

## Article 7 - The Audit Committee

### 7.01 Role

The Audit Committee's role and functions will be to:

- (a) Review the effectiveness of the Authority's systems of corporate governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
- (b) Oversee the reporting of the statutory financial statements process to ensure the balance, transparency and integrity of published financial information, and to review the financial statements prepared by the authority and recommend them to County Council;
- (c) Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
- (d) Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees.

#### **A. Corporate Governance, Internal Control and Risk Management**

- Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and risk management.
- Consider and assure the annual update of the Code of Corporate Governance
- Consider and assure the annual draft Annual Governance Statement and make appropriate recommendations/observations prior to its submission to the Council's Regulators.
- Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the internal and external auditors have been implemented by management.
- Review and assure the Risk Management Strategy through regular reports on risk management and business continuity plans, processes and outcomes.

- Keep under review the Council's Anti Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy
- Receive reports on all fraud identified and any other special investigations, and action taken.
- Consider how management is held to account for the security of computer systems and applications to protect against computer fraud or misuse.
- Ensure the rigorous application of the agreed protocol for the reporting and decision making over business cases for collaborative projects, the management of the transition for approved collaborations, and the subsequent performance management arrangements for the new collaborative services.
- Obtain regular updates from management and legal advice regarding compliance matters, and be satisfied that all compliance matters have been considered in preparing the financial statements.

#### **B. Statutory Financial Statements**

- Receive the draft annual Statement of Accounts, together with the underlying accounting policies for information. Consider and comment on the final statement of accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.
- Understand the controls and processes implemented by management to ensure the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, significant accounting and reporting issues and their impact on financial reports, and the results of the audit.
- Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.

#### **C. Internal and External Audit**

- Keep under review the joint working arrangements of the Council's internal and external auditors.

## **Internal Audit**

- Promote the role of internal audit within the Council, as a key element of its control environment.
- Review and approve the Internal Audit Charter outlining the role, scope, independence, authority, responsibility and reporting of the department
- Keep under review the organisational structure and resource requirements of the Internal Audit Section.
- Ensure that no management restrictions are placed in the scope of audit's examinations.
- Review, approve (but not direct) and monitor the delivery of the internal audit plan and the risk assessment exercise on which the plan is based, and ensure it considers changes arising from Government, Assembly or Council initiatives.
- Receive summaries of all internal audit reports issued, highlighting key recommendations and recommendations of reports with corporate control implications.
- Monitor the implementation of agreed recommendations contained within internal audit reports, receive reports on recommendations not implemented within agreed timescales and seek explanations from officers where required.
- Receive the Internal Audit annual report and ensure that the annual opinion is reflected in the Annual Governance Statement.
- Keep performance indicators under review and evaluate on an annual basis the performance and effectiveness of internal audit and its compliance with best practice.
- Meet separately with the Internal Audit Manager to discuss any matters that the committee or internal auditors believe should be discussed privately.
- Arbitrate in the event of any failure to agree between a Director or Head of Service and internal audit.
- Discuss with the external auditor the standard of work of internal audit staff.

## **External Audit**

- Ensure that the annual audit is undertaken in compliance with statutory requirements.

- Review the external auditors' proposed audit scope and approach for the current year in the light of the Authority's present circumstances and changes in regulatory and other requirements arising from Government, Assembly or Council initiatives.
- Receive all audit reports, and the annual audit letter, issued by the external auditor, and ensure that all agreed recommendations are implemented.
- Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- Receive reports from other regulatory bodies and ensure that effective processes are in place for setting and monitoring against proportionate and effective action plans.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the chair of the audit committee when required.
- Review on an annual basis the performance of external audit and co-ordinate any feed back requested from the Wales Audit Office.

#### **D. Financial Affairs**

- Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- Gain an understanding of the current areas of greatest risk around financial controls and advise and assure on risk management.
- Keep under review the Council's financial procedure rules and contract procedure rules and all other corporate directions concerning financial control.
- Review and assure the Treasury Management Strategy and Policy and consider quarterly updates on Treasury Management and make appropriate recommendations / observations to the Cabinet.

#### **E. General**

- Require the attendance at the Committee of any officer or member, or the submission of a report from any officer, to provide further explanation in connection with any of the above terms of reference.
- Evaluate the committee's own performance, both of individual members and collectively, on a regular basis.

- The Committee must meet at least once a year and must also do so if the Council decides or if at least a third of the committee's members require a meeting. Beyond those requirements the committee can meet whenever it likes.

The Audit committee will keep the above terms of reference under annual review.