

Audit Committee Terms of Reference

Version	Date	Author
0.1	October 2018	Fiona Cameron
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1. Statement of Purpose

- 1.1 The Audit and Risk Committee is a key component of Waverley's corporate governance arrangements. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the Audit and Risk Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Waverley's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

2. Committee Form and Structure

Composition

- 2.1 The Audit and Risk Committee will comprise 7 members in political balance.
- 2.2 Members of the Committee must not be Executive members.
- 2.3 The Chair and Vice-Chair will be appointed by Full Council annually.
- 2.4 In the event of a vacancy in the position of Chair or Vice-Chair occurring during the year, the Committee may elect a replacement from nominations put forward by Group Leaders

Meetings

- 2.5 The committee will meet at least four times a year as set out in the calendar of meetings, and on an ad hoc basis as necessary.
- 2.6 The quorum of the Audit and Risk Committee will be 3 councillors.

Competency

- 2.7 All members of the Audit and Risk Committee must:

- (a) have undertaken mandatory training in the relevant law and procedures which relate to the Committee's work; and
- (b) undertake further mandatory training, on an ad hoc basis, when there are changes to procedure or relevant legislation that are deemed significant by the relevant Strategic Director or the Monitoring Officer.

3. Functions and responsibilities

3.1 Governance, Risk and Controls

- 3.1.1 The Committee has the right to access all the information it considers necessary to undertake the work of the Committee and may receive reports and refer matters to Internal and External Auditors.
- 3.1.2 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances including the Code of Corporate Governance.
- 3.1.3 To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 3.1.4 To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
- 3.1.5 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 3.1.6 To monitor the effective development and operation of risk management in the Council.
- 3.1.7 To monitor progress in addressing risk related issues reported to the Committee.
- 3.1.8 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
- 3.1.9 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 3.1.10 To review and approve Waverley's policies relating to Whistleblowing, Anti-Fraud and Corruption.
- 3.1.11 To review the governance and assurance arrangements for significant partnerships or collaborations.

3.1.12 To review and monitor the Council's compliance with public sector financial and audit standards and guidance, in accordance with the CIPFA Codes and Accounts and Audit Regulations.

3.1.13 To review and make recommendations to Full Council on the Finance Regulations and Contract Procedures Rules.

3.2 Internal Audit

The Audit and Risk Committee has the following functions in relation to Internal Audit:

3.2.1 To approve the internal audit charter.

3.2.2 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

3.2.3 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.

3.2.4 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

3.2.5 To make appropriate enquiries of both management and internal audit to determine if there are any inappropriate scope or resource limitations.

3.2.6 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal audit. To approve and periodically review safeguards to limit such impairments.

3.2.7 To consider reports from the internal auditor on internal audit's performance during the year, including the performance of external providers of internal audit services. 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;

Regular reports on the results of the Quality Assurance and Improvement Programme;

Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

3.2.8 To consider the internal auditor's annual report:

The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality

Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal

The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement

- 3.2.9 To consider summaries of specific internal audit reports as requested.
- 3.2.10 To receive reports outlining the action taken where internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 3.2.11 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 3.2.12 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- 3.2.13 To provide free and unfettered access to the Audit and Risk Committee Chair for the internal auditor, including the opportunity for a private meeting with the Committee.

3.3 External Audit

The Audit and Risk Committee has the following functions in relation to External Audit:

- 3.3.1 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 the authority's auditor panel.
- 3.3.2 To consider the external auditor's annual audit letter, relevant reports, and the report to those charged with governance.
- 3.3.3 To consider specific reports as agreed with the external auditor.
- 3.3.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 3.3.5 To commission work from internal and external audit.
- 3.3.6 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

3.3.7 To make recommendations to Full Council regarding the appointment of the External Auditor.

3.4 Financial Reporting

The Audit and Risk Committee has the following functions in relation to Financial Reporting:

3.4.1 To review and approve the annual Statement of Accounts. Specifically, 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 Full Council.

3.4.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

3.5 Accountability Arrangements

The Audit and Risk Committee has the following functions in relation to Accountability:

3.5.1 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

3.5.2 To report to Full Council as required on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

3.5.3 To publish an annual report on the work of the Committee.

3.6 Related Functions

3.6.1 To undertake an annual review of the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the relevant Codes of Practice.

3.6.2 To review any issue referred to it by the Joint Chief Executive, Joint S151 Chief Finance Officer, Joint Monitoring Officer or any Council body

4. Proceedings

Meetings of the Audit and Risk Committee will proceed in accordance with the Council and Committee Procedure Rules, at Part 4 of this Constitution.