

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

24 MARCH 2014

1. **AUDIT COMMITTEE TERMS OF REFERENCE**

Joint report of the Audit Manager [Sandwell MBC] and Clerk and Monitoring Officer.

RECOMMENDED

THAT the Audit Committee agree to the submission of the revised terms of reference to the Authority for approval.

2. **PURPOSE OF REPORT**

2.1 This report is submitted for member comment and agreement.

3. **BACKGROUND**

3.1 The terms of reference for the Audit Committee have been updated to reflect CIPFA's new position statement "Audit Committees in Local Authorities". This statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that audit committees are a key component of good governance.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The Fire Authority is not obliged by law to appoint an Audit Committee, but this course of action has been taken in line with guidance from CIPFA.

6. **FINANCIAL IMPLICATIONS**

Implementation of the recommendation will be undertaken within existing resources.

BACKGROUND PAPERS

None

PETER FARROW
AUDI SERVICES AND RISK
MANAGEMENT MANAGER
SANDWELL MBC

NEERAJ SHARMA
CLERK AND MONITORING
OFFICER

Audit Committee – Updated Terms of Reference

Statement of purpose

Our Audit Committee is a key component of the Authority's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the 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.

Governance, risk and control

To review the Authority's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.

To monitor the effective development and operation of risk management in the Authority.

To monitor progress in addressing risk-related issues reported to the Committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.

To monitor the counter-fraud strategy, actions and resources.

Internal Audit

To approve the internal audit charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve 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.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

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:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the head of internal audit's annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards 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.
- The opinion on the overall adequacy and effectiveness of the Authority'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.

To consider summaries of specific internal audit reports as requested.

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.

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.

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.

To support the development of effective communication with the head of internal audit.

External Audit (Grant Thornton)

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

To receive detailed training in respect of the process associated with the preparation, sign off, audit and

To review 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 Authority.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

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.

To report to full Authority 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.

