

**FALKIRK COUNCIL**

**Subject:       AUDIT COMMITTEE – TERMS OF REFERENCE**  
**Date:           29 OCTOBER 2012**  
**Meeting:       AUDIT COMMITTEE**  
**Author:        CHIEF EXECUTIVE**

**1       INTRODUCTION**

- 1.1     The purpose of this report is to present revised Terms of Reference for the Audit Committee and to seek Committee approval for it to be referred to Council for approval.

**2.     AUDIT COMMITTEE BACKGROUND**

- 2.1     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.

- 2.2     Similarly the remit of the Committee was 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.
- 2.3 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.
- 2.4 Having taken the opportunity to familiarise herself with Council procedures and processes, Ms Stevenson chaired a roundtable discussion with Audit Committee Members in January 2012. At that time, Members considered that it was appropriate to review the role and remit of the Committee, following its initial settling in period of 2 years.
- 2.5 Draft Terms of Reference have been developed and these are attached as Appendix 1. The revised draft re-inforces the main objectives set out at paragraph 2.1 above, and provides further clarity around the functions delegated to the Committee. A draft core work programme, setting out the business to be considered by the Committee over the annual meeting cycle is attached at Appendix 2.

### **3. RECOMMENDATIONS**

- 3.1 Committee is invited to agree
- (1) the proposed Terms of Reference of the Audit Committee and refer them to the Council for approval and implementation and;
  - (2) the draft core work programme.

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**CHIEF EXECUTIVE**

Date: 12 October 2012  
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**Background Papers**