



**Hinckley & Bosworth
Borough Council**

Forward timetable of consultation and decision making

Council 28 January 2025

Wards affected: All wards

Audit Committee – review of Terms of Reference

Report of Head of Finance / Section 151 Officer

1. Purpose of report

1.1 To provide a proposed update to the current Terms of Reference (ToR) for the Audit Committee

2. Recommendation

2.1 That Council members approve the changes to the Audit Committee Terms of reference as detailed in section 4 below.

3. Background to the report

3.1 As part of the Audit Committee self-assessment it was agreed that the Audit Committee would review and update its ToR based upon CIPFA guidance. Whilst the current ToR cover many aspects of the updated version, they do not have as much detail as suggested by the most recent CIPFA recommended version. The proposed ToR are broadly based upon the CIPFA recommended version for Audit Committee in Local Government with only minor variations. The updated ToR are list below in section 4, the previous ToR are detailed in Appendix A to this report.

3.2 The terms of reference for any other committees affected by this change will be considered over the course of the next civic year.

4. Proposed Terms of Reference for approval

4.1 Committee Size

The Audit Committee will consist of 11 councillors including the Chair of the Scrutiny Commission but not including members of the Executive. Meetings will be conducted in accordance with the procedure rules contained within the constitution, where applicable.

4.2 Statement of Purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

4.3 Governance, Risk and Control

The Audit Committee's Role is to:

- review the council's corporate governance arrangements against the good governance framework.
- monitor the effective development and operation of risk management in the council.
- monitor progress in addressing risk-related issues reported to the committee.
- consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- consider reports on the effectiveness of financial management arrangements.
- consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- monitor the counter fraud strategy, actions, and resources.
- review the governance and assurance arrangements for significant partnerships or collaborations.

4.4 Financial and Governance Reporting

The Audit Committee's Role is to:

- review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.

- consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- review 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 council.
- consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- Following the review of the External Auditors report, Annual Governance Statement and Financial statements of each financial year, the Audit Committee will approve the Annual Governance Statement and Statement of Accounts using their delegated authority of the Council to act on its behalf as "those Charged with Governance".

4.5 Arrangement for Audit and Assurance

The Audit Committee's role is to consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

4.6 External Audit

The Audit Committee's Role is 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 Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.
- consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- consider specific reports as agreed with the external auditor.
- comment on the scope and depth of external audit work and to ensure it gives value for money.
- consider additional commissions of work from external audit.
- advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

4.7 Internal Audit

The Audit Committee's Role is to:

- approve the internal audit charter.
- review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 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.
- approve significant interim changes to the risk-based internal audit plan and resource requirements.
- make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- consider reports from the head of internal audit on internal audit's performance during the year.
- consider the head of internal audit's annual report.
- 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 to the authority or there are concerns about progress with the implementation of agreed actions.
- contribute to the QAIP (Quality Assurance and Improvement Program) and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations.
- provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

4.8 Accountability Arrangements

The Audit Committee's Role is 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.
- report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- publish an annual report on the work of the committee.

5. Exemptions in accordance with the Access to Information procedure rules

5.1 Report is to be taken in open session.

6. Financial implications [IB]

6.1 None directly from this report.

7. Legal implications

7.1 In order to amend the constitution this report will require approval of two thirds of those members in attendance of a meeting of the Council.

8. Corporate Plan implications

8.1 Contributes to all of the aims of the Corporate Plan.

9. Consultation

9.1 None.

10. Risk implications

10.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

10.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

11. Knowing your community – equality and rural implications

11.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

12. Climate implications

12.1 None directly from this report.

13. Corporate implications

13.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

Background papers: None.

Contact officer: Ashley Wilson

Executive member: Councillor S Bray

Appendix A

Audit Committee – current terms of reference.

Membership and procedure of the Audit Committee

The Audit Committee will consist of 11 councillors including the Chair of the Scrutiny Commission but not including members of the Executive. Meetings will be conducted in accordance with the procedure rules contained within this constitution, where applicable.

The functions of the Audit Committee include, but are not limited to:

- Approving the Annual Governance Statement and Statement of Accounts
- Approving the external auditor's annual letter
- Approving the internal audit plan and monitoring progress
- Overseeing audits and monitoring compliance with recommendations
- Monitoring the risk management framework and providing assurance
- Monitoring the counter-fraud strategy.