

Purpose

1. The Audit Committee is a fully constituted committee of the Council. Its primary function is to assist the Council by the scrutiny of the Council's Corporate Governance arrangements. It fulfils its oversight responsibilities by reviewing the financial information, which will be provided to Council and others, the systems of internal controls¹, which management and the Cabinet have established, and monitoring compliance with the Local Code of Corporate Governance. In doing so, it is the responsibility of the Audit Committee to provide an open avenue of communication between the Cabinet, management, internal audit and the external auditors.
2. The Audit Committee is the Committee responsible for "audit matters of governance interest" and for "Communication of Audit Matters with Those Charged With Governance".

Organisation

3. The Audit Committee will be appointed annually by the Council
4. The Audit Committee shall consist of five Members, representing all the interests of the authority. There shall be a quorum of three Members.
 - a. One Audit Committee member will be the Leader of the Council, who shall not be the Chair
 - b. With the exception of a. above, only non-executive Members may be members of the Audit Committee. A non-executive Member is a Member who is not on the Cabinet.
 - c. The Chair of the Audit Committee may not be in the same political group as the Leader of the Council.
5. The Political Balance Rules will apply to the Audit Committee
6. The Party Whip² shall not apply to the proceedings of the Council's Audit Committee
7. The Chief Auditor will attend the Audit Committee
8. The Chief Auditor may report directly to the Chair of the committee if the Chief Auditor deems it necessary

Expertise and training

9. Whenever possible, at least one member of the Committee should have a background in financial reporting, accounting or auditing (however, the lack of any such member shall not invalidate or otherwise affect the actions taken by the Committee)

¹ "Internal controls" are the auditable measures taken by management to ensure delivery of the services, priorities, and statutory obligations of the Council, maximise opportunities, mitigate risks to an acceptable level, and optimise the use of resources

² "The Party Whip" is defined here as any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Council or any committee or sub-committee, or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote in any particular manner.

10. The Chief Auditor will provide or arrange for any necessary training to be given to all members of the audit committee
11. The Chair of the Committee will either have previous knowledge of, or receive appropriate training in Corporate Governance, including risk management and internal control

Responsibilities

12. The Audit Committee shall:

General

- a. Have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to Corporate Directors and relevant information. The Committee may retain independent counsel, accountants or others to assist it in the conduct of any investigation.
- b. Arrange to meet four times per year, or more frequently if circumstances require it
- c. Report Committee actions to the Cabinet with recommendations, as the Committee may deem appropriate.
- d. Review annually and make recommendations to Council to update the Audit Committee's terms of reference.
- e. In compliance with the recommendations of external bodies, the Chair of the Audit Committee will meet privately with the Chief Auditor, at least annually, to confirm that significant internal control issues, risk exposures, and Corporate Governance issues have been considered by the Audit Committee.
- f. Provide for inclusion in the Annual Governance Statement whether the audit committee has:
 - i. Reviewed and discussed the financial statements.
 - ii. Discussed with the external auditors any matters for "Those Charged With Governance".
 - iii. Received disclosures from the external auditors regarding the auditors' independence and discussed with the auditors their independence.

Internal Controls and Risk Assessment

- g. Review, evaluate and approve:
 - i. The effectiveness of the Council's process for assessing significant risk exposures and the measures management has taken to mitigate such risks to an acceptable level, including the risks of fraud and corruption with regular progress reports to the Audit Committee and an annual report to Council
 - ii. The adequacy and appropriateness of internal audit provision

- iii. The effectiveness of, or weaknesses in, the Council's internal controls including the adequacy of information systems, efficiency in the use of resources, and security of assets.
 - iv. Any related significant findings and recommendations of the external auditors and the internal auditors together with management's responses including the timetable for implementation of recommendations to correct weaknesses in the internal controls.
 - v. Monitoring the effectiveness of the Authority's risk management arrangements.
- h. Instruct the external auditors to communicate directly to the Audit Committee any serious difficulties or disputes with management.

Internal Audit

- i. Evaluate the internal audit process for establishing internal audit plans and the focus on risk.
- j. Evaluate the audit scope and role of internal audit.
- k. Consider and review:
 - i. Significant findings and management's response including the timetable for implementation to correct significant weaknesses.
 - ii. Any difficulties encountered in the course of their audit such as restrictions on the scope of their work or access to information.
 - iii. Any changes required in the planned scope of their audit plan.
 - iv. The internal audit budget.

Compliance with Laws and Regulations

- l. Ascertain whether the Council has an effective process for determining risks and exposure from asserted and unasserted litigation and claims from non-compliance with laws and regulations.
- m. Review with the Monitoring Officer and others any legal, tax, or regulatory matters that may have a material impact on Council operations and the financial statements.
- n. Discuss with management, the internal auditors and the Council's external auditor the status and adequacy of management information systems including the significant risks and major controls over such risks.

Financial Reporting

- o. Review and approve with management and the external auditors the Council's financial statements prior to publication
- p. Advise management, based upon its review and discussion whether anything has come to the audit committee's attention that causes it to believe that the audited financial statements included in the Council's financial statements contain an untrue statement of material fact or omit to state a necessary material fact.
- q. Review and approve with management and the external auditors at the completion of the annual examination:

- i. The Council's annual financial statements and related footnotes.
- ii. The external auditors' audit of the financial statements and their report.
- iii. Any significant changes required in the external auditor's audit plan.
- iv. Any difficulties or disputes with management encountered during the audit.
- v. The Council's accounting principles.
- vi. Other matters related to conduct, which should be communicated to the Committee under generally accepted auditing standards.

External Auditor

- r. Recommend to the Cabinet any change of the external audit provider, approve the fees of the external auditors and review and approve the discharge of the external auditors.
- s. Review the scope and approach of the annual audit with the external auditors.
- t. Seek assurance of the external auditors' compliance with the Codes of Conduct of the auditing body
- u. Review and monitor, as appropriate, with the external auditors the results of Standards Committee recommendations for the purpose of ensuring the adequacy of Corporate Governance and internal control systems.
- v. Receive all reports of the external auditor and monitor progress in the implementation of recommendations against the agreed timetable.

Treasury Management

- w. Scrutiny of the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy and the Investment Strategy and performance throughout the year before their submission to Cabinet and Council.

Limitation of scope

13. While the Audit Committee has the responsibilities and the powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Council's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assume compliance with laws and regulations and the Council's code of conduct.
14. If requested by the Standards Board, the Council's Monitoring Officer is responsible for investigating breaches of the Members' Code of Conduct. The Audit Committee may refer cases to the Standards Board for investigation, and may consider the results of an investigation for the purpose of ensuring the adequacy of Corporate Governance and internal control systems
15. It is for the Chief Finance Officer to be satisfied that the internal audit function meets the requirements of section 151 of the Local Government Act 1972.