

AUDIT COMMITTEE

25 JUNE 2009

ANNUAL REVIEW OF TERMS OF REFERENCE

Report from: Internal Audit

Author: Richard Humphrey, Audit Services Manager

Summary

To consider whether any changes are required to this committee's terms of reference.

1. Budget and Policy Framework

1.1 Council is responsible for the establishment of committees and any revisions to the terms of reference of the Audit Committee would need to be referred to Council for approval.

2. Background

2.1 Council approved the establishment and the terms of reference of the Audit Committee on 15 June 2006. This followed consideration of guidance issued by the Chartered Institute of Public Finance and Accountancy.

2.2 Since 2006 the terms of reference have been revised to reflect changes such as the requirement to produce an annual governance statement. The committee's existing terms of reference are set out in Appendix A for Members' consideration.

2.3 In line with advice from the Audit Commission it is considered best practice that the terms of reference are reviewed regularly, to ensure that they are relevant and meet current and expected future needs. This has been happening on an annual basis.

3. Advice and Analysis

3.1 This committee's terms of reference are based on guidance from the Chartered Institute of Public Finance and Accountancy, as shown in Appendix A. There have been no developments or further guidance issued that necessitates a change. Officers are not therefore recommending any changes at this stage.

4. Risk Management

- 4.1 An annual review of the committee's terms of reference will ensure that they are relevant and meet current and expected future needs.

5. Financial implications

- 5.1 There are no financial implications arising directly from this report.

6. Legal implications

- 6.1 There are no legal implications arising directly from this report.

7. Recommendations

- 7.1 Members are asked to consider this committee's current terms of reference and confirm that it meets current and expected future needs without amendment.

8 Background papers

- 8.1 Chartered Institute of Public Finance and Accountancy's publication "Audit Committees: Practical Guidance for Local Authorities".

Lead officer contact

Richard Humphrey, Audit Services Manager

Telephone: 01634 332355

Email: richard.humphrey@medway.gov.uk

Audit Committee Terms of Reference

| Terms of Reference | Linkage to CIPFA's publication | |
|---|--------------------------------|--|
| <ul style="list-style-type: none"> • To provide independent assurance on the adequacy of the risk management framework and the associated control environment, including consideration of the Council's approach to risk management and the assurance framework, the production of the annual governance statement, arrangements for delivering value for money and the Council's anti-fraud arrangements and anti-corruption measures, including whistleblowing • To monitor the Council's compliance with its own published standards and to consider any proposals for changes to Financial Rules, Codes of Practice on tenders and contracts • To monitor financial policies and processes, including endorsement of improvement plans to strengthen the control environment • To approve the annual governance statement | Regulatory Framework | To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour. |
| | | To review the anti fraud and anti corruption policies. |
| | | To consider the council's compliance with its own and other published standards and controls. |
| | | To monitor the effective development and operation of risk management and corporate governance in the council. |
| | | To oversee the production of the authority's Annual Governance Statement and to recommend its adoption. |
| <ul style="list-style-type: none"> • To approve the annual accounts | Accounts | 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. |

| Terms of Reference | Linkage to CIPFA's publication | |
|--|--------------------------------|---|
| Approving the annual accounts on behalf of the Council | Accounts | To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. |
| <ul style="list-style-type: none"> • To discuss with the external auditor new accounting standards, changes to the reporting framework and the basis of the annual audit, including the content of performance work • To receive all reports by the external auditor including all performance reports and the annual audit and inspection letter • To oversee Internal Audit activity • To provide an independent review of the Council's financial and non-financial performance | Audit Activity | To comment on the scope and depth of external audit work and to ensure it gives value for money. |
| | | To consider the external auditor's annual letter, relevant reports, and where appropriate to request further reports for full council. |
| | | To consider specific reports as agreed with the external auditor. |
| | | To consider 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. |
| | | To consider specific internal audits reports as requested. |
| | | To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale. |
| | | To commission work from internal and external audit, as appropriate. |