

Audit Committee

Agenda
Item:

A.5

Meeting Date: 16 March 2017
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: **AUDIT COMMITTEE'S ANNUAL REPORT**
Report of: Chair of Audit Committee.
Report Number: RD59/16

Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during 2016/17.

Recommendations:

It is recommended that the Audit Committee note and accept this report for recommendation to Council.

Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	25th April 2017

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1 BACKGROUND

- 1.1 In accordance with paragraph 3.3 of the Audit Committee's Rules of Governance - attached to this report for Members' information as **Appendix A** - the Chairman of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.
- 1.2 The Members of the Audit Committee for this municipal year are -

Conservative

Mallinson E

Shepherd

Higgs

Bowman S (sub)

Christian (sub)

Earp (sub)

Labour

Patrick (Chair)

Bowditch (Vice Chair)

Riddle

Franklin

Alcroft (sub)

Williams (sub)

Wilson (sub)

This Report covers the meetings of the Audit Committee held on:

19th April 2016

7th July 2016

27th September 2016

22nd December 2016

2 AUDIT COMMITTEE'S PROGRAMME OF WORK.

- 2.1 At the commencement of the year, the Committee agreed a Programme of work for the forthcoming year that outlined the areas to be considered at each meeting.

- 2.2 The Programme for the above period included the following topics that were considered at each of the meetings:

Minutes of the Corporate Resources Overview and Scrutiny Committee – these were submitted to each meeting of the Audit Committee for information and any member comments.

Responses from the Executive/Overview and Scrutiny – these were submitted for consideration and comment.

Internal Audit Progress Reports – these provided summaries of the work carried out by Cumbria Shared Internal Audit Service during the year. A copy of each Final Audit Report was appended to these Progress Reports, together with any relevant information relating to any follow-up reviews that had been undertaken where members' attention needed to be drawn to any outstanding recommendations and the reasons for these.

Treasury Management Reports – these regular reports kept Members informed of the Council's treasury management activities.

The programme also included a number of topics that are considered on an annual or an ad-hoc basis -

2.2.1 MEETING HELD 19TH APRIL 2016

AUDIT CERTIFICATION WORK 2014/15

- The Senior Manager (Grant Thornton) presented the final version of Grant Thornton's Letter on the findings from their certification work for Carlisle City Council for the year ended 31 March 2015.
- The Senior Manager (Grant Thornton) informed Members that they were satisfied that the Council had appropriate arrangements in place to compile and complete accurate and timely claims for audit certification.
- The Committee resolved that the Certification Work Report 2014/15 be noted and received and looked forward to submission of an update from the Director of Resources in terms of accuracy and training with Revenues and Benefits Services.

AUDIT PLAN 2015/16

- The Associate Director (Grant Thornton) presented the Audit Plan for Carlisle City Council for the year ended 31 March 2016, the content of which had been discussed with management.
- The Committee resolved that the Audit Plan for 2015/16 be noted and received.

AUDIT UPDATE REPORT 2015/16

- The Audit Manager (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. Also included was a summary of emerging national issues and developments which may be of relevance to the authority
- The Committee noted and received the content of the Update Report and made arrangements to receive further information from Grant Thornton on matters of interest such as a demonstration of the CFO Insights online analysis tool.

AUDIT FEE LETTER 2016/17

- The Director (Grant Thornton) presented the audit fee letter for 2016/17.
- The Committee noted and received the audit fee letter for 2016/17.

AUDIT COMMITTEE'S ANNUAL REPORT 2015/16

- The Chairman presented a report summarising the work undertaken by the Audit Committee during the period from 13 April 2015 to 18 January 2016.
- The Committee resolved that the Annual Report of the Audit Committee, which would be submitted to the City Council on 26 April 2016, be noted and accepted

INTERNAL AUDIT PLAN 2016/17

- The Audit Manager (Cumbria Shared Internal Audit Service) presented Internal Audit's annual risk based Audit Plan for approval by the Audit Committee as required by the Public Sector Internal Audit Standards (PSIAS).
- The Committee considered and approved the Internal Audit Plan for 2016/17 and Internal Audit Charter.

ACCOUNTING POLICIES 2015/16

- The Chief Accountant submitted a report providing details of the Council's accounting policies.

- The Audit Committee noted the content of the report and had given consideration to the Accounting Policies to be used in the preparation of the 2015/16 Accounts.

RECORDS MANAGEMENT UPDATE

- The Financial Services and HR Manager introduced this item in the absence of the Policy and Communication Manager. Members were disappointed that only a verbal report on this important area was planned as it is a significant weakness in the Annual Governance Statement. They were also unhappy that the responsible manager had not attended this meeting.
- The Audit Committee requested a full and detailed written report to their next meeting.

CORPORATE RISK MANAGEMENT

- The Deputy Chief Executive presented a report providing an update on the Council's risk management arrangements.
- The Audit Committee had considered and noted the content of the report as evidence of the continuing commitment to and culture of sound governance arrangements for corporate risk management.

2.2.2 MEETING HELD 7TH JULY 2016

APPOINTMENT OF CHAIR AND VICE CHAIR

- Councillor Patrick was duly appointed as Chair of the Audit Committee for 2016/17 municipal year and Councillor Bowditch was appointed as Vice Chair.

EXTERNAL AUDIT UPDATE REPORT 2015/16

- The Audit Manager (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors.
- The Audit Committee noted and received the content of the Progress and Update Report for the year ended 31 March 2016.

RECORDS MANAGEMENT UPDATE

- In the absence of the Policy and Communications Manager and pursuant to the last meeting, the Policy and Performance Officer submitted a report providing an update on progress achieved with regard to the record management recommendations within the Code of Corporate Governance Action Plan.

- The Audit Committee resolved that the Policy and Communications Manager submit a written report to the 27 September 2016 meeting of the Committee; the report to include an Action Plan (setting out the recommendations; timescales for implementation; completion details and monitoring going forward) in order that Members may receive the required level of assurance regarding implementation of the various recommendations. The Policy and Communications Manager is also expected to attend the meeting.

ANNUAL GOVERNANCE STATEMENT 2015/16

- The Financial Services and HR Manager submitted a report providing the City Council's Annual Governance Statement for 2015/16 which had been certified by the Council's S151 Officer, Chief Executive and Leader, in accordance with statutory requirements, by 30 June 2016 and would be formally approved following completion of the audit process at the end of September 2016.
- There was only one area of significant weakness, Records Management, in the Council's Governance arrangements which had previously been reported to Members. Although significant progress had been made on improving the records management framework, which had been monitored by Members of the Audit Committee during 2015/16, Members had not received the required level of assurance from Managers with regard to the improvement plan and would therefore continue to monitor progress during 2016/17.
- The Audit Committee noted the content of the 2015/16 Annual Governance Statement, noting that the Statement would accompany the Annual Statement of Accounts.

STATEMENT OF ACCOUNTS 2015/16

- The Chief Accountant presented a report enclosing the Council's Statement of Accounts 2015/16 (subject to audit) which had been certified by the S.151 Officer in accordance with statutory requirements on 7 June in advance of statutory requirement of 30 June 2016. They would now be subject to audit, which must be concluded by the statutory deadline of 30 September 2016. .
- The following reports were also presented for information - Provisional General Fund Revenue Outturn 2015/16 and Provisional Capital Outturn 2015/16 and revised capital programme 2016/17.
- The Audit Committee noted the 2015/16 Statement of Accounts, which had been certified as giving a true and fair view by the Director of Resources, and would now be subject to audit. Also noted that the Annual Governance

Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2015

TREASURY MANAGEMENT OUTTURN 2015/16

- The Chief Accountant submitted the Annual Report on Treasury Management as required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2016 - 31 March 2016 was also submitted.
- The Committee resolved that the report be noted and received.

INTERNAL AUDIT ANNUAL REPORT 2015/16

- The Audit Manager (Cumbria Shared Internal Audit Service) submitted the annual internal audit report, the purpose of which was to give his opinion as the Audit Manager for Carlisle City Council on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2016.
- The Audit Manager's opinion was that Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively.
- The Audit Committee noted:
 - The progress achieved in 2015/16 in delivering the Audit Plan and the outcomes of completed audit reviews
 - The Audit Manager's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2016
 - The Audit Manager's declaration of Internal Audit independence as required by the mandatory PSIAS
 - The Audit Manager's declaration of conformance with the mandatory PSIAS
 - The performance of the Internal Audit Service and outcomes from the Quality Assurance and Improvement Programme.

2.2.3 MEETING HELD ON 27TH SEPTEMBER 2016

RECORDS MANAGEMENT UPDATE

- The Policy and Communications Manager submitted a report providing an update on the record management recommendations within the Code of Corporate Governance Action Plan. The Policy and Communications Manager confirmed that the recommendations made in the original audit had all been met; and that the ongoing work highlighted the developments which had taken place since the audit
- The Audit Committee noted the updates and current position regarding records management and acknowledged the excellent work undertaken and direction of travel with regard to records management, but would await further assurance from the Information Governance Audit Review prior to taking a decision to remove the item from the Annual Governance Statement.

EXTERNAL AUDIT FINDINGS REPORT 2015/16

- The Director (Grant Thornton) presented a report highlighting the key issues arising from Grant Thornton's audit of the Council's financial statements for the year ended 31 March 2016. The report was also used to present their audit findings to management and the Audit Committee in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260 and the Local Audit and Accountability Act 2014).
- The Director (Grant Thornton) explained that, subject to the completion of final procedures, it was anticipated that an unqualified audit opinion would be provided in respect of the financial statements.
- The Committee noted and received the positive Audit Findings Report for the year ended 31 March 2016 and welcomed the unqualified opinion on both the financial statements and the Value for Money conclusion.
- The Committee approved management's proposed treatment of the unadjusted misstatements detailed within the report.
- The Committee recognised the good work undertaken by the Financial Services Team, including work on the Narrative Statement which was a new requirement for 2015/16 and in the aftermath of the December 2015 floods; and requested that the thanks of the Committee be conveyed to all those involved in the preparation of the Council's financial statements and audit process.
- The Committee was also most appreciative of the contribution of the Director and Audit Manager (Grant Thornton).

STATEMENT OF ACCOUNTS 2015/16

- The Chief Accountant reported on the Council's Statement of Accounts 2015/16 which had been subject to a three month audit process, (commencing in July and with a statutory completion date of 30 September 2016).
- The Committee acknowledged the de-cluttering which had been undertaken to aid readability and remove non material disclosure notes from the Statement of Accounts; and thanked the Financial Services Team for their efforts.
- The Audit Committee approved the 2015/16 Statement of Accounts, noting that also included the amended Annual Governance Statement.

LETTER OF REPRESENTATION 2015/16

- The Chief Accountant reported that the audit of the Statement of Accounts for 2015/16 was substantially complete with the Auditors' Audit Findings Report (ISA260) being considered elsewhere on the Agenda. Following approval of that report, the Auditors would issue their formal opinion and the audit process for 2015/16 would be complete.
- However, in accordance with Auditing Standards, a Letter of Representation (a copy of which was appended to the report) must also be considered and approved by the Audit Committee prior to the Audit Opinion being provided. Once approved it would be signed by the Director of Resources on behalf of the City Council
- The Audit Committee approved the Letter of Representation for 2015/16 and authorised the Director of Resources to sign this for the Council.

EFFECTIVENESS REVIEW OF THE AUDIT COMMITTEE

- The Financial Services and HR Manager reported that an effectiveness review of the Audit Committee had been undertaken on 19 April 2016 in line with the CIPFA Guidance for Local Authorities Audit Committees. The review was undertaken by an external facilitator following completion of a self-assessment questionnaire issued to all Members and substitute Members of the Committee. Areas for improvement had been converted and summarised into an improvement plan for Member's consideration.
- The Committee noted the results of the review; agreed to the adoption and implementation of the actions as set out in the Improvement Plan; and requested arrangements be made for a further workshop session, prior to Christmas 2016, to which both Members and Substitute Members of the Committee should be invited.

LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 – APPOINTMENT OF EXTERNAL AUDITOR

- The Financial Services and HR Manager reported that the Local Audit and Accountability Act 2014 included the abolition of the Audit Commission and established new arrangements for the audit and accountability of local public bodies.
- The Financial Services and HR Manager then summarised the options available to the Council in terms of the local appointment of external auditors, together with the associated advantages/benefits and disadvantages/risks
- The Committee recommended to Council that Council opts, in principle, into the sector-led procurement of local authority external auditors from 31 December 2017 and that final confirmation be delegated to the Chief Finance Officer in consultation with the Chairman of the Audit Committee.

FUTURE OF INTERNAL AUDIT

- The Director of Resources and Financial Services and HR Manager gave a presentation on the future options for administering the Internal Audit Services, given that the shared service arrangement would terminate on 31 March 2017.
- The Audit Committee had given in depth consideration to the Future of Internal Audit and sought assurance from the Executive that any new Internal Audit Service would remain independent of the Council's operational processes and that they have sight of the Business Case prior to any final decision being taken.

2.2.4 MEETING HELD ON 22ND DECEMBER 2016

ANNUAL AUDIT LETTER 2015/16

- The Associate Director (Grant Thornton) presented, for information, the Annual Audit Letter, the purpose of which was to summarise the key findings arising from the work carried out at Carlisle City Council for the year ended 31 March 2016.
- Members were asked to note that an additional fee in the order of £5,500 would be imposed to reflect the additional work required in relation to the Housing Benefit Grant Certification.
- The Audit Committee noted and received the Annual Audit Letter for 2015/16 and noted the additional fee for grant certification.

AUDIT COMMITTEE PROGRESS AND UPDATE REPORT

- The Audit Manager (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors.
- The Audit Manager commented on the Housing Benefit Subsidy Claim and although there were no areas of significance to report to the Committee from the testing performed, the level of errors to report to the Department of Works and Pensions was higher than in previous years. Accordingly additional testing was required.
- Scheduling of the final accounts audit for 2016/17 was discussed as for the 2017/18 accounts the closure date was moving forward to 31 July and a "dry run" for earlier closure was planned.
- The Audit Committee noted and received the update report for the year ending 31 March 2017 and requested the Chief Finance Officer to consider future arrangements in relation to the final accounts audit in light of the earlier closure date.

FINAL ACCOUNTS PROCESS 2016/17

- The Chief Accountant submitted a report on the 2016/17 Final Accounts process.
- The Audit Committee noted the content of the report; and had considered the accounting policies to be used in the preparation of the 2016/17 Accounts.

TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2017/18

- The Chief Finance Officer submitted a report setting out the Council's draft Treasury Management Strategy Statement for 2017/18 in accordance with the CIPFA Code of Practice on Treasury Management.
- The Investment Strategy and the Minimum Revenue Provision Strategy for 2017/18 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.
- The Committee resolved that the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2017/18, be noted.

CORPORATE RISK MANAGEMENT

- The Corporate Director of Governance and Regulatory Services presented a report providing an update on the Council's risk management arrangements.

- The Audit Committee noted the content of the report as evidence of the continuing commitment to and culture of sound governance arrangements for corporate risk management.

FUTURE OF INTERNAL AUDIT

- The Financial Services & HR Manager submitted the draft business case on the future delivery of the internal audit function as an in-house provision, following the in-principle decision made by the Executive to bring the service back in-house.
- The Audit Committee supported the 'in principle' decision to bring the service back in house and expected that a full external review of the function be undertaken within 2 years of the service coming back in-house in order that the Committee may receive the required level of assurance that the service was working effectively.

3 TRAINING PROGRAMME

3.1 During 2016/17 Audit Committee Members and substitutes were invited to attend two workshops specifically for members of the Audit Committee; these being

- An Effectiveness Review of the Audit Committee – held on 19th April 2016 and facilitated by an external provider;
- Annual Audit Committee training - held on 28th June 2016 and supported by both internal and external officers. This covered the following areas:
 - The Role of the Audit Committee as the Council's Watchdog;
 - The Role of Internal Audit;
 - The Role of External Audit; and
 - Statement of Accounts training.

4 CONSULTATION

None

5 CONCLUSION AND RECOMMENDATION

5.1 Audit Committees are a key component of an authority's governance framework. The purpose of an audit committee is to provide to those charged with governance (The Council), independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external

audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

5.2 The Audit Committee's annual report provides the Council with information to show how the Audit Committee has fulfilled its role during the year and provides independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

5.3 **It is recommended that the Audit Committee note and accept this report.**

6 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

6.1 The Audit Committee ensures that an effective governance framework is in place to underpin the delivery of Carlisle City's Priorities.

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Shared Internal Audit Service

**Appendix A – Rules
of Governance
attached to report:**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Economic Development – not applicable

Governance & Regulatory Services – not applicable

Local Environment – not applicable

Corporate Support & Resources – not applicable

**AUDIT COMMITTEE
RULES OF GOVERNANCE**

1. STATEMENT OF PURPOSE

- 1.1 The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2. TERMS OF REFERENCE

2.1 Audit Activity

To consider the Audit Services Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

To consider summaries of specific internal audit reports as requested.

To consider reports dealing with the management and performance of the providers of internal audit services.

To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To liaise with Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.

To commission work from internal and external audit.

2.2 Regulatory Framework

To maintain an overview of the Council's Constitution in respect of Contract Procedure Rules, Financial Regulations and financial Codes of Conduct and Behaviour.

To review any issue referred to it by the Town Clerk and Chief Executive or a Director, or any Council body.

To monitor the effective development and operation of risk management and corporate governance in the Council.

To monitor Council policies on “Raising Concerns at Work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.

To oversee the production of and approve the authority’s Annual Governance Statement.

To consider the Council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

To consider the Council’s compliance with its own and other published standards and controls.

2.3 Accounts

To approve the Annual Statement of Accounts, income and expenditure and balance sheet.

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.

To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.

3. ACCOUNTABILITY

3.1 The Audit Committee will be a stand-alone Committee of the Council. All Audit Committee members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.

3.2 The Chairman of the Audit Committee will be appointed by the Committee. The Chairman and the Committee will ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny Panels and Regulatory Committees or the full Council.

3.3 The Chairman of the Audit Committee will present an Annual Report on the work of the Audit Committee to the full Council.

4. AUTHORITY AND ACCESS

4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.

4.2 The Audit Committee will not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.

4.3 The Audit Committee will have access to in-house financial, legal and any other professional advice necessary to carry out its functions.

- 4.4 The Chairman of the Audit Committee and the external and internal auditor will meet as necessary and the Council's Audit Services Manager will provide necessary services and support and assistance to the Audit Committee.
- 4.5 Any Member, Officer or member of the public who has any concern covered by the Terms of Reference of the Audit Committee may raise the matter with the Chairman of the Committee who will obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151, Chief Finance Officer before taking any action with regard to the same.

5. MEMBERSHIP

- 5.1 Audit Committee members will be appointed by the Council and consist of 7 members in accordance with the rules governing political balance. No member of the Executive and no chair of the Overview and Scrutiny Panels will be eligible to be a member of the Audit Committee.
- 5.2 The Audit Committee will be provided with administrative support by the Governance Regulatory Services Directorate and reports/decisions of the Audit Committee will be recorded and published on CMIS in the usual way. Financial Services will provide technical support to the Committee when required. As the decisions of the Audit Committee will not be of an executive nature, the decisions will not be the subject of a request for call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chairman of the Audit Committee, the Monitoring Officer and/or the Section 151 Finance Officer and/or ask an oral question of the Chairman of the Audit Committee at the Council meeting in accordance with the relevant Council Procedure Rules.

6. ATTENDANCE

- 6.1 The Audit Committee shall meet on a regular basis as provided for in paragraph 7 below. Officers and others may attend all or part of the meeting at the invitation of the Committee. Attendees may include:
- The Leader or Deputy Leader
 - The Portfolio Holder for Finance
 - Town Clerk and Chief Executive
 - Chief Finance Officer (Section 151)
 - Corporate Director of Governance and Regulatory Services (Monitoring Officer)
 - Audit Services Manager
 - Other Directors and Managers, as required
- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee will at least annually meet :

- (i) in private, with the external and internal auditors together; and/or
- (ii) in private, with the external auditor.

7. MEETINGS

- 7.1 The Audit Committee will meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Audit Services Manager may request a meeting if they consider it necessary and other special meetings may be called in accordance with the Council's Procedure Rules.
- 7.2 The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

8. QUORUM

- 8.1 The quorum for any meeting will be one quarter of the elected members of the Committee, subject to there being not less than two elected members present at any time.

9. WORK PROFILE OF THE AUDIT COMMITTEE

- 9.1 In furtherance of the Terms of Reference and not otherwise, the Audit Committee is likely to receive and advise upon the following areas of work:
 - Whether there is an appropriate culture of risk management and related control throughout the Council;
 - the Annual Governance Statement;
 - the annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit;
 - significant changes required to Financial Procedure Rules and the Contracts Procedure Rules.
 - the framework and processes for risk assessment, analysis and management within the Council;
 - the effective co-ordination between internal and external audit;
 - the budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee; and
 - generally, on how the Audit Committee could add value to the work and operation of the Council.
- 9.2 External Audit and Inspection Agencies
 - To note the fees and terms of engagement of the external auditor.

- To review the planned programme of work with the external auditor.
- To consider the annual statutory audit and to advise the Executive on any response to any audit management letters, reports and investigations, including Value for Money studies and other inspection reports.
- To review whether agreed external or internal audit or inspection recommendations have been implemented by the Executive as timetabled.
- To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.
- To review the external auditor's independence and objectivity and annually appraise the Executive on the effectiveness and value for money of the external audit service.

9.3 Corporate Governance Framework

- To review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management.
- To give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.
- To review the Annual Governance Statement and make appropriate recommendations to the Council, the Executive, the Overview and Scrutiny Panels and Regulatory Committees.
- To ensure that any significant weaknesses identified are remedied.
- To commission, if necessary, any relevant investigations into matters of particular concern relating to internal control.
- To ensure that the impact of any alleged or fraudulent activity on the Council's framework of internal control is reviewed and, where necessary, to recommend changes to strengthen the control framework.
- To receive reports relating to those aspects of whistle blowing or alleged or actual fraudulent activity which relate to the Terms of Reference of the Audit Committee.

9.4 Internal Audit

To review and make recommendations to the Executive regarding:

- The effectiveness of internal audit;
- the internal audit function to ensure it is adequately resourced;
- the internal audit strategy, annual plan and to monitor delivery of the plan;
- any internal audit protocols and policies;

- significant audit findings, together with the response from managers to these reports;
- any difficulties encountered by internal audit including any restrictions on the scope of activities or access to required information;
- agreed internal audit recommendations to ensure they are implemented by management as timetabled; and
- the annual report from the Audit Services Manager.

9.5 Other

To consider and make recommendations to the Executive on:

- the selection and terms of appointment of other appropriate advisors and consultants;
- governance issues relating to the operation of the Audit Committee, and
- the proportionality, independence, and appropriateness of any of the Council's policies relating to any audit or governance matters;
- such other matters of an audit, financial or governance nature as fall within the terms of reference of the Committee or as may be referred by the Council.