

## Appendix 3 - Terms of Reference of Council Committees etc Audit Committee

### Functions

The Audit Committee is responsible for assisting the Council in discharging its functions in relation to the Council's risk management framework, the internal financial and governance control environment and integrity of the financial reporting and annual governance processes.

The purpose of the Audit Committee is to provide independent assurance to [Councillors](#) of the adequacy of the risk management framework and the internal control environment. It provides an independent review of Hackney's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit Committee is responsible for the functions set out below:

#### Governance, Risk and Control

- (a) To review the Council's corporate governance arrangements against the good governance framework including the ethical framework and consider the local code of governance.
- (b) To review the Council's corporate governance arrangements against the good governance framework including the ethical framework and consider the local code of governance.
- (c) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (d) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- (e) To consider the Annual Risk Management Report and Strategy.
- (f) To monitor the effective development and operation of risk management in the Council.
- (g) To monitor progress in addressing risk related issues reported to the Committee.

- (h) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (i) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (j) To monitor the counter-fraud strategy, actions and resources.
- (k) To review the governance and assurance arrangements for significant partnerships or collaborations.

#### Internal audit

- (a) To approve the Internal Audit Charter and Strategy.
- (b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (c) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- (d) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- (e) To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- (f) To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - 1. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - 2. Regular reports on performance results.
  - 3. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- (g) To consider the Head of Internal Audit's annual report:
  - 1. The statement of the level of conformance with the PSIAS and Local Government Application Note and the results of the Quality

Assurance and Improvement Programme that supports the statement. These will indicate the reliability of the conclusions of internal audit.

2. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion. These will assist the committee in reviewing the Annual Governance Statement.

- (h) To consider summaries of specific internal audit reports as requested.
- (i) To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- (j) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- (k) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- (l) The Head of Internal Audit must also establish effective communication with the [Chair](#) of the Audit Committee and the [Chief Executive](#), and have unrestricted lines of communication with them if circumstances require.

#### Anti-Fraud & Corruption

- (a) To monitor the Council's policies on whistleblowing in respect of the anti-fraud and corruption policy.
- (b) To monitor the use of Regulatory of Investigatory Powers Act (RIPA) powers across the Council and review the corporate policy and guidance.
- (c) To consider reports from the Office of the Surveillance Commissioner.

#### External Audit

- (a) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSSA) or the authority's auditor panel as appropriate.

- (b) To consider the external auditor's annual report to those charged with governance in respect of the annual audit of accounts.
- (c) To consider other specific reports as agreed with the external auditor.
- (d) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (e) To commission work from internal and external audits.
- (f) To advise and recommend on the effectiveness of relationships between external and internal audits and other inspection agencies or relevant bodies.

### Treasury Management

- (a) To maintain an overview on the Council's investment and borrowing arrangements including consideration of the annual Treasury Management Strategy prior to its approval by Council as part of the annual budget setting process.
- (b) To consider regular reports on the Council's investment and borrowing arrangements in line with the Chartered Institute for Public Finance Accountants (CIPFA) Code of Practice on Treasury Management.

### Financial Accounts

- (a) To review and adopt the annual Statement of Accounts. Specifically, 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.
- (b) To approve the Annual Governance Statement included within the annual Statement of Accounts, ensuring that any areas highlighted within the statement for action are addressed appropriately.
- (c) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### Accountability Arrangements

- (a) To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

- (b) To report to [Full Council](#) on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose. This will be achieved via an annual report on the work of the committee and any such reports that may be otherwise required.
- (c) To put in place effective working relationships with the Standards Committee and Scrutiny function to ensure appropriate collaborative working without a duplication of responsibilities.

### **Type of Committee**

Audit Committee is a [non-executive committee](#) established by Full Council to discharge regulatory functions.

### **Membership**

Membership of this Committee is appointed in accordance with political balance at Full Council.

The Audit Committee shall comprise of two Independent [Co-opted](#) Persons who will be invited to attend all meetings and contribute to the proceedings in a non voting capacity.

### **Chairing arrangements**

The Chair and [Vice Chair](#) of this committee is appointed at Full Council. In the absence of the Chair or Vice Chair, and subject to being [quorate](#), the Committee members can agree who may preside over the meeting based on the number of those present in person.

### **Quorum and Voting Arrangements**

The Quorum for the Audit Committee shall be two elected Councillors.

### **Substitutes**

Substitutes to the Committee will be appointed by Full Council for the purposes of establishing a quorum and will have the same voting rights as regular committee members.

### **Order of Business**

- (a) Receive apologies;
- (b) Receive any declarations of interest from Councillors;

- (c) Approve the minutes of the previous meeting
- (d) Receive questions from, and provide answers to, members of the public on matters covered on the [agenda](#);
- (e) Consider reports as set out in the agenda.
- (f) Consider any items of urgent business.

### **Who may attend?**

Meetings of the Committee will normally be open to the public, unless [confidential](#) or [exempt information](#) is to be discussed.

### **Location**

This Committee meets at the Council's main offices or any other suitable location.

You can also view meetings online in accordance with the Access to Information Procedure Rules in [Part 6, Section C](#) of the Council's Constitution with the Protocol on Recording and Live Streaming Council Meetings set out in [Part 6, Section F](#) of the Constitution.

### **Questions to the Committee**

A member of the public who lives, works, or studies in the Borough can ask a question of the Committee with one supplementary question relating to an item on the agenda.

A Councillor may ask a question of the Committee with one supplementary question relating to an item on the agenda.

The total amount of time for questions with notice at the Committee will be no more than 15 minutes.

If the Chair agrees, a member of the public can ask a question at the Committee without having given notice. If a question without notice is asked, the Chair will explain that it might not be possible to give a full answer at the meeting and that a written response will be provided.

### **Frequency of meetings**

The Committee meets on dates set out in the Council's meetings calendar.

### **Papers and Notice**

The agenda and any papers for the Committee will be issued at least 5 working days in advance of the meeting, except in the case of matters of urgency.

## **Review**

The terms of reference will be reviewed on an annual basis, or as necessary, to support the functions and objectives of this Committee. Updates to the terms of reference will be agreed annually at the Committee's first meeting of the municipal year.

Last reviewed: September 2024