Audit Committee

30 July 2026

Audit Committee – Review of Terms of Reference

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Summary

To review the Terms of Reference of the Audit Committee and to agree any changes Members consider necessary.

1. Recommendations

1.1. The Committee is recommended to approve the suggested changes to Terms of Reference and provide a recommendation to Full Council for adoption.

2. Budget and policy framework

2.1. The establishment and terms of reference of council committees are outside the Council's policy and budget framework; any revisions to the terms of reference must be approved by Council.

3. Background

3.1. The Audit Committee was established, and its Terms of Reference were agreed by Council in 2006, following the publication of guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA). The Terms of Reference should be reviewed by the committee on a regular basis, to ensure that they remain relevant and reflect best practice.

3.2. The current Audit Committee Terms of Reference were last reviewed in June 2025 and are documented in the Constitution of the Council.

4. Review of the Audit Committee Terms of Reference 2026

4.1. The Audit Committee Terms of Reference (TOR) are based primarily upon CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022). Whilst the Position Statement and associated guidance are not statutory, CIPFA's expectation is that *'all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements'*.

4.2. A review of the TOR has been undertaken and found them to remain substantially aligned with the principles and expectations set out within the CIPFA Position Statement. However, the review identified a number of areas where amendments are recommended to reflect developments in professional standards and sector best practice, including the introduction of the Global Internal Audit Standards and the associated Application Note: Global Internal Audit Standards in the UK Public Sector, as well as lessons arising from the Redmond Review and the continuing challenges within the local audit framework.

4.3. Accordingly, the following amendments are proposed:

- **Membership** – the TOR currently refer to the appointment of one Independent Member; however, CIPFA guidance recommends that audit committees include at least two co-opted independent members. It is therefore proposed that the TOR be amended to provide for the appointment of up to two Independent Members.
- **External Audit** – references to documents considered by the Committee have been updated to reflect current terminology and to strengthen the Committee's monitoring of external audit findings and recommendations.
- **Internal Control, Risk Management, Internal Audit and Counter Fraud** – a number of minor enhancements to wording are proposed, together with an increase in the financial threshold for reporting red assurance audit opinions to the Committee and the inclusion of a requirement for the Committee to approve the Internal Audit Charter.

4.4. The proposed amendments will ensure that the TOR continue to reflect current professional standards, recognised good practice and the evolving governance, audit and assurance landscape.

4.5. A copy of the Terms of Reference can be found at Appendix 1, with the proposed amendment shown as tracked changes.

5. Risk management

5.1. There are no significant risks arising from this report; regular review of the Terms of Reference of the Audit Committee will ensure they remain relevant and reflect best practice.

6. Climate change implications

6.1. There are no climate change implications in this report.

7. Financial implications

7.1. The Audit Committee has oversight of the councils, governance, and internal control arrangements, as well as the arrangements for financial reporting and statutory statement of accounts.

8. Legal implications

8.1. There are no legal implications arising from this report.

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Appendices

Appendix 1 – Draft Audit Committee Terms of Reference

Background papers

CIPFA Audit Committee Position Statement 2022

Global Internal Audit Standards 2024.

Application Note: Global Internal Audit Standards in the UK Public Sector