

## **COUNCIL**

**24 JULY 2014**

### **AUDIT COMMITTEE - ANNUAL REVIEW OF TERMS OF REFERENCE**

Report from: Internal Audit

Author: Alison Russell, Head of Internal Audit and Counter Fraud

#### **Summary**

To consider whether any changes are required 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 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 (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, and improved reporting of the use of various policies, including bribery, public interest disclosures, money laundering and covert surveillance. The Committee's existing terms of reference, incorporating all changes to date, are set out in Appendix A for Members' consideration.

2.3 The Audit Commission advise that it is considered best practice that the terms of reference are reviewed regularly, to ensure they remain relevant and meet current and expected future needs.

2.4 The Audit Committee will consider this report on 17 July 2014, the outcome of which will be reported at Council.

#### **3. Options**

3.1 The Committee's terms of reference have been reviewed on an annual basis, in line with the Audit Commission guidance. Reviewing these on a less

frequent basis could result in the terms of reference becoming outdated and no longer relevant to current requirements.

#### **4. Advice and analysis**

- 4.1 The Committee's terms of reference are based on guidance from CIPFA, as shown in Appendix A.
- 4.2 The only proposed change relates to the addition of a bullet point relating to the responsibility that the Audit Committee has to monitor the effectiveness of Internal Audit. This proposed change is shown in Appendix A in **bold** and underlined.
- 4.3 There are no diversity or sustainability implications.

#### **5. Risk management**

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

#### **6. Financial and legal implications**

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

#### **7. Recommendation**

- 7.1 Council is asked to agree the revised terms of reference for the Audit Committee, as set out in Appendix A to the report.

#### **Lead officer contact**

Name Alison Russell  
Job Title Head of Internal Audit and Counter Fraud  
Telephone: 01634 332355  
Email: [alison.russell@medway.gov.uk](mailto:alison.russell@medway.gov.uk)

#### **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"> <li>• 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;</li> <li>• To receive reports in line with the Council's whistleblowing, anti-bribery, covert surveillance, and money laundering policies;</li> <li>• 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;</li> <li>• To monitor financial policies and processes, including endorsement of improvement plans to strengthen the control environment;</li> <li>• To approve the annual governance statement.</li> </ul>	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"> <li>To approve the annual accounts and annual treasury outturn report.</li> </ul>	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"> <li>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;</li> <li>To receive all reports by the external auditor including all performance reports and the annual audit and inspection letter;</li> <li>To oversee Internal Audit activity;</li> <li><b><u>To monitor the effectiveness of internal audit;</u></b></li> <li>To provide an independent review of the Council's financial and non-financial performance.</li> </ul>	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>