

Medway Council Audit Committee – Terms of Reference

Membership:

Up to 5 Members of the authority who are all free from other executive responsibilities and ~~an~~ up to two Independent Members to be appointed by the Audit Committee on a fully non-voting basis and a term not exceeding 4 years (renewable once).

Statement of Purpose:

The purpose of the Audit Committee is to provide independent high level objective oversight of the adequacy of the governance, risk management framework and internal control environment of the council, independent scrutiny of the authority's financial and non-financial performance, and oversight of financial reporting processes.

Functions:

Budget and Financial Control

- To monitor the overall state of the Council's finances on at least a quarterly basis and advise the Cabinet on any action it recommends.
- To scrutinise the Council's treasury management, investment strategy, and minimum revenue provision policy statement along with treasury management practices and associated schedules and approve the annual treasury outturn.
- To receive and review financial information in relation to the limited companies and joint ventures set up by the Council.
- To provide an independent review of the Council's financial and non-financial performance.

Financial and Governance Reporting

- To monitor the Council's compliance with its own published standards and to consider any proposals for changes to Financial Rules and Contract Rules.
- To monitor financial policies and processes, including endorsement of improvement plans to strengthen the control environment.
- To consider and approve the Council's statement of accounts each year.
- To review and approve the annual governance statement, ensuring that it properly reflects the risk environment and notes actions for improvement, and how the governance supports the achievement of the authority's objectives.
- To review the response to the External Audit Letter to those charged with Governance prior to sign off by the Chair of the Committee.
- To receive the audit findings report, annual audit letter and management's response to any audit findings and recommendations.

External Audit

- To inform the appointment of the External Auditor undertaken by Full Council.
- To discuss with the external auditor new accounting standards, changes to the reporting framework and the basis of the annual audit, including the content of performance work;

- To review with management the Auditor's Annual Report and other statutory reports issued by the external auditor ~~annual audit fee letter and annual audit plan~~ and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity.
- To monitor management responses to external audit recommendations and the implementation of agreed actions.

Internal Control, Risk Management, Internal Audit and Counter Fraud

- To review the effectiveness of the council's risk management framework and the associated internal control environment and arrangements for delivering value for money.
- To oversee and scrutinise ~~inform~~ the risk assessment process used to develop the Risk Management Strategy and Corporate Risk Register for the Council
- To monitor the effective development & operation of risk management in the authority.
- To monitor and review the performance of internal audit, the effectiveness of the internal audit function, the internal audit programme and internal audit findings, including the effectiveness of management's response to findings.
- To consider the findings of internal audit assurance reviews resulting in a Red opinion, where the Chief Audit Executive (in consultation with the Section 151 Officer and/or Monitoring Officer as applicable) considers the weaknesses identified to exceed a financial threshold of £25100,000, or where they represent a significant risk to the achievement of the Council's Corporate Objectives.
- To review and approve the Internal Audit Charter and monitor compliance with the Global Internal Audit Standards and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government.
- To seek such assurance as it may deem appropriate that the internal audit function is independent, objective, adequately resourced, has appropriate standing within the Council and conforms to professional standards.
- To receive the annual opinion from the Chief Audit Executive.
- To consider and make recommendations on reports to the Council by Internal Audit, External Audit, and other external inspectorates.
- To monitor and review the performance of counter fraud, the effectiveness of the counter fraud function, and the Council's counter-fraud arrangements and anti-corruption measures, including the counter fraud & corruption strategy.
- To receive reports in line with the Council's whistleblowing, anti-bribery, covert surveillance and anti-money laundering policy.

Engagement & Outputs:

To discharge its responsibilities effectively, the Audit Committee will:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- be able to meet privately and separately with the external auditor and with the head of internal audit.

- include, as regular attendees, the chief finance officer(s), the head of internal audit, the appointed external auditor, and the monitoring officer, who will all be able to access the committee members, or the chair, as required.
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have the right to requests reports and call on any other officers or agencies of the authority as required in order to seek assurance.
- support transparency, reporting regularly on its work to those charged with governance.
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance.