



AUDIT AND ACCOUNTS COMMITTEE – PROPOSED CHANGES TO THE TERMS OF REFERENCE

RECOMMENDATION

- 1.1 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.

SUPPORTING INFORMATION

- 2.1 It is necessary to amend the terms of reference of the Committee if consistency with external guidance is to be maintained. The revised terms of reference are attached as Appendix 2. Proposed amendments are shown in bold italics.
- 2.2 CIPFA has published its guidance on Audit Committees and this provides suggested terms of reference. The guidance is not prescriptive but sets out key functions of an Audit Committee that should be included in the terms of reference. Following a review of the Committee's current terms of reference against those suggested by CIPFA, the only activity that is not covered is for the Committee to consider the Head of Audit and Risk Management's Annual Report and Opinion on the state of the internal control environment. This is a function that the Committee already carries out, but that was not detailed in the current terms of reference.
- 2.3 The Audit and Accounts Committee's role includes receiving and considering the work of the external auditor. The current terms of reference make no mention of the Committee receiving the external auditor's Annual Audit and Inspection Plan. Although no direct mention of this appears in the CIPFA guidance, it is implied. This is an important document designed to inform the officers and members of Derby City Council about external audit's responsibilities and how they plan to discharge them, and has therefore been added to the revised terms of reference. The Committee needs to assure itself that the external auditor's plan covers the risks to financial statements that the Committee feels are appropriate. Again the Committee is already doing this.
- 2.4 Under the Corporate Governance section, one of the terms has been divided to clearly identify two distinct roles of the Committee. This has separated the review of internal rules, policies and strategies against which the Committee needs to assess the Council's compliance with them, from the review of documents that are position statements.

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Background papers:

List of appendices: Appendix 1 – Implications
Appendix 2 – Terms of reference

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. 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

Internal and External Audit

1. To approve and review the annual Internal Audit Plan
2. To receive External Audit reports and opinions, including annual and interim external audit reports **and the Annual Audit and Inspection Plan.**
3. To receive quarterly updates from Internal Audit on Internal Audit findings, opinions and adequacy of management response to Internal Audit advice, recommendations and action plans.
4. To receive, on an exception basis to be determined by the Committee, details of specific Internal Audit findings and the management responses to these findings.

Risk Management

5. To approve and review the Council's risk management policy and strategy
6. To review the content of the strategic risk register, the adequacy of associated risk management arrangements and the arrangements for departmental risk registers.

Internal Control Arrangements and the Statement on Internal Control

7. To approve the proposed Statement on Internal Control - SIC - and review the procedures followed in its completion and supporting documentation.
8. To review the effectiveness of internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
9. ***To consider the Head of Audit and Risk Management's Annual Report and Opinion on the state of the internal control environment.***

Anti-Fraud and Corruption Arrangements

10. To approve and review Anti-Fraud and Corruption policies and strategies and the effectiveness of their application throughout the Authority.

Corporate Governance

11. To review the Corporate Plan and the Best Value Performance Plan to ensure consistency with the internal control and risk management framework.
12. ***To review internal rules, regulations, policies and strategies which impact on corporate governance issues and advise Council or Council Cabinet accordingly.***

13. ***To implement and review the Local Code of Corporate Governance and to receive the Corporate Governance Health Check.***
14. To review the adequacy of financial and contract procedure rules and to make recommendations for changes to Council.

Accounts

15. To approve the annual Statement of Accounts, including subsequent amendments.
16. To consider the External Auditor's report on the audit of the annual financial statements.
17. To be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Remuneration

18. To carry out all powers and duties in respect of appointments to the Independent Remuneration Panel on Members' Allowances.