

COUNCIL

26 JULY 2012

AUDIT COMMITTEE TERMS OF REFERENCE

Report from: Internal Audit

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Summary

To set out details of a proposed change to the Audit 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 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 (CIPFA).

2.2 Since 2006 the terms of reference have been revised to reflect changes such as the requirement to produce an annual governance statement, improved reporting to this committee of whistleblowing occurrences and the submission of an Annual Treasury Outturn Report. The Audit Committee reviews its terms of reference on an annual basis

2.3 The Committee's existing terms of reference are set out in Appendix A.

3. Audit Committee – 10 July 2012

3.1 On 10 July 2012 the Audit Committee considered reports relating to the approval of an Anti-Bribery Policy and a Covert Surveillance Policy and Guidance.

3.2 The Anti-Bribery Policy, which is presented elsewhere on this agenda, sets out the Council's approach to preventing bribery and for mitigating risk of liability in failing to prevent bribery by an officer or other representative. Included within the policy is the requirement that the number and nature of incidents will be reported annually to the Audit Committee.

- 3.3 The Cabinet approved the Covert Surveillance Policy and Guidance on 10 July 2012. This sets out the legal framework and authorisations needed for the Council to obtain and use evidence covertly. Following consideration by the Cabinet, the Audit Committee agreed to provide quality assurance of the process used to obtain any covert surveillance evidence for the year 2012/13.
- 3.4 In line with policies relating to Bribery and Covert Surveillance the Audit Committee has recommended a change to its Terms of Reference, as shown in Appendix A in bold and underlined.
- 3.5 There are no diversity or sustainability implications arising from this report.

4. Risk management

- 4.1 An annual review of the Committee's terms of reference ensures that they are relevant and meet current and expected future needs. There are, therefore, no significant risks arising from this report.

5. Financial and legal implications

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

6. Recommendations

- 6.1 That the amendment to the Audit Committee Terms of Reference, as set out in Appendix A, be approved.

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Background papers

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

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; • To receive reports in line with the Council's whistleblowing, <u>bribery and covert surveillance</u> policies; • 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.

Terms of Reference	Linkage to CIPFA's publication	
<ul style="list-style-type: none"> To approve the annual accounts and annual treasury outturn report. 	Accounts	<p>To review the annual statement of accounts and annual treasury outturn report. 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.</p>
		<p>To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.</p>
<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	<p>To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>To consider the external auditor's annual letter, relevant reports, and where appropriate to request further reports for full council.</p> <p>To consider specific reports as agreed with the external auditor.</p> <p>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.</p> <p>To consider specific internal audits reports as requested.</p> <p>To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.</p> <p>To commission work from internal and external audit, as appropriate.</p>