

AGENDA ITEM:



Report For:	Audit Committee
Meeting Date:	31st January 2019
Part:	Part 1 - Open
If Part 2, reason:	Choose a reason

SUMMARY

Title of Report:	Audit Committee Terms of Reference
Officer Contact: Direct Dial: Email:	Michael Howard 01494 421357 Mike.howard@wycombe.gov.uk
Ward(s) affected:	All
Reason for the Decision:	<p>The attached terms of reference, Appendix A, details the subject areas that are reserved to both Council and the Audit Committee.</p> <p>In line with recommended best practice an annual review has been undertaken by the Business Assurance Manager and a range of amendments are detailed below:</p> <p>Section 2 - Frequency of Meetings – has been revised to include the post of the Chief Executive along with the Corporate Director.</p> <p>Section 4 - Duties of External Audit – has been revised to reflect the planned roles of External Audit in 1) review of the Councils Financial Statements and 2) as the Independent Reporting Accountant for the Housing Benefit Subsidy Audit.</p> <p>Section 6 - Corporate Governance - reflects the latest CIPFA standard as regards establishing its corporate governance framework.</p> <p>Treasury Management – reflects the revision to transfer the responsibility for the approval of the Councils Treasury Management Strategy to Council under their reserved duty with the Audit Committee retaining the responsibility for the effective scrutiny of the Councils treasury management strategy and polices as a reserved duty of the Audit Committee.</p>

Proposed Recommendation to Council:	That the Terms of Reference, as attached at Appendix 1, for the Audit Committee are Approved and the Councils Constitution amended accordingly.
Sustainable Community Strategy/Council Priorities - Implications	Risk: None Equalities: None Health & Safety: None
Monitoring Officer/ S.151 Officer Comments	Monitoring Officer: No specific Monitoring Officer comments. S.151 Officer: No specific Section 151 Officer comments.
Consultees:	N/A
Options:	None
Next Steps:	Council decision
Background Papers:	Constitution
Abbreviations:	None.

Appendix A

Subject	Reserved to Council	Reserved to Committee
1. Membership and attendance at meetings	<p>(a) Appointment of Members in accordance with Standing Orders.</p> <p>(b) Appointment for a period not exceeding 2 years of one external co-optee, ideally Finance Director from another large public organisation such as Bucks College or Bucks NHS Trust. This co-optee will not have voting rights.</p>	
2. Frequency of meetings		<p>Meetings shall be held not less than four times a year or more frequently as circumstances require. The External Auditors, the Head of Finance & Commercial and the Business Assurance Manager may request a meeting with the Committee or its Chairman if they consider that one is necessary, at least once a year, without the presence of the Chief Executive or the Corporate Director, the Committee shall meet respectively with the external auditors and with the Head of Finance and Commercial.</p>
3. Authority		<ol style="list-style-type: none"> 1. Investigation of any activity within its terms of reference; 2. Seeking any information that it requires from any employee; and 3. Obtaining outside legal or other independent professional advice.

Subject	Reserved to Council	Reserved to Committee
4. Duties External Audit		<p>ANNUAL REVIEW OF THE COUNCIL'S FINANCIAL STATEMENTS</p> <ol style="list-style-type: none"> 1. Discussing with the external auditors the nature and scope of the audit. 2. Reviewing and considering the results of the external audit, its cost effectiveness and the audit fee. 3. Considering communications from the external auditors on audit planning and findings and on material weaknesses in accounting and internal control systems that came to the auditors' attention. 4. Reviewing and discussing with management and auditors the annual financial statements before submission to the Cabinet and Full Council focusing particularly on: i) the quality and acceptability of accounting policies and practices and financial reporting disclosures; ii) areas involving significant judgement estimation or uncertainty; iii) compliance with financial reporting standards and relevant governance reporting requirements; iv) material misstatements detected by the auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not adjusted; v) the basis for the going- concern assumption. 5. Discussing any difficulties, reservations or matters arising from the external auditors' audits (in the absence of officers where necessary). 6. Reviewing the external auditor's management letter and officers' response's. <p><u>INDEPENDENT REPORTING ACCOUNTANT FOR THE REVIEW OF THE HOUSING BENEFIT SUBSIDY AUDIT</u></p> <ol style="list-style-type: none"> 7. Reviewing and considering the results of the external audit of the Housing Benefit Subsidy (in line with the Department for Works and Pensions guidance) and its cost effectiveness and the audit fee.

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5. Values of Good Governance		<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p>
6. Corporate Governance		<p>Reviewing the Council's framework for Corporate Governance and its compliance with Delivering Good Governance in Local Government Framework 2016.</p>

¹ Good governance means: A) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. B) Ensuring openness and comprehensive stakeholder engagement. C) Defining outcomes in terms of sustainable economic, social and environmental benefits. D) Determining the interventions necessary to optimise the achievement of the intended outcomes. E) Developing the entity's capacity, including the capability of leadership and the individuals within it. F) Managing risks and performance through robust internal control and strong public financial management. G) Implementing good practices in transparency, reporting and audit to deliver effective accountability

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Internal Audit		<ol style="list-style-type: none"> <li data-bbox="996 268 2128 368">1. Considering any necessary disclosure implications of the process that has been applied by the Cabinet to deal with material internal control or risk management aspects of any significant problems disclosed in the annual reports and accounts. <li data-bbox="996 387 2128 488">2. Reviewing and discussing with the Head of Finance and Commercial the scope of work of the internal audit and risk management function, its plans, the issues identified as a result of its work and how management is addressing these issues. <li data-bbox="996 507 2128 608">3. Ensuring that the function is adequately resourced and has appropriate authority and standing within the authority. <li data-bbox="996 627 2128 727">4. Reviewing Co-ordination between the internal and external auditors and Risk Management Service. <li data-bbox="996 746 2128 847">5. Periodically review compliance with Public Sector Internal Audit standards which outlines the remit for an effective Internal Audit service. <li data-bbox="996 866 2128 967">6. Considering the major findings of any relevant risk assessments, internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary). <li data-bbox="996 986 2128 1086">7. Considering the objectives of non-financial audits or consultancy work on internal controls or risk management provided by external review agencies. Also to review the remuneration for this work and ensure there are no conflicts of interest within the organisation or with the external auditors. <li data-bbox="996 1106 2128 1206">8. Considering the objectives and scope of any additional work undertaken by the internal auditors to ensure there are no conflicts of interest and the independence not comprised.

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		<ol style="list-style-type: none"> 9. Considering the disclosure about the role of the Audit Committee included in the annual report. 10. Considering other topics such as the Council's policies for preventing or detecting fraud, its Code of Conduct/ ethics and the policies that the Council complies with relevant regulatory and legal requirements and in particular overseeing the work of the corporate fraud service and considering policy changes thereto. 11. Consider the annual internal audit opinion and report which provides an overall opinion on the adequacy and effectiveness of the Council's framework and governance, risk management and control.
Risk Management		<ol style="list-style-type: none"> 1. Understanding of the principles of risk management, including linkage to good governance and decision making. 2. Knowledge of the risk management policy and strategy of the organisation. 3. Understanding of risk governance arrangements, including the role of Members and of the Audit Committee.
Counter Fraud		<ol style="list-style-type: none"> 1. An understanding of the main areas of fraud risk the organisation is exposed to. 2. Knowledge of the principles of good fraud risk management practice (with reference to CIPFA's Managing the Risk of Fraud and Corruption). 3. Knowledge of the organisation's arrangements for tackling fraud.
Health and Safety	Approval of changes on recommendation of Regulatory and Appeals Committee	Maintaining an overview of the Council's framework for Health and Safety in its capacity as employer or regulator for consideration by Cabinet or Regulatory and Appeals Committee as appropriate.

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Terms of Reference	Approval of changes	Reviewing and updating its own terms of reference and at appropriate intervals, evaluating its own performance against its terms of reference and best practice.
Statement of Accounts		Approval of the Authority's Statement of Accounts, income and expenditure and balance sheet or record of receipts and payments (as the case may be).
Treasury Management	Approval of the Council's Treasury Management Strategy.	Ensuring effective scrutiny of the Council's treasury management strategy and policies.
Key Performance Indicators		Analysing of Key Performance Indicators and Identification of Actions Required.