

IMPROVEMENT SERVICE AUDIT COMMITTEE

# Terms of Reference





## 1. Membership and attendance

The Committee shall be appointed by The Board<sup>1</sup> and shall comprise a Chair and 2 other members.

All members of The Committee shall be directors of the company or co-opted by directors of the company. The Chair of the Board shall not be a member of The Committee. The Audit Committee Chair will have appropriate financial experience but not require a financial qualification.

The Board shall appoint The Committee Chair. In the absence of The Committee Chair, the remaining members present shall elect one of their number present to chair the meeting.

The term for The Committee Chair and member of The Committee shall be a maximum of three years and restricted to two terms.

The Committee may ask the Board Chair, Chief Executive, Finance Manager and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.

The Committee shall ask a representative of the external auditors and internal audit to attend meetings as required. The Committee should have at least one meeting per annum, or part thereof, with the external auditor without management being present.

## 2. Secretary

The Business Support Manager/PA to CEO shall act as the Secretary of The Committee.

## 3. Quorum

The quorum necessary for the transaction of all authorities, powers and discretions vested in The Committee shall be 2 members.

## 4. Frequency of meetings

The Committee shall meet not less than twice a year and at such other times as the Chair of The Committee shall require.

Meetings will be arranged to tie in with the publication of the company's financial statements, allowing at least 10 working days prior to a Board Meeting where accounts or financial statements are to be approved.

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<sup>1</sup> The Committee shall mean the Audit Committee; The Board shall mean the Board of Directors.

## 5. Notice of meetings

The Chair of The Committee shall summon meetings of The Committee and shall consider any such requests of any member thereof or by external or internal auditors.

Notice of each meeting confirming the venue, time and date together with an agenda of items, to be discussed, shall be forwarded to each member of The Committee and any other person required to attend. Members of The Committee shall, at the same time, receive the working papers for that meeting. Notices of meetings and papers will be normally by circulated at least 5 working days prior to the date of the meeting.

## 6. Minutes of meetings

The Secretary shall minute the proceedings and resolutions of all meetings of The Committee, including recording the names of those present and in attendance.

The Chair should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and the Secretary will minute them accordingly.

Minutes of Committee meetings shall be circulated promptly to all members of The Committee and made available to members of The Board on request.

## 7. Annual general meeting

The Chair of The Committee shall attend the Annual General Meeting prepared to respond to any questions on The Committee's activities.

## 8. Duties

### **Internal Control and Risk Assessment**

The Committee shall keep under review the effectiveness of the company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks, with the Board making decisions on the risk itself.

### **Internal Audit**

The Committee shall consider and approve the terms of reference of the internal audit function, and shall be advised of the planned programme of audits and the reason for any change or delay in the programme.

The Committee shall review the management of financial matters and focus upon the freedom allowed to the internal auditors.

The Committee shall review promptly all reports on the company from the internal auditors.

West Lothian Council's Audit, Risk and Counter Fraud Manager shall be given the right of direct access to the Chair of The Committee.

The Committee will meet with the lead internal auditor without management present, at least annually, to discuss any issues arising from the internal audit work.

### **External Audit**

The Committee shall consider and make recommendations to The Board as regards the appointment and re-appointment of the company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time.

The Committee shall meet with the external auditors at least once each year, post audit at the reporting stage, and shall ensure that any auditor's management letters and management's responses are reviewed.

The Committee shall keep under review the relationship with external auditors including (but not limited to):

- ▶ the independence and objectivity of the external auditors;
- ▶ the performance of the external auditors and the level of service received;
- ▶ the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities; and
- ▶ discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the company's internal auditing standards.

The Audit Committee will provide a governance statement for the Annual Report which will be submitted to the Board for approval.

## **9. Financial statements**

The Committee shall keep under review the consistency of accounting policies on a year to year basis within the company.

The Committee shall review and challenge where necessary the company's financial statements taking into account:

- ▶ decisions requiring a major element of judgement;
- ▶ the extent to which the financial statements are affected by any unusual transactions;
- ▶ the clarity of disclosures;
- ▶ significant adjustments resulting from the audit;
- ▶ the going concern assumption;

- ▶ compliance with accounting standards;
- ▶ compliance with other legal requirements; and
- ▶ reviewing the company's statement on internal control systems prior to endorsement by The Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company.

The Committee shall review the annual financial statements of the pension funds, prior to submitting them to the Board for review.

## 10. Reporting responsibilities

A member of the Audit Committee shall report formally to each Board meeting the deliberations, decisions and any concerns expressed at each Committee Meeting.

In the light of its other duties, the Committee shall make whatever recommendations to The Board it deems appropriate, and a member of the Audit Committee shall update the Board, providing an opinion on the company's Annual Report and Accounts.

## 11. Budget strategy and Best Value

The Committee will agree budget assumptions, the format of the budget and detail of what it contains. It will involve regular budget monitoring and the approval of any new or remedial action necessary to allow the company to work within its agreed budget strategy. Any approvals will be set in line with the company's financial regulations.

The Committee will receive regular performance management reports from the company.

The Committee will be responsible for recommending improvement reviews to the Board as appropriate to ensure best value.

## 12. Other matters

The Committee shall be responsible for co-ordination of the internal and external auditors.

The Committee will review company HR policy and procedures.

The Committee will review the company's procedures for handling allegations from whistleblowers.

The Committee shall oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort.

The Committee shall be responsible for reviewing the effectiveness of the company's business continuity and disaster recovery plans on an annual basis.

The Committee should, on a regular basis, review its constitution and terms of reference to ensure it is operating at maximum effectiveness.

Following such a review, the Committee shall recommend changes to the Terms of Reference to the Board of Director's for approval.

The Committee will develop a framework, based on the good practice guidance, to support the Audit Committee to undertake a biennial self-assessment of its operation and effectiveness.

The Audit Committee will provide an update report and an annual work programme to the Board.

## 13. Authority

The Committee is authorised:

- ▶ to seek any information it requires from any employee of the company in order to perform its duties;
- ▶ to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- ▶ to call any member of staff to be questioned at a meeting of The Committee as and when required.

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