

Audit Committee – Draft Terms of Reference

1. PURPOSE

The overall purpose of the Audit Committee is to enhance public trust and confidence in the governance of the LFB, review and, where appropriate, make recommendations to the LFC on the comprehensiveness, reliability and integrity of and compliance with the internal and external controls including finance, audit, risk management, and corporate governance.

The Audit Committee is responsible for:

- 1.1 Providing independent assurance on the adequacy and effectiveness of the system of internal controls and risk management;
- 1.2 Providing independent scrutiny of the preparation of the Statement of Accounts, including the Annual Governance Statement, advised by the external auditors;
- 1.3 Providing independent review of the LFC budget submission to the Mayor, incorporating the Capital Strategy, Reserves Strategy and Medium Term Financial Plan;
- 1.4 Providing independent review of the LFC's Treasury Management Strategy Statement;
- 1.5 Providing independent scrutiny of quarterly performance reports to support the above;
- 1.6 Advising the LFC according to good governance principles;
- 1.7 Overseeing the effectiveness of frameworks for ensuring compliance with statutory requirements including those for health safety and wellbeing, inclusion and diversity and also for values and ethics; and
- 1.8 Providing independent opinion of any matter referred to the Committee by the LFC.

2. MEMBERSHIP

- 2.1 Members of the Committee shall be appointed by LFC for a period of 2 years, to be reviewed thereafter, and LFC shall appoint a Chair.
- 2.2 The Committee shall comprise of at least three, and a maximum of four independent members including a Chairperson.
- 2.3 The LFC will ensure that the Committee Chairperson and Members have the relevant expertise, experience and support.
- 2.4 The Committee shall be attended by at least the Director of Corporate Services, Director of Transformation, Assistant Director – Finance, General Counsel, or their representatives, and representatives of the internal and external auditors and other staff, as appropriate to the agenda.

- 2.5 The Chair of the Committee may require the attendance of any officer within the LFC to attend the Committee.
- 2.6 The Committee may invite representatives of related partner organisations, as appropriate, to attend Committee meetings to assist with the work of the Committee.
- 2.7 At least once a year a representative of the Company's external auditor will meet with the Committee.

3. MEETINGS

- 3.1 At least three independent members are to be present to be quorate.
- 3.2 The Committee shall meet formally at least four times a year (where appropriate such meetings should be timed by reference to the LFC's financial reporting cycle) and otherwise on such occasions as the LFC may request or as may be required in consultation between the Director of Corporate Services and the Chair of the Committee.
- 3.3 The Committee shall operate by majority decision. In the case of an equality of votes, the Chair of the Committee shall be entitled to an additional or casting vote in addition to any other vote they may have.
- 3.4 Notice of each meeting of the Committee (confirming the venue, date and time, and an agenda of business to be discussed) shall, unless agreed by all concerned, be sent to each member of the Committee and any other invitees not less than three working days before the meeting.
- 3.5 The GCD Governance Team shall maintain a written record of the proceedings and decisions of the Committee which shall be circulated to all members of the Committee.
- 3.6 Seek such information from the LFC and his directors and employees (all employees being directed to co-operate with any such request by the Committee), as it deems necessary in order to fulfil its role.
- 3.7 The meetings shall not be held in public and the papers of the meetings are not published on the LFC website. Recommendations and reports deriving from the Committee shall be reported to the LFC for decision or consideration.
- 3.8 These terms of reference will be reviewed annually by the Committee and recommendations made to the LFC for any amendment.

4. WORK PLAN AND REPORTING

- 4.1 Develop an annual work plan to be presented to the Commissioner.
- 4.2 The Audit Committee Chairperson will report to the Commissioner, drawing attention to any issues that require attention or decision.
- 4.3 The Committee may submit special reports to the LFC, as required.

- 4.4 The Chair of the Committee shall attend the LFC Commissioner's Board at which the LFC accounts are approved.
- 4.5 The Chair of the Committee shall attend the GLA Fire Emergency and Planning Committee as required.
- 4.6 The Audit Committee shall produce an annual report which will be published on the LFC website this will be timed to support finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has conducted throughout the reporting year.

5. RISK MANAGEMENT

The Committee shall:

- 5.1 Understand the LFC's business strategy, operating environment and the associated risks, taking into account all key elements of the organisation.
- 5.2 Understand the role and activities of the LFC in relation to managing risk.
- 5.3 Discuss with the LFC its policies, attitude to and appetite for risk and tolerance levels to ensure these are appropriately defined and communicated so that management understands these parameters and expectations.
- 5.4 Understand the risk management framework and the assignment of responsibilities.
- 5.5 Critically challenge and review the risk management framework and strategies to evaluate how well the arrangements are actively working in the organisation and provide assurance to the LFC on effectiveness; and
- 5.6 Critically challenge and review the suitability, adequacy and effectiveness of control processes and the resources in responding to risks within the organisation's governance, operations and compliance.
- 5.7 Be satisfied that the Authority's assurance statements, including the annual Governance Statement, properly reflect the risk environment and review progress on the Annual Governance Statement action plan.
- 5.8 Review all risks on the corporate risk register at least annually.
- 5.9 Review the LFC's business continuity arrangements.

6. FINANCIAL MANAGEMENT

The Audit Committee shall

- 6.1 Review the Statement of Accounts;
- 6.2 Review the appropriateness of accounting policies;

- 6.3 Review the Capital Strategy;
- 6.4 Review the Treasury Management Strategy Statement;
- 6.5 Review arrangements for securing value for money, in particular the annual budget process; and
- 6.6 Review regular performance reports relating to the above.
- 6.7 Provide independent review of the LFC budget submission to the Mayor, incorporating the Capital Strategy, Reserves strategy and Medium-Term Financial Plan.

7. INTERNAL AUDIT

The Audit Committee shall

- 7.1 Review arrangements for the provision of internal audit services
- 7.2 Review the annual internal audit plan (and ensure that it is aligned to the key risks of the LFC) and its delivery through the receipt of regular progress reports;
- 7.3 Consider the Head of Audit's Annual report and opinion on the adequacy and effectiveness of the internal control framework ensuring appropriate action is taken to address areas of improvement. This includes monitoring the delivery of audit recommendations.

8. EXTERNAL AUDIT

The Audit Committee shall

- 8.1 Monitor delivery of internal audit recommendations; and
- 8.2 Review arrangements for the provision of external audit services;
- 8.3 Review the annual external audit plan, and its delivery;
- 8.4 Review the external audit fees; and
- 8.5 Review the annual audit results letter.

9. GOVERNANCE

The Audit Committee shall

- 9.1 Review and report on the LFC's Governance arrangements and internal control framework including progress against any improvement plans, decision making, business planning, Scheme of Delegation etc and to review their effectiveness.
- 9.2 Review the suitability of the Whistleblowing Policy, and the ethics and values Codes.

10. COUNTER FRAUD AND CORRUPTION

The Audit Committee shall

- 10.1 Review the counter fraud, bribery and corruption strategies and resources and their suitability and effectiveness.

11. CYBER SECURITY

The Audit Committee shall

- 11.1 Provide assurance to the LFC that the organisation is properly managing its cyber risk include appropriate risk migration strategies.
- 11.2 Review the LFC's cyber resilience at least annually, as part of the financial year end assurance.

12. OTHER COMPLIANCE MATTERS

The Audit Committee shall

- 12.1 Satisfy itself on behalf of the LFC that an effective Health, Safety and Wellbeing Framework is in place to discharge legal responsibilities.
- 12.2 Satisfy itself on behalf of the LFC that an effective arrangements are in place for the LFC to discharge legal responsibilities in relation to Diversity and Inclusion.

13. GENERAL

The Committee shall

- 13.1 Consider any other matter specifically referred to the Committee by the LFC.