

Audit Committee
Terms of Reference

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Author	Judith Smith, Senior Auditor Adrian Blackshaw, Senior Auditor and Chloe Ashworth, Assistant Democratic Service Manager
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Audit Committee Terms of Reference.

The Audit Committee is responsible for providing assurance on the Council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme. The Audit Committee will appoint two independent people.

1. MEMBERSHIP

The meeting will be chaired by a Member of the Audit Committee duly appointed by the Council. If at any meeting the Chair appointed by the Council is absent, and if no Deputy has been appointed by the Council, the meeting shall appoint a Chair for that meeting only. The meeting Clerk or his/her representative shall at the start of the meeting invite nominations for Chair and will take a vote on a show of hands for those members nominated for Chair.

Members of Cabinet cannot be a member of the Audit Committee. No member may be involved in scrutinising a decision in which they have been directly involved, or for a decision in the Cabinet portfolio they provide support to as a Deputy Cabinet Member

The Audit Committee may co-opt a maximum of two non-voting people. Any such co-optees will be agreed by the committee having reference to the agreed work plan and/or task and finish group membership.

The Membership of the Audit Committee will comprise of the following:

Voting Members:

Nine Councillors, appointed in accordance with the principles of political balance

None Voting Members:

Two independent Members

2. FUNCTION

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

- The audit committee is a key component of Bury 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.
- 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, fraud, risk, information governance and external audit, helping to ensure efficient and effective assurance arrangements are in place.

3. KEY RESPONSIBILITIES OF THE COMMITTEE

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and the local code of governance and to recommend their adoption when satisfied.
- 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.
- To maintain an overview of the council's Constitution in respect of Contract Procurement Rules and Financial Regulations.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter-fraud strategy, actions, and resources.
- To monitor the performance of Information Governance across the Council and review requirements.

Internal audit

- To approve the internal audit charter, mandate and strategy at least annually.
- To review proposals made in relation to the provision of internal audit services and to make recommendations.
- 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.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.

- To make appropriate enquiries of both management and the Head of FAIR to ensure that there are sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan. To consider the impact of insufficient resources on the internal audit mandate and plan.
- To obtain assurance annually from the Director of Finance (Section 151 Officer) that the Head of FAIR position is held by a suitably qualified and competent person in line with the requirements of the Global Internal Audit Standards.
- To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of FAIR. To approve and periodically review safeguards to limit such impairments.
- To consider reports from the Head of FAIR 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.
- To consider the Head of FAIR's annual report:
 - a) The statement of the level of conformance with the Global 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.
- To consider all Internal Audit reports and follow up reports.
- To receive reports outlining the action taken where the Head of FAIR 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.
- To receive any reports from the Head of FAIR of any instances where management have failed to act in accordance with the council's ethical expectations.
- 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.

- 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.
- To support the development of effective communication with the Head of FAIR. To provide free and unfettered access to the audit committee chair for the Head of FAIR via a private meeting with the committee members. A private meeting will be scheduled at least annually, but additional meetings may be scheduled during the year at the request of members.
- Where appropriate, to refer matters of concern to the Overview and Scrutiny Committee or the relevant Scrutiny Committee.
- The Audit committee has the power to call a relevant officer to attend the committee to account to the committee the reason(s) for non-implementation of agreed internal audit recommendations.

Fraud

- To review and approve the annual Fraud plan ensuring it has appropriate processes for identifying and responding to fraud risks.
- To review and approve significant interim changes to the Fraud plan.
- To review and approve the Anti-Fraud & Corruption Strategy, Fraud and Corruption Prosecution Policy, Anti-Bribery Policy, Anti-Money Laundering Policy and Whistleblowing Policy.
- To consider reports from the Head of FAIR on the Fraud team's performance during the year, including key findings, issues of concern and action in hand as a result of the Fraud team's work.

Risk Management

- To provide independent assurance to the Council on the adequacy and effectiveness of the risk management framework and associated control environment. The Committee will review the risk management strategy, monitor its implementation, and ensure that significant risks are identified, assessed, and managed appropriately. It will also oversee the integration of risk management into governance and decision-making processes.
- To regularly review the Council's Corporate Risk Register and scrutinise risks where the impact has the potential to disrupt the achievement of the Council's priorities and seek assurance that appropriate controls are implemented to manage these risks.
- The Audit committee has the power to request officers to attend the committee where a deep dive into a specific risk has been requested.

External audit

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

Financial reporting

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

Accountability arrangements

- 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.
- To publish an annual report on the work of the committee to the Council.

4. MEETINGS

The Audit Committee is a Committee of the Local Authority. The Committee will meet a minimum of four times per municipal year. The date and timings of the meetings will be fixed as part of the agreed schedule of meetings. Additional meetings may be convened at the request of the Chair, and with the agreement of the Council Leader.

A **quorum** of three voting members will apply for all meetings of the Audit Committee.

Members will adhere to the agreed principles of the Councillors Code of Conduct.

Decisions are to be taken by consensus. Where it is not possible to reach consensus, a decision will be reached by a simple majority of those present at the meeting. Where there are equal votes the Chair of the meeting will have the casting

vote, there will be no restriction on how the Chair chooses to exercise his/her casting vote.

The Director of Finance will act as the **lead officer**. Lead officer responsibilities will include ensuring that agendas are appropriate to the work programme of the Audit Committee. A Work Programme to be determined annually by the Committee.

The agenda and supporting **papers** shall be in a standard format and circulated at least five clear working days in advance of meetings. The minutes of decisions taken at the meeting will be kept and circulated to members as soon as possible. Minutes will be published on the Council web site.

It is important to ensure that all councillors are kept aware of the work of the Committee and a copy of the minutes will be available to view on the Council's website to view. The Committee is regarded as a Council Committee for Access to Information Act purposes. Freedom of Information Act provisions shall apply to all business.

All meetings will be held in **public** with specific time allocated for public question time.

Any personal, prejudicial or pecuniary interests held by members should be declared in accordance with the Council's Code of Conduct on any item of business at a meeting, either before it is discussed or as soon as it becomes apparent. Interests which appear in the Council Register of Interests should still be declared at meetings, where appropriate.

The Committee will retain the ability to **exclude representatives** of the press and other members of the public from a defined section of the meeting having regard to the confidential nature of the business to be transacted, publicly on which would be prejudicial to the public interest (Part 5A and Schedule 12A, Local Government Act, as amended).

Meetings will be **clerked** by a representative of Democratic Services.

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

5. COMPLIANCE AND REVIEW

The Terms of Reference will be reviewed annually to ensure alignment with CIPFA guidance and legislative requirements.

Reference documents:

- CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2022)
- CIPFA Position Statement on Audit Committees.

Bury
Council