

AUDIT COMMITTEE

21 MARCH 2013

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.6 REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present the Audit Committee's Terms of Reference for review.

EXECUTIVE SUMMARY

The Terms of Reference of the Committee that are included in the Council's constitution were originally agreed as part of the establishment of the Committee back in 2006.

The Committee's Terms of Reference were agreed to be reviewed as part of the 'self-assessment' activities undertaken by members of the Committee. The timing of this review also enables any recommendations to be put forward as part of the wider review of the constitution that is currently in progress.

Some minor amendments to the Terms of Reference are proposed, primarily reflecting changes elsewhere within the Council or externally. In considering the Terms of Reference along with the proposed changes, it also provides the opportunity for the Committee to reconfirm its role and responsibilities.

RECOMMENDATIONS

That the Audit Committee considers the Terms of Reference and approves the proposed amendments for inclusion in the wider review of the Constitution currently in progress that will be recommended to Council later in the year.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of the Corporate priorities supported by effective management and forward planning within this overall framework.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Although there are no significant financial implications associated with the Committee's Terms of Reference, additional officer time or resources may be required to support the activities of the Committee and existing budgets will be reviewed as appropriate if the potential for additional costs arises.

Risk

The Terms of Reference of the Committee covers a mix of governance arrangements along with statutory and regulatory functions. The Committees associated work programme informed by the Terms of Reference therefore aims to address the relevant areas of responsibility within related timescales and deadlines to support, protect and enhance the Council's reputation, standing and governance framework.

LEGAL

Statutory and regulatory requirements have been recognised within the Terms of Reference.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

The Terms of Reference have no direct impact on these issues although they could feature within areas of work falling within the remit of the Audit Committee in future which would be addressed specifically as and when they arise.

PART 3 – SUPPORTING INFORMATION**AUDIT COMMITTEE TERMS OF REFERENCE**

The Committee last undertook a review of its effectiveness in 2010/11. The review took the form of a self-assessment checklist / questionnaire style approach that was a 'blend' of various proformas such as from CIPFA and the National Audit Office. The proforma was split into two parts – the first being more of a checklist in areas such as documentation and procedures which in itself provides a good reference point, with the second part concentrating on thoughts and opinions in the operation of various areas of the Audit Committee's work. A number of activities were undertaken or identified in response to the outcomes.

At its meeting on 28 June 2012, the audit Committee considered an update against the earlier review of its effectiveness. A number of activities had been completed with a limited number of items identified where further activity was proposed. One of the items outstanding related to the Committee's understanding of its role with the proposed activity set out below:

Issue Identified	Update / Proposed Action
<p>Is the Committee's role in various areas of responsibilities clearly defined.</p> <p>Do Audit Committee members have a clear understanding of what is expected of them in their role.</p>	<p>A review of the Committee's Terms of Reference to be included in the Committee's work plan.</p>

With the work plan for 2013/14 set out elsewhere on the agenda, this provides a timely opportunity to review the Committee's broader terms of reference and activities.

The current Terms of Reference were agreed in June 2006 as part of Council's approval to establish an Audit Committee. The Terms of Reference are set out in **Appendix A**, which reflect the Committee's wide ranging area of statutory and regulatory responsibilities. Also set out in **Appendix A** are the proposed amendments to a number of items to refresh and bring them up to date.

In considering the Terms of Reference along with the proposed changes, it also enables the Committee to reconfirm its role and responsibilities along with acknowledging the requirements from individual Members of the Committee.

A wider review of the Council's constitution is currently in progress and any changes proposed to the Committee's Terms of References can be included in the final recommendations to Council later in the year.

In respect of other outstanding actions from the self-assessment approach, further activity remains in progress against a number of other items with a more general update planned on being presented to the Audit Committee at its September 2013 meeting.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

APPENDIX A – Audit Committee's Terms of Reference

Audit Committee’s Terms of Reference

- 1 To provide independent assurance of the adequacy of the risk management framework and the associated control environment,
- 2 To provide independent scrutiny of the Council’s financial and non-financial performance to the extent that it affects the Council’s exposure to risk and weakens the control environment, and
- 3 To oversee the financial reporting process

The overall responsibility for the effective and efficient delivery of the Council’s audit function including:

Current Terms of Reference	Proposed Amendment / Wording	Comments
<i>Audit Activity</i>		
Considering the Head of Internal Audit’s annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council’s corporate governance arrangements.	No change	This is covered by the various reports from the Head of Internal Audit over the course of the year
Considering reports on the operation of internal audit and summaries of specific internal audit reports where requested.	No change	This is covered by the regular monitoring reports from the Head of Internal Audit over the course of the year

<p>Considering reports from internal audit on agreed recommendations not implemented within a reasonable timescale.</p>	<p>No change</p>	<p>Such issues would form part of the item above.</p>
<p>Considering external auditor and inspection reports and providing comments on these to Cabinet as appropriate.</p>	<p>No change</p>	<p>The Audit Committee have considered a range of issues since its establishment and has provided comments to Cabinet where it feels appropriate to do so.</p>
<p>Commenting on the scope and depth of external audit work and to ensure it gives value for money.</p>	<p>No change</p>	<p>This currently forms part of the discussions around the annual external audit plan, fee schedule and other related reports. This will be further developed with Ernst and Young following their appointment as the Council's external auditor in 2012. In the longer term this will be a key consideration as part of the future changes where local authorities can make their own external audit appointments from 2015.</p>
<p>Liaising with the Audit Commission over the appointment of the Council's external auditor.</p>	<p>To actively engage with the External Auditor appointment process through discussion and liaison with relevant stakeholders.</p>	<p>This item has been refreshed and in the short term is more generic. The appointment of the Council's external auditor has recently been subject to the wider outsourcing work undertaken by the Audit Commission, with Ernst and Young appointed up until 2015. From 2015, the Council is expected to be able to make its own External Auditor appointments. This will be subject to the</p>

		Local Audit bill currently being considered by the Government which may require a revision to this item in the future when the details become clearer.
Regulatory Framework		
Reviewing significant issues referred to it by the Chief Executive, Cabinet or any Council Committee (subject to the availability of resources within the approved audit plan).	No Change	-
Monitoring the effective development and operation of risk management and corporate governance.	No change	This remains a key element of the Committee's with reports and discussions considered throughout the year as necessary.
Monitoring Council policies on 'Raising Concerns at Work', the whistle blowing policy and the anti-fraud and corruption strategy.	Monitoring Council policies on 'Raising Concerns at Work', the whistle blowing policy and the anti-fraud and corruption strategy and any other anti-fraud and corruption requirements of the Council.	Key Council policies relevant to the Committee's work are presented on a regular or cyclical basis as appropriate. A revision to this item is proposed to reflect the wider anti-fraud and corruption role undertaken by the Committee.
Overseeing the production of the Code of Corporate Governance, including the Statement of internal Control.	No change	Although this forms part of considerations throughout the year, the Committee formally reviews the Annual Governance Statement and Code of Corporate Governance on an annual basis.
Considering the arrangements for corporate governance and agreeing	No change	As above.

necessary actions to ensure compliance with best practice.		
Considering the council's compliance with its own and other published standards and controls (but not including those already covered by the Standards Committee).	Considering the council's compliance with its own and other published standards and controls (but not including those already covered by other relevant Committee(s)).	This item has been updated following changes to the Standards Committee regime with a reference now made to other relevant Committee(s).
Accounts		
Reviewing and approving the annual statement of accounts.	<i>To replace with:</i>	The proposed amendments reflect the recent change to the Statement of Account approval processes. The S151 Officer now approves the Accounts for submission to the External Auditor with the Committee required to review the work of the External Auditor along with any issues raised. The final approval of the Statement of Accounts for publication still rests with the Committee once it has considered the Annual Governance Report.
Considering 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 receive, review and consider the External Auditor's Report to those charged with governance and whether appropriate action has been taken in response to any issues raised and subject to which approves for publication the Council's Statement of Accounts.	
Receiving the external auditor's report to those charged with governance.		