

Report considered by Audit Committee – 22 June 2006

Key Decision	No
Listed on Forward Plan	No
Within Policy	Yes
Policy Document	Audit Committee Terms Of Reference

AUDIT COMMITTEE WORK PROGRAMME AND TERMS OF REFERENCE

Contact Officer: Duncan Wilkinson, Head of Audit and Risk Management

1. Purpose

- 1.1 To set out the reporting cycle for the Committee.

2. Recommendations

- 2.1 The Committee agree that the revised Terms of Reference at Annex B be submitted to Full Council for adoption.
- 2.2 The Committee agree the proposed process for the routine work programme of the Committee as set out in paragraph 3.9.

3. Issues and Choices

Terms of Reference

- 3.1 The current Terms of Reference for the Committee are set out at Annex A.
- 3.2 These were recently amended at Full Council and some key elements were lost. These elements are needed to ensure the Committee's business is conducted in accordance with best practice and the Comprehensive Performance Assessment criteria.
- 3.3 It is proposed that the following requirements be recommended to Full Council as follows :
- The committee will be a fully constituted committee and act independently of the authority's executive and scrutiny functions.
 - It will meet at least 6 times per year.
 - The Committee will maintain the technical capability to discharge the Audit Committee responsibilities of the Council.
 - The Committee will have a policy on matters that will be considered in public and those considered in private.
 - The business of the committee will be conducted apolitically..

- 3.4 A revised Terms of Reference is attached at Annex B with the above text inserted into a new section 1 – Constitution and other sections re-numbered as appropriate.
- 3.5 It is recognised that the text inserted for Annex B reflects the known standards and conduct of the Committee. The additional items are needed within the Terms of Reference to evidence for the Comprehensive Performance Assessment process that the Council’s Audit Committee has been created in accordance with best practice.

Work Programme

- 3.6 Annex C sets out the cycle of regular reports that will be submitted to the Committee throughout 2006/7.
- 3.7 This cycle aims to address the Terms of Reference and best practice requirements. Recent developments in Corporate Governance have addressed the issue of Audit Committees within Local Authorities and the expected responsibilities. As set out at Annex C this creates a significant workload.
- 3.8 The Audit Committee must be able to demonstrate that the issues set out at Annex C have been properly considered on a regular basis.
- 3.9 However an effective Audit Committee must also be able to determine its key priorities and control its own work programme. It is therefore proposed that the work programme of the Committee be regularly reviewed and defined through the following process :
- Prior to every Committee meeting a briefing shall be arranged including relevant officers and the Chair and party spokespersons.
 - That briefing shall :
 - Review the previous meeting
 - Discuss draft reports for the next meeting
 - Discuss the proposed agenda for the following meeting
 - That the Chair of the Committee meet regularly with the relevant Cabinet member and the Head of Audit & Risk Management.
- 3.10 This proposal seeks to ensure that additional items can be considered by the Committee without replacing those items on Annex C and without creating an excessive workload for Members. Time needed to consider reports can be discussed / agreed in advance of each meeting and other methods of considering matters can also be discussed / agreed, eg :
- by the creation of a sub-group
 - by collation of a consensus of individual members views
- 3.11 The Committee can also of course convene additional meetings if needed to consider multiple or individual items.
- 3.12 Professional best practice also determines that if in the opinion of the Head of Audit, Head of Finance or External Auditor a significant matter arises that must be considered by the Committee, such matters must be placed on the

agenda. NB This is not designed to allow officer control of agenda's and should only be necessary very rarely if at all.

Further Matters

3.13 The Committee are advised that it is intended to submit the following proposals to the August meeting :

- Policy on the Committee receiving and considering matters in private and in public
- Policy on Members receiving confidential briefings from the Head of Audit, Head of Finance and / or External Auditor.

4. Implications

4.1 Policy

This creates a policy of the Committee to consider how the Committee's workload and agenda shall be agreed.

4.2 Resources and Risk

There is no budget at present to fund additional work requested by the Committee. Such additional work would if possible be considered if it can be completed through the Annual Audit Plan.

<input type="checkbox"/> N	Capital	<input type="checkbox"/> Y	Revenue	<input type="checkbox"/> N	Accommodation
<input type="checkbox"/> N	IT	<input type="checkbox"/> N	Medium Term Plan	<input type="checkbox"/> N	Asset Management

4.3 Legal

This schedule of reports addresses the Councils legal requirements within each area.

4.4 Other Implications

None

<input type="checkbox"/> N	Equalities / Diversity	<input type="checkbox"/> N	Sustainability	<input type="checkbox"/> N	Human Rights
<input type="checkbox"/> N	E-Government	<input type="checkbox"/> N	Stakeholders	<input type="checkbox"/> N	Crime and Disorder

Background Papers: Internal Audit Strategy and Charter.

AUDIT FUNCTION TERMS OF REFERENCE

(Approved by Council on 23 May 2006)

1. STATEMENT OF PURPOSE

- 1.1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment and to oversee the financial reporting process.
- 1.2. To review matter relating to internal audit, external audit, risk management, governance, assurance statements, anti-fraud and anti corruption arrangements as well as any other function to meet the Council's Audit Committee requirements.
- 1.3. To enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence.
- 1.4. To contribute towards making the authority, its committees and departments more responsive to the audit function.
- 1.5. To review compliance with the relevant standards, codes of practice and corporate governance policies.
- 1.6. To act within the Council's Constitution.

2. CORE FUNCTIONS

2.1. Audit Activity

- 2.1.1. To consider Internal Audit's strategic and annual plans including monitoring performance against those plans.
- 2.1.2. To consider the Annual Report and opinion of the Head of Audit and a summary of internal audit activity and the level of assurance it can give over the Council's corporate governance arrangements.
- 2.1.3. To consider summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- 2.1.4. To consider reports dealing with the management and performance of the Internal Audit function
- 2.1.5. To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales
- 2.1.6. To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports of those charged with governance

- 2.1.7. To consider specific reports as agreed with the external auditor to ensure agreed action is taken within reasonable timescales.
- 2.1.8. To comment on the scope and depth of the external audit work and to ensure it gives value for money
- 2.1.9. To liaise with the Audit Commission over the appointment of the Council's external auditor
- 2.1.10. To consider the reports of inspection agencies relevant to the Council
- 2.1.11. To suggest work for Internal and External Audit.

2.2. REGULATORY FRAMEWORK

- 2.2.1. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct etc.
- 2.2.2. To review any issue referred to it by the Chief Executive or Corporate Director or any Committee of the Council.
- 2.2.3. To monitor the effective development and operation of risk management and corporate governance throughout the Council.
- 2.2.4. To monitor council policies on "raising concerns at work" and anti-fraud and anti-corruption policies including the Council's complaints process
- 2.2.5. To oversee the production of the Council's Statement of Internal Control and recommend its adoption
- 2.2.6. To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.
- 2.2.7. To consider the Council's compliance with its own and published standards and controls

2.3. ACCOUNTS

- 2.3.1. To review the annual statement of accounts.
- 2.3.2. 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
- 2.3.3. To consider the external auditor's report to those charged with the governance issues arising from the audit of the accounts.

2.4. RISK MANAGEMENT

- 2.4.1. To consider the effectiveness of the Council's risk management arrangements
- 2.4.2. To seek assurances that action is being taken on risk related issues

- 2.4.3. To be satisfied that the Council's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it

PROPOSED AUDIT FUNCTION TERMS OF REFERENCE

1. CONSTITUTION

- 1.1. The committee will be a fully constituted committee and act independently of the authority's executive and scrutiny functions.
- 1.2. The Committee will meet at least 6 times per year.
- 1.3. The Committee will maintain the technical capability to discharge the Audit Committee responsibilities of the Council.
- 1.4. The Committee will have a policy on matters that will be considered in public and those considered in private.
- 1.5. The business of the Committee will be conducted apolitically.

3. STATEMENT OF PURPOSE

- 3.1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment and to oversee the financial reporting process.
- 3.2. To review matter relating to internal audit, external audit, risk management, governance, assurance statements, anti-fraud and anti corruption arrangements as well as any other function to meet the Council's Audit Committee requirements.
- 3.3. To enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence.
- 3.4. To contribute towards making the authority, its committees and departments more responsive to the audit function.
- 3.5. To review compliance with the relevant standards, codes of practice and corporate governance policies.
- 3.6. To act within the Council's Constitution.

4. CORE FUNCTIONS

4.1. Audit Activity

- 4.1.1. To consider Internal Audit's strategic and annual plans including monitoring performance against those plans.
- 4.1.2. To consider the Annual Report and opinion of the Head of Audit and a summary of internal audit activity and the level of assurance it can give over the Council's corporate governance arrangements.
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AUDIT COMMITTEE CYCLE		
22nd Jun 06	2nd Aug 06	4th Oct 06
Committee Reporting Cycle Annual Audit Report Annual Risk Management Report Statement of Internal Control Council's Statement of Accounts	Risk / Business Continuity Dossier Complaints Annual Report Quarterly (Q1) Audit & Risk Plan Progress Revenue Budget Monitoring Report Capital Programme update External Auditor Reports Issued Inspection Reports Issued	Corporate Governance review Financial Regulations review Whistleblowing Policy review Anti Fraud and Corruption review Internal Charter and Strategy review Public / Private Reports Policy Constitution Consultation
21st Nov 06	30th Jan 06	29th Mar 06
Quarterly (Q2) Audit & Risk Plan Progress Revenue Budget Monitoring Report Capital Programme update	Annual Audit Plan Consultation Risk Cycle Consultation. Quarterly (Q3) Audit & Risk Plan Progress Revenue Budget Monitoring Report Capital Programme update Draft Management Letter	Constitution Recommendations Audit Committee Terms of Reference Year End Revenue Budget Forecast Complaints workload External Auditor Reports Issued Inspection Reports Issued