

**FALKIRK COUNCIL**

**Subject: REFERRAL FROM AUDIT COMMITTEE  
29 OCTOBER 2012 – TERMS OF REFERENCE**  
**Meeting: FALKIRK COUNCIL**  
**Date: 5 December 2012**  
**Author: CHIEF EXECUTIVE**

**1. INTRODUCTION**

1.1 The purpose of this report is to refer Terms of Reference for the Audit Committee to Council for approval.

**2. BACKGROUND**

2.1 The Audit Committee considered a draft Terms of Reference at its meeting on 29 October 2012. These have been revised to reflect Members' discussion at the meeting and are appended for approval.

2.2 The Audit Committee was established by Council in December 2008. It has three main objectives, as set out in the 2004 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, namely that it should provide:-

- independent assurance on the adequacy of the risk management framework and the associated control environment within the authority;
- 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
- assurance that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with.

2.3 Similarly the remit of the Committee is based upon guidance from CIPFA, namely:-

- to consider the Council's governance and business management arrangements;
- to consider the Council's risk management arrangements and action being taken to address risk related issues identified by auditors and inspectors, including consideration of periodic reports from the Corporate Risk Management Group;
- to consider the adequacy of the Council's control environment;
- to approve (but not direct) Internal Audit's strategy;
- to consider and agree Internal Audit plans, ensuring that work is planned with due regard to risk, materiality and coverage;
- to review summary Internal Audit reports and seek assurances that action has been taken to address issues identified;
- to consider an Annual Assurance report from the Internal Audit Manager;
- consider the reports of External Audit and other inspection agencies and seek assurances that recommendations made are addressed;

- to ensure there are effective relationships between Internal and External audit;
- to review the Authority's assurance statements, including the Statement on the System of Internal Financial Control or equivalent, to ensure they properly reflect the risk environment.

2.4 In 2011, Council appointed Ms Roseann Stevenson as lay Convener of the Audit Committee. Ms Stevenson was reappointed as lay Convener in May 2012 following the Local Government Elections.

2.5 Ms Stevenson chaired a roundtable discussion with Audit Committee Members in January 2012. This included a review of the role and remit of the Committee. A draft Terms of Reference was developed from this. However with Local Government elections taking place shortly thereafter it was considered appropriate to allow the incoming Audit Committee the opportunity to consider the Terms and take its own view of its role prior to any Council approval.

2.6 These were considered by the Audit Committee on 29 October and discussion focussed on the need for the revised Terms of Reference to accord with Council's Standing Orders, the quorum, Members' entitlement to attend Audit Committee meetings and the statutory timescales for issuing agendas to Committee members. The Committee authorised me to amend the draft Terms of Reference to reflect the discussion and a revised version is attached for approval.

2.7 The draft Terms of Reference reinforce the main objectives set out at paragraph 2.1 above, and provide further clarity around the functions delegated to the Committee. Council is invited to approve these and authorise the consequential amendment of Standing Orders to reflect the revised quorum arrangements.

### **3. RECOMMENDATION**

**3.1 Council is invited to approve the draft Terms of Reference for the Audit Committee and to instruct the Chief Governance Officer to amend Standing Orders accordingly.**

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**CHIEF EXECUTIVE**

**Date: 19 November 2012**

**Contact Officer: Brian Pirie**

### **LIST OF BACKGROUND PAPERS**

NIL