3. The Chairman has identified the following areas for potential amendments:

- a. Clarification of the rationale for which policies are considered by the Audit Committee rather than Overview and Scrutiny Committees.
 - b. In relation to Section 1, Corporate Governance, to include provision that, if the Committee has concerns regarding any of these areas, it may commission an investigation to be carried out by Internal Audit (in accordance with 3.6).
 - c. To include provision for the Committee to raise any concerns with the External Auditors (in the event that internal processes are not appropriate).
4. Following the Audit Committee on 5 November 2018, the Chairman and Vice-Chairman, and Chairman of Value for Money O&S Committee, met with the Head of Policy & Governance, Strategic Director and Head of Finance to discuss the Audit Committee terms of reference and differing perspectives on the role of the Audit Committee and the potential for over-lap with the role of Overview and Scrutiny.

Audit Committees: Practical Guidance for Local Authorities and Police, CIPFA, March 2018

5. CIPFA's *Practical Guidance for Local Authorities and Police 2018* on the function and operation of audit committees represents CIPFA's view of best practice for audit committees in local authorities throughout the UK. This document incorporates CIPFA's *Position Statement: Audit Committees in Local Authorities and Police (2018)* (attached at [Annexe 1](#)) which sets out the principles of good practice for audit committees and replaces the previous 2013 Position Statement.
6. The key changes in the CIPFA's latest guidance relate to the following areas:
 - a. in local authorities, be independent of both the executive and the scrutiny functions, and include an independent member where this is not already mandated by legislation;
 - b. additional guidance on how the Committee can oversee independence, objectivity and performance of Internal Audit and support the effectiveness of the internal audit process;
 - c. additional guidance on how the committee can support independence of the external auditor and monitor the external audit process.
7. The guidance document includes:
 - suggested terms of reference for local authority audit committees, which elaborate on the revised areas of the Position Statement;
 - commentary on the characteristics of good audit committees, and common areas of difficulty for audit committees; and
 - approaches to improvement and evaluating effectiveness.

Conclusion

8. The publication of the 2018 CIPFA *Practical Guidance for Local Authorities and Police* presents the opportunity to review the Audit Committee's role and functions from first principles, rather than merely amending the existing terms of reference incrementally. The *Guidance* endorses the inclusion of an independent member on the committee membership, which is a matter that requires careful consideration. The *Guidance* also considers how an audit committee can review and develop its own effectiveness, which are matters that it would be helpful to consider in the context of

the induction and ongoing development of the new Audit Committee following the elections in May 2019.

Recommendation

That the Audit Committee notes the publication of the 2018 CIPFA *Audit Committees: Practical Guidance for Local Authorities and Police*, and that a draft of revised terms of reference for the Audit Committee will be brought to the first meeting of the committee in the new Council year following detailed consideration of the updated guidance.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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