

Audit and Accounts Committee – Terms of Reference

SUMMARY

- 1.1 This report outlines the suggested amendments to the Committee's terms of reference following the annual review.

RECOMMENDATION

- 2.1 Members comment on the proposed amendments to the Audit and Accounts Committee's terms of reference and if agreed, refer them to full Council for approval.

REASONS FOR RECOMMENDATION

- 3.1 It is good practice to review the Committee's terms of reference on an annual basis.

SUPPORTING INFORMATION

- 4.1 Council agreed to establish an Audit and Accounts Committee on 20 July 2005. The Terms of Reference were approved by Council as part of that decision. They were last reviewed in December 2011 and proposed changes were agreed by Committee at its meeting on 1 December 2011 for forwarding to full Council for approval. The revised Terms of Reference were approved by Council on 25 January 2012.
- 4.2 To adhere to best practice, the current Terms of Reference were based on previous guidance from the Chartered Institute of Public Finance and Accountancy. The current terms of reference are shown in Appendix 2.
- 4.3 In December 2013 CIPFA published "Audit Committees – Practical Guidance for Local Authorities and Police". The guidance provides suggested terms of reference. The review has taken this guidance into account when drafting the revised terms of reference. The revised terms of reference are shown in Appendix 3.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	N/A N/A N/A N/A N/A Chief Officer Group
For more information contact: Background papers: List of appendices:	Richard Boneham, Head of Governance and Assurance, 01332 643280 richard.boneham@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Current ToR Appendix 3 – Revised ToR

IMPLICATIONS

Financial and Value for Money

- 1.1 None directly arising.

Legal

- 2.1 None directly arising

Personnel

- 3.1 None directly arising

Equalities Impact

- 4.1 None directly arising

Health and Safety

- 5.1 None directly arising

Environmental Sustainability

- 6.1 None directly arising

Property and Asset Management

- 7.1 None directly arising

Risk Management

- 8.1 None directly arising.

Corporate objectives and priorities for change

- 9.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Audit and Accounts Committee Terms of Reference - Current

The Audit and Accounts Committee is authorised to discharge the following functions:

Audit Activity

1. To consider and approve the annual internal audit plan.
2. To consider the head of internal audit's annual report and opinion, and a summary of actual internal audit activity and the level of assurance it can give over the council's corporate governance arrangements.
3. To consider summaries of specific internal audit reports as requested.
4. To consider reports dealing with the management and performance of the providers of internal audit services.
5. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
6. To consider specific reports as agreed with the external auditor.
7. To consider the annual External Audit plan and to ensure it gives value for money.
8. To liaise with the Audit Commission over the appointment of the council's external auditor.
9. In conjunction with the Council's s151 Officer, to commission work from internal audit.

Regulatory Framework

10. To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
11. To review any issue referred to it by the chief executive or a strategic director, or any council body.
12. To consider, approve and monitor the effective development and operation of risk management and corporate governance in the council.
13. To consider, approve and monitor council policies on whistleblowing (Confidential Reporting Code), counter fraud measures and the council's complaints process.
14. To consider and approve the authority's Annual Governance Statement.
15. To consider the council's arrangements for corporate governance and approving necessary actions to ensure compliance with best practice.
16. To consider the council's compliance with its own and other published standards and controls.
17. To monitor Treasury Management performance.

Accounts

18. To review and approve 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.
19. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and other reports, letters etc on the statement of accounts.

Appendix

3

Audit and Accounts Committee Terms of Reference - Revised

Statement of purpose

The Audit and Accounts Committee is a key component of the Council's corporate governance. It provides a high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit and Accounts Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks

The Audit and Accounts Committee is authorised to discharge the following functions:

Internal Audit

1. To consider and approve the annual internal audit plan, ***including internal audit's resource requirements.***
2. ***To approve the internal audit charter***
3. ***To approve significant interim changes to the annual audit plan and resource requirements.***
4. ~~To consider the head of internal audit's annual report and opinion, and a summary of actual internal audit activity and the level of assurance it can give over the council's corporate governance arrangements.~~ To consider (periodic) reports from the Head of Internal Audit on;
 - internal audit's performance during the year, including updates on key findings, issues of concern and action in hand,
 - regular reports on the results of the Quality Assurance and Improvement Programme,
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough to be included in the Annual Governance Statement
5. To consider the Head of Internal Audit's annual report, including
 - the statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application note

- the results of the Quality Assurance and Improvement Programme
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
6. To consider summaries of specific internal audit reports as requested.
 7. To consider reports dealing with the management and performance of the providers of internal audit services.
 8. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale **and where management has accepted a level of risk that may be unacceptable to the Authority.**
 9. In conjunction with the Council's s151 Officer, to commission work from internal audit. **(Previously combined with 17 below)**
 - 10. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.**
 - 11. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.**
 - 12. To support the development of effective communication with the head of internal audit.**

External Audit

13. To consider ~~specific reports as agreed with~~ the external auditor's **annual letter, relevant reports, and the report to those charged with governance and such specific reports as are agreed with external audit.**
14. To consider ~~the annual External Audit plan~~ **comment on the scope and depth of external audit work** and to ensure it gives value for money.
15. To liaise with the Audit Commission over the appointment of the council's ~~external auditor.~~
16. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
17. In conjunction with the Council's s151 Officer, to commission work from external audit.

Governance, Risk, Control

18. To consider ~~review~~ **review** the council's arrangements for corporate governance **against the good governance framework and consider quarterly governance reports and assurances.** ~~and approving necessary actions to ensure compliance with best practice~~
19. To consider ~~review~~ **review** and approve the authority's Annual Governance Statement.
20. To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
21. To review any issue referred to it by the chief executive or a strategic director, or any council body.
22. To consider, approve and monitor the effective development and operation of risk management ~~and corporate governance~~ in the council.

23. To consider, approve and monitor council policies on whistleblowing (Confidential Reporting Code), counter fraud measures and the council's complaints process.

24. To monitor progress in addressing risk-related issues reported to the Committee.

25. To consider the council's compliance with its own and other published standards and controls.

26. To monitor Treasury Management performance.

Financial reporting

27. To review and approve 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.

28. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and other reports, letters etc on the statement of accounts.