

AUDIT COMMITTEE

Charter

DRAFT – v7 – November 2018

Organisational Principles

1. Introduction

- 1.1 The Audit Committee plays an important role in providing independent oversight of Flintshire County Council's (the Council's) governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices.

2. Background

- 2.1 The current Audit Committee was established in May 2017. The charter for the Committee was established in November 2018 with the purpose to govern the work of the Committee. The charter will be reviewed and updated annually.

3. Purpose

- 3.1 The purpose of the Audit Committee is to provide a structured, systematic independent oversight of the Council's governance, risk management, and internal control practices. The Committee assists the Council and Senior Accountable Officers by providing advice and guidance on the adequacy of the Council's initiatives for:
- a) Governance structure;
 - b) Risk management;
 - c) Internal control framework;
 - d) Oversight of the internal audit activity, external auditors, and other external assurance providers; and
 - e) Financial statements and public accountability reporting.
- 3.2 In broad terms, the Audit Committee reviews each of the items noted above and provides the Council with independent advice and guidance regarding the adequacy and effectiveness of Council's practices and potential improvements to those practices.

4. Mandate

- 4.1 The mandate for the establishment of the Audit Committee was derived from the Council at the Annual Meeting in 2002.

5. Authority

- 5.1 The Audit Committee charter sets out the authority of the Committee to carry out the responsibilities established for it by the Council as articulated within the Audit Committee charter.
- 5.2 In discharging its responsibilities, the Audit Committee will have unrestricted access to Senior Accountable Officers, service teams, workforce, and relevant information it considers necessary to discharge its duties.
- 5.3 The Committee will also have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or Internal Audit Manager will follow a prescribed, Council approved mechanism to resolve the matter.
- 5.4 The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Council's Senior Accountable Officers and workforce should co-operate with Audit Committee requests.
- 5.5 The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.
- 5.6 The Audit Committee is empowered to:
 - a) Resolve any disagreements between Senior Accountable Officers and the auditor regarding financial reporting and other matters; and
 - b) Pre-approve all auditing and non-audit services performed by auditors.

6. Composition of the Audit Committee

- 6.1 The Committee will consist of eight members; at least one lay member that is independent of the Council. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control. As the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the Committee in response to emerging needs. This would be completed as part of the Audit Committee's annual self-assessment.

7. The Chair of the Audit Committee

- 7.1 The Audit Committee appoints its own chair; nominations for Audit Committee membership are made by the political groups on the Council. The Local Government (Wales) Measure 2011 states that the chair cannot be a member of a group represented on the Cabinet.

8. Terms of Office

- 8.1 The term of office for an Audit Committee member is either four or five years depending on the length of the Council.
- 8.2 Continuance of Audit Committee members will be reviewed annually. To ensure continuity within the Audit Committee, the appointment of members should be staggered (where appropriate).

9. Quorum

- 9.1 The quorum for the Audit Committee will be three members.

10. Audit Committee Values

- 10.1 The Audit Committee will conduct itself in accordance with the code of values and ethics of the Council. The Audit Committee expects that Senior Accountable Officers, service teams and the workforce of the Council will adhere to these requirements.

11. Communications

- 11.1 The Audit Committee expects that all communication with Senior Accountable Officers, service teams, workforce of the Council as well as with any external assurance providers will be direct, open and complete.

12. Work Programme

- 12.1 The Audit Committee chair will collaborate with Senior Accountable Officers and the Internal Audit Manager to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

13. Meeting Agenda

- 13.1 The Committee establishes the agendas for Audit Committee meetings through the forward work programme and in consultation with Senior Accountable Officers and the Internal Audit Manager.

14. Information Requirements

- 14.1 The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the Audit Committee at least one week prior to each Audit Committee meeting.

15. Executive Sessions

- 15.1 The Audit Committee will schedule and hold if necessary, a private session with the Chief Executive, the Corporate Finance Manager (the designated Chief Financial Officer (CFO)), the Internal Audit Manager, external assurance providers, and with any other officials that the Audit Committee may deem appropriate at each of its meetings.

16. Preparation and Attendance

- 16.1 Audit Committee members are obliged to prepare for and participate in committee meetings.

17. Conflict(s) of Interest

- 17.1 Audit Committee members should adhere to the Council's Code of Conduct and any values and ethics established by the Council. It is the responsibility of Audit Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee. If there is any question as to whether Audit Committee member(s) should recuse themselves from a vote, the Committee should vote to determine whether the member should recuse himself or herself.

18. Training

- 18.1 Audit Committee members will receive formal training on the purpose and mandate of the Committee and on the Council's objectives. Further training

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needs will be identified by the Audit Committee during committee meetings and as part of their annual self-assessment.

19. Meetings

- 19.1 The Audit Committee will meet at least five times annually or more frequently as the Committee deems necessary. The time frame between Audit Committee meetings should not exceed four months.

20. Minutes

- 20.1 Meeting minutes will be provided in draft format at least two weeks after the Audit Committee meeting.

21. Attendance

- 21.1 Where possible, the Internal Audit Manager, Chief Officer for Governance and Council Monitoring Officer, and Chief Executive will attend Audit Committee meetings.

22. Meeting Facilitation and Co-ordination

- 22.1 Committee Services will facilitate and co-ordinate meetings as well as provide ancillary support to the Committee, as time and resources permit.

23. Remuneration of Committee Members

- 23.1 Committee members may claim reimbursement for travel. Full details can be found in the Members' Allowances policy.
- 23.2 Payment rates and allowances for co-opted committee members' time and/or services are established formally in accordance with the Independent Remuneration Panel for Wales (IRPW).

24. Organisational Governance

- 24.1 To obtain reasonable assurance regarding the Council's governance process, the Audit Committee will review and provide advice on the governance process established and maintained within the Council and the procedures in place to ensure that they are operating as intended.

25. Risk Management

25.1 To obtain reasonable assurance and confidence of the Council's risk management practices, the Audit Committee will:

- a) Annually review the Council's risk profile;
- b) Obtain from the Internal Audit Manager an annual report on the implementation and maintenance of a risk management process;
- c) Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Senior Accountable Officers and the Council;
- d) Provide oversight of the adequacy of the combined assurance being provided; and
- e) Receive and assure the Risk Management Strategy through regular reports on risk management, processes, procedures and outcomes.

26. Fraud

26.1 Obtain reasonable assurance and confidence of the Council's procedures for the prevention and detection of fraud, the Audit Committee will:

- a) Oversee the Council's arrangements for the prevention and deterrence of fraud; and
- b) Challenge Senior Accountable Officers and internal and external auditors to ensure that the Council has appropriate anti-fraud programmes and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

27. Control

27.1 Obtain reasonable assurance and confidence over the adequacy and effectiveness of the Council's controls in responding to risks within the Council's governance, operations and information systems, the Audit Committee will:

- a) Consider the effectiveness of the Council's control framework, including information technology security and control;

- b) Receive reports on all matters of significance arising from work performed by other assurance providers of financial and internal control assurance.

28. Compliance

28.1 The Audit Committee will:

- a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up of any instances of non-compliance;
- b) Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies;
- c) Review the process for communicating the Code of Conduct to the Council's personnel and for monitoring compliance; and
- d) Obtain regular updates from Senior Accountable Officers and the Council's legal counsel regarding compliance matters.

Oversight of Assurance Providers

29. Internal Audit Activity

29.1 To obtain reasonable assurance regarding the work of internal audit, the Audit Committee will oversee the internal audit charter and resources. In particular:

- a) Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of the IIA's International Professional Practices Framework, namely the Public Sector Internal Audit Standards (PSIAS) and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Council and reflects developments in the professional practice of internal auditing; and
- b) Advise the Council about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or for an interim period.

29.2 **Internal Audit Manager's Performance**

- a) The Chair of the Audit Committee is involved in the recruitment and appointment of the Internal Audit Manager; and
- b) Provide input into the performance evaluation of the Internal Audit Manager.

29.3 Internal Audit Strategy and Plan

- a) Review and provide input, but not direct, on the internal audit activity's strategic risk-based plan, objectives, performance measures and outcomes; and
- b) Review the internal audit activity's performance relative to the audit plan.

29.4 Internal Audit Engagement and Follow Up

- a) Review internal audit reports and other communications to Senior Accountable Officers and service teams;
- b) Review and track Senior Accountable Officers action plans to address the results of internal audit engagements;
- c) Review and advise Senior Accountable Officers and service teams on the results of any special investigations;
- d) Confirm with the Internal Audit Manager whether any internal audit engagements or non-audit engagements have been completed but not reported to the Committee; if so, inquire whether any matters of significance arose from such work; and
- e) Confirm with the Internal Audit Manager whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

29.5 Expectations of Responsibilities.

There is an expectation of the Senior Accountable Officers and service teams to work with speed and support in responding to Internal Audit reports, working on and following an annual shared work programme and responding to ad hoc work of the Committee.

29.6 Standards Conformance

- a) Inquire of the Internal Audit Manager about steps taken to ensure that the internal audit activity conforms with the IIA's International Standards for the Professional Practice of Internal Auditing (Standards), namely the Public Sector Internal Audit Standards (PSIAS);

- b) Ensure that the internal audit has a quality assurance and improvement programme and that the results of these periodic assessments are presented to the Audit Committee;
- c) Ensure that the internal audit has an external quality assurance review every five years;
- d) Review the results of the independent and external quality assurance review and monitor the implementation of the internal audit action plans to address any recommendations; and
- e) Advise the Council about any recommendations for the continuous improvement of the internal audit service.

30. External Auditors and other Regulatory Bodies

External Audit – Financial Assurance:

- 30.1 Obtain reasonable assurance of the work of the external assurance providers, the Audit Committee will meet with the external assurance body, currently Wales Audit Office, during the planning phase, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for Senior Accountable Officers and service teams.
- 30.2 The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.
- 30.3 The Audit Committee will:
 - a) Review the external auditors' proposed audit scope and approach, including co-ordination of audit effort with the internal audit service;
 - b) Obtain statements from the external auditors about their relationships with the Council, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence;
 - c) Where relevant, hold periodic private meetings with external auditors to discuss any sensitive matters;
 - d) Monitor Senior Accountable Officers and service teams progress on action plans; and
 - e) Obtain reasonable assurance that Senior Accountable Officers and service teams have acted on the results and recommendations of internal and

external audit, the Audit Committee will regularly review reports on the progress of implementing approved action plans and audit recommendations resulting from completed audits.

External Regulation – Performance Assurance:

- 30.4 External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies such as the Wales Audit Office (WAO), Estyn and the Care Inspectorate Wales (CIW), plus a number of other external regulatory bodies. To examine how the organisation manages and spends public money including achieving value in delivery.
- 30.5 Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.
- 30.6 This work is co-ordinated by the Chief Executive’s Business and Communications team and a shared protocol for these working arrangements is in place.
- 30.7 To gain assurance and confidence of the Council’s response to the external regulatory findings the Audit Committee will:
- a) Receive periodic reports from external regulators which will include the Council’s response to the reports;
 - b) Receive an annual report collating external regulatory activity on improvement assessment work which is supplemented by local risk based audit work; and
 - c) Receive the Annual Improvement Report from the Auditor General.

31 Financial Statements and Public Accountability Reporting

- 31.1 The Audit Committee is responsible for oversight of the independent audit of the Council’s financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, and regulatory compliance.
- 31.2 The Audit Committee will:
- a) Review with Senior Accountable Officers and the external auditors the results of audit engagements, including any difficulties encountered;
 - b) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional

and regulatory pronouncements, and understand their impact on the financial statements;

- c) Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- d) Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released;
- e) Review with Senior Accountable Officers and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards;
- f) Understand the strategies, assumptions and estimates Senior Accountable Officers and service teams have made in preparing financial statements, budgets, and investment plans;
- g) Understand how Senior Accountable Officers and service teams develop interim financial information and the nature and extent of internal and external auditor involvement in the process;
- h) Review interim financial reports with Senior Accountable Officers and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members; and
- i) Review the Council's Treasury Management policy and receive regular updates on the Council's performance.

32 Other Responsibilities

32.1 In addition, the Audit Committee will:

- a) Perform other activities related to this charter as requested by the Council;
- b) Institute and oversee special investigations as needed; and
- c) Regularly evaluate its performance and that of its individual members through an annual self-assessment.

32.2 The Chair and Vice Chair of the Audit Committee will be a member of the Chair and Vice Chair Liaison Group with the primary objective to:

- a) Review the work programme to ensure duplication is kept to a minimum

- b) Review the Council's risk profile to ensure shared covered.
- c) Escalate poor performance between committees for consideration and future monitoring.

Appendix A of the Charter provides a diagram of the co-ordination of work between the Overview and Scrutiny and Audit Committees.

33 Reporting on Audit Committee Performance

33.1 The Audit Committee will report to the Council annually, summarising the Committee's activities and recommendations. The report may be delivered during an Audit Committee meeting attended by the Chair of the Council or during a regularly scheduled meeting of the Council.

33.2 The report should also include:

- a) A summary of the work the Audit Committee performed to fully discharge its responsibilities during the preceding year;
- b) A summary of Senior Accountable Officers and service teams progress in addressing the results of internal and external audit reports;
- c) An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organisation;
- d) Details of meetings including the number of meetings held during the relevant period and the number of meetings each member attended;
- e) Provide information required, if any, by new or emerging corporate governance developments; and
- f) The Committee may report to the Council at any time regarding any other matter it deems of sufficient importance.

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34 Approval / Signatures:

Chairman of the Council: _____ Date: _____

Chief Executive: _____ Date: _____

Chair of Audit Committee: _____ Date: _____

