

# AUDIT & ACCOUNTS COMMITTEE

## TERMS OF REFERENCE

### Membership

Membership of the Audit and Accounts Committee will be eight members of the council, appointed in accordance with the principles of political balance, together with two independent non-voting co-opted members. The Chair of the Audit and Accounts Committee shall not be a member of the majority political group.

Members of the Audit and Accounts Committee will be appointed by the council. All Cabinet members and the elected City Mayor will not be eligible to sit on the Audit and Accounts Committee. *The Lead Member for Finance and Support Services or such other Lead Member as designated by the City Mayor from time to time will be authorised to attend meetings of the Committee but not vote.*

The Quorum shall be three members of the Audit and Accounts Committee.

### Responsibilities

The powers and responsibilities of the Audit and Accounts Committee fall in the areas described below:

#### ***Purpose***

1. The audit committee is a key component of Salford City Council'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.
2. The purpose of the 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 council'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.

#### ***Governance, risk and control***

3. To review the council's corporate governance arrangements against the good governance framework including the ethical framework and consider annual governance reports and the local code of governance and to recommend their adoption when satisfied.
4. 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 council's framework of governance, risk management and control and to recommend its adoption when satisfied.

5. To maintain an overview of the council's Constitution in respect of Contract Procurement Rules and Financial Regulations.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
8. To monitor the effective development and operation of risk management in the council.
9. To monitor progress in addressing risk-related issues reported to the committee.
10. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
11. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
12. To monitor the counter-fraud strategy, actions and resources.
13. To review the governance and assurance arrangements for significant partnerships or collaborations.

#### ***Internal audit***

14. To approve the internal audit charter.
15. To review proposals made in relation to the provision of internal audit services and to make recommendations.
16. 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.
17. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
18. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
19. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
20. 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:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) 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.

21. To consider the head of internal audit's annual report:
  - a) 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.
  - b) 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 as these will assist the committee in reviewing the Annual Governance Statement.
22. To consider summaries of specific internal audit reports as requested.
23. 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.
24. 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.
25. 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.
26. To support the development of effective communication with the head of internal audit. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with committee.
27. Where appropriate, to refer matters of concern to the Overview and Scrutiny Board or the relevant Scrutiny Panel.
28. The Audit and Accounts committee has the power to call an officer to attend the committee to account to the committee the reason(s) for non-implementation of agreed internal audit recommendations.

### ***External audit***

29. 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.
30. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
31. To consider specific reports as agreed with the external auditor.
32. To comment on the scope and depth of external audit work and to ensure it gives value for money.
33. To commission work from internal and external audit.

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

### ***Financial reporting***

35. 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 council.
36. To review and approve the council's financial statements and Letter of Representation to the External Auditors
37. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### ***Accountability arrangements***

38. To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
39. To publish an annual report on the work of the committee to the Cabinet.

### **Delegation**

In exercising the above powers and responsibilities, the Audit and Accounts Committee shall have delegated power to make decisions and act on behalf of the council.

### **Note**

The committee may itself determine not to exercise its delegated powers and may instead make recommendations to council.

Appendix A - Audit & Accounts Committee Escalation Plan

