

Solihull Metropolitan Borough Council

Audit Committee Terms of Reference

Membership

3 elected members of Solihull Metropolitan Borough Council
3 independent co-opted members who shall each serve for a four year fixed term
The Chairman of the Committee is to be one of the independent co-opted members

Purpose

1. The Audit Committee is a key component of SMBC'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 SMBC'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 the local code of governance.
4. To review the Annual Governance Statement (AGS) 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.
5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the council by:
 - a) having oversight of the Council's risk management policy, strategy and implementation, including the integration of risk management into the governance and decision-making processes of the Council
 - b) reviewing the arrangements to coordinate and lead risk management and review the risk profile, including major operational risks, and seek assurances these risks are managed effectively and appropriately from the responsible officers
 - c) monitoring the effectiveness of risk management arrangements by having oversight of any risk maturity assessments, benchmarking exercises or external risk management assurance exercises that occur.
8. To monitor progress in addressing risk-related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessments of fraud risks and potential harm to the council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

13. To review and approve the Audit Charter on an annual basis.
14. To endorse 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.

15. To endorse significant interim changes to the risk-based internal audit plan and resource requirements.
16. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
17. 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.
18. To consider reports from the head of internal audit on internal audit's performance during the year. 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) Reports on the results of the Quality Assurance Improvement Program (QAIP)
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards, considering whether the non-conformance is significant enough that it must be included in the AGS
19. To consider the head of internal audit's annual report including 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 (which will assist the committee in reviewing the AGS).
20. To consider specific internal audit reports as requested.
21. 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.
22. To contribute to the QAIP and the external quality assessment of internal audit that takes place at least once every 5 years.
23. 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 the committee.
24. To provide feedback on the performance of the Head of Audit Services to the Director of Resources and Deputy Chief Executive via the Chair of the Audit Committee.
25. To recommend (for approval by the Director of Resources and Deputy Chief Executive and the Chief Executive) the appointment and dismissal of the Head of Audit Services should the need arise.

External Audit

26. 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.
27. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
28. To consider specific reports as agreed with the external auditor.
29. To comment on the scope and depth of external audit work and to ensure it gives value for money.
30. To commission work from internal and external audit.
31. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Regulatory Framework and Financial Reporting

32. To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.
33. To review any issue referred to it by the Chief Executive or an Executive Director, or any Council body.
34. To consider the Council's compliance with its own and other published standards and controls.
35. To ensure the effective scrutiny and monitoring of the Treasury Management strategy and policy.
36. 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.

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

Accountability

38. 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.
39. 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 and publish an annual report on the work of the committee.

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