

APPENDIX 1  
ARGYLL and BUTE COUNCIL

DRAFT  
Audit Committee – Terms of Reference

The Committee's terms of reference are generally to promote good internal control, financial risk and governance, in order to provide reasonable assurance of effective and efficient operation, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice.

The specific terms of reference are as follows –

**Audit Activity**

- To agree the internal audit strategic plan, oversee and review action taken on internal audit recommendations;
- To consider the annual report, opinion, and summary of Internal Audit activity (actual and proposed) including the level of assurance it can give over the Council's corporate governance arrangements and other specific internal audit reports;
- To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance and other specific External Audit reports;
- 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 consider the performance of Internal and External Audit;
- To provide training to support the role of audit committee members;
- To develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability;
- To promote good financial practice within the Council;
- To be consulted on the External Audit strategy and plan, review reports from the Council's External Advisors and review action on External Audit recommendations; and
- To review the Council's financial performance as contained in the Annual Report, and to report annually to the Council on the internal control environment.

**Regulatory Framework**

- To maintain an overview of the Council's Constitution in respect of contract procedure rules, and financial regulations;
- To monitor the effective development and operation of risk management and corporate governance in the Council;
- To monitor the Anti fraud and corruption strategy and the Council's arrangements for dealing with any allegations of fraud or similar improper behaviour;
- To oversee the production of the Council's Statement on Internal Control; and
- To consider the Council's compliance with its own and other published standards and controls.

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### Accounts

- To examine the activities and accounts of the Council and exercise a governance role over management efforts to ensure that;
  - (a) the expenditure approved by the Council has been incurred for the purposes intended;
  - (b) services are being provided efficiently and effectively;
  - (c) value for money is being obtained, all in accordance with Best Value requirements; and
  - (d) the Council/Executive has appropriate information and advice available to them to make decisions.
- 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; and
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

### Performance

- To promote good performance management practice within the Council;
- To be assured that the Council's performance management systems operate effectively;
- To regularly review outputs from the Council's performance management system;
- To consider performance and inspection reports from internal audit, external audit and other relevant agencies;
- To commission specific performance reviews to be carried out where necessary;
- To review Best Value arrangements and outcomes, with consideration of both external and internal Best Value reports, strategy/plans and outcomes from Best Value reviews;
- To overview key performance indicator outcomes, including quarterly service performance reporting and Statutory Performance Indicator outcomes;
- To comment on proposals for developing a performance management framework, systems and processes; and
- To review the impact of national performance reports from external bodies such as Audit Scotland and consider their impact on future audit plans for performance work to be undertaken by both external and internal audit.