

AUDIT COMMITTEE – DRAFT TERMS OF REFERENCE

1. PURPOSE

- 1.1 The purpose of the Audit Committee is to support the Council in its responsibilities for risk management, governance, and control. It does this by seeking assurance that an effective system of internal control is maintained, and that reasonable arrangements have been established to ensure that assets are safeguarded, waste or inefficiency is avoided, reliable financial information is produced, value for money is continuously sought, and that Council activities are within the law.

2. COMPOSITION

- 2.1 **Membership:** The membership of the Committee shall comprise 6 Elected Members and a Lay person who will act as Convener. Executive Officers of the Council are not eligible for Membership.
- 2.2 **Appointment of Convener:** The Convener of the Committee shall be appointed by the full Council on the recommendation of an Appointments Panel following a formal recruitment exercise. The Convener will hold office for a period to be agreed by Council.
- 2.3 **Attendance:** The Chief Executive, Chief Finance Officer, Chief Governance Officer, Service Directors, Internal Audit Manager, and Statutory External Auditor shall normally attend meetings. The Committee can request the attendance of any Officer of the Council. The Committee meets in public, and all Council Members have the right of attendance and access to papers, except where the Committee resolves otherwise.

3. MEETINGS

- 3.1 **Frequency:** Meetings of the Committee will be timetabled to coincide with important events and before important decisions are made, and will take account of the annual Internal and External Audit planning and reporting cycle.
- 3.2 Meetings will be held a minimum of four times per year, based on a Core Work Programme (see Annex 1) identifying the key items of business to be discussed at each meeting.
- 3.3 **Agenda and Papers:** The Agenda and supporting papers will be sent out at least three working days in advance of the meetings. All papers will clearly state the Agenda reference, the author, the purpose of the paper, the author's recommendations in respect of the business, and the decision to be taken.
- 3.4 **Quorum:** No business shall be transacted unless a minimum of 4 Audit Committee Members are present.
- 3.5 **Minutes:** Formal Minutes will be kept of proceedings and will be submitted for approval at the next meeting of the Committee. Minutes of the Audit Committee will be presented in draft form to the next meeting of Council to ensure that all Members are aware of issues considered and decisions taken.
- 3.6 **Other:** If necessary, additional meetings of the Committee shall be convened and attended exclusively by Members of the Committee and / or the External Auditor or Internal Auditor.

4. OBJECTIVES

- 4.1 The main objectives of the Committee are to provide:
- 4.1.1 independent assurance on the adequacy of the risk management framework and associated control environment within Falkirk Council;
 - 4.1.2 independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects Falkirk Council's exposure to risk and weakens the control environment; and

- 4.1.3 assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.

5. FUNCTIONS DELEGATED TO THE COMMITTEE

Risk Management, Governance, and Control

- 5.1 To review and seek assurance on the framework of risk management, governance, and control.
- 5.2 To review and seek assurance on the system of internal financial control.
- 5.3 To review the Authority's Assurance Statements to ensure they properly reflect the risk environment, and to produce an annual report on the above to support these statements.
- 5.4 To take account of the implications of publications detailing best practice for audit, risk management, governance, and control.
- 5.5 To take account of recommendations contained in the relevant reports / minutes of:
- the External Auditor;
 - the Scottish Parliament; and
 - other external scrutiny agencies.

Internal Audit

- 5.6 To review and approve the Internal Audit Strategy and Plans ensuring that the process has due regard to risk materiality and coverage.
- 5.7 To monitor progress and review audit reports from the Internal Audit Manager.
- 5.8 To monitor management action taken in response to audit recommendations.
- 5.9 To consider the Internal Audit Manager's Annual Assurance Report.
- 5.10 To review the operational effectiveness of Internal Audit by considering its standards, resources, staffing, technical competency, and performance measures.
- 5.11 To ensure there is direct contact between the Audit Committee and Internal Audit, and the opportunity is given for discussions with the Internal Audit Manager (as required) without the presence of Executive Officers.

External Audit

- 5.12 To review the Audit Strategy and Plan, including the Performance Audit Programme.
- 5.13 To consider all statutory audit material, in particular:
- Audit Reports (including Performance Audit Studies);
 - Annual Reports; and
 - Management Letters.
- 5.14 To monitor management action taken in response to External Audit recommendations, including Performance Audit Studies.
- 5.15 To have the ability to hold meetings with the External Auditors at least once per year without the presence of the Executive Directors.
- 5.16 To review the extent of co-operation between External and Internal Audit.

5.17 To note the appointment and remuneration of External Auditors.

Standing Orders and Financial Regulations

5.18 To review changes to Standing Orders and Financial Regulations.

Annual Accounts

5.19 To review changes in accounting policy.

5.20 To review and recommend approval to the Council of the Annual Accounts.

5.21 To report on the roles and responsibilities of the Audit Committee and actions taken to discharge those.

6. OTHER

6.1 The Committee has a duty to review its own performance, effectiveness, and terms of reference on an annual basis.

6.2 The Committee shall keep up-to-date with changes to topical laws and regulations.

6.3 An Annual Report of the work of the Committee shall be submitted to the Full Council (by the Convener of the Audit Committee).

6.4 The Committee is authorised to obtain outside legal or other professional advice it considers necessary.