

Meeting: AUDIT COMMITTEE

Date: 30th May 2006

TERMS OF REFERENCE

(Constitutional Services)

NON-KEY DECISION

Author – Jackie Cansick Ext.No. 2216
Contributors – Pauline Coletta Ext.No. 2933
Lead Officer – Scott Crudgington Ext.No. 2185
Contact Officer – Jackie Cansick Ext.No. 2216

1 PURPOSE

To note the terms of reference of the Committee recommended to Annual Council on 23rd May 2006 and note the comments of the Audit Commission thereon.

NOTE: As it was necessary to publish this agenda before the Council meeting the terms of reference are subject to confirmation.

2 RECOMMENDATIONS

- 2.1 That the Terms of Reference of the Committee detailed below, and any amendments made by Annual Council at its meeting on 23rd May 2006 be noted.
- 2.2 That the comments of the Audit Commission concerning the proposed terms of reference be noted.

3 BACKGROUND

- 3.1 Council, at its Annual Meeting on 23rd May 2006, will be recommended to establish an Audit Committee with the terms of reference set out below.
- 3.2 This Committee is being recommended to Council in accordance with advice from the Audit Commission and CIPFA as a key aspect of corporate governance. It is considered that such a body will help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for discussion of issues raised by internal an external auditors.

5.1 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The terms of reference recommended to Council were drafted in consultation with Borough Solicitor and Head of Finance based on guidance provided and details of the Committee's constitution have been submitted to the Audit Commission.

4.2 The Council's "house style" has been adopted for the Committee's terms of reference and therefore are broad and do not go into great detail. However, it is considered that all key aspects are covered without being too prescriptive and limiting the Committee's work. The comments made by the Audit Commission are therefore viewed as a guide to the interpretation of the remit for operational purposes and are provided for information.

4.3 The terms of reference recommended to Council are as follows, with detailed comments from the Audit Commission shown in *italics as appropriate*

"To advise or comment as appropriate on –

1. Internal Audit matters, including:-

- The Annual Internal Audit Plan
- The adequacy of management responses to Internal Audit reports and recommendations
- The Auditor Partnership Manager's Annual Report and Opinion
- To consider summaries of specific internal audit reports, as requested

"this section should include the access that the IA Partnership Manager has to the Chair of the Committee and the review of Internal Audit's performance."

2. External Audit matters, including-

- External Auditors plans for auditing and inspecting the authority
- The Annual Audit & Inspection Letter from the External Auditor
- The report to those charged with governance
- Proposals from the Audit Commission over the appointment of the External Auditor
- The scope & depth of External Audit work

"should include how the Committee are going to monitor the implementation of external audit recommendations. Should include reference to the various reports that will be presented to the Committee, these include progress reports around the audit plan and interim reports after they have been agreed with officers {i.e. performance work, pre-statement work, accounts memorandum, Use of Resources}."

3. Arrangements made for the co-operation between Internal Audit, external audit and other bodies.

4. Anti Fraud & Corruption issues including the Council's policies on Anti-Fraud and Corruption, "whistle-blowing".

5. The Councils' Statement of Internal Control (SIC)

"this paragraph could be extended to include the control environment and the assurance framework and the part that the Committee has to play in relation to this."

6. The Council's Constitution in respect of Contract Standing Orders, Financial Regulations.

7. The Council's Risk Management arrangements

"this could be extended to ensure that an appropriate risk management strategy is in place and is updated frequently along with the risk register. This should also include reviewing the effectiveness of the risk management arrangements and procedures."

8. The Council's arrangements for delivering value for money

"i.e. monitoring progress against the Use of Resources and CPA improvement plans".

9. The Statement of Accounts and related Capital Determinations

"extend this to not only include approving the accounts but also ensuring that issues raised in previous financial years have been addressed").