



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS  
COMMITTEE  
24 JUNE 2010**

Report of Head of Audit & Risk  
Management

# ITEM 12

## **AUDIT & ACCOUNTS COMMITTEE – CHANGES TO 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 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 2006 and proposed changes were agreed by Committee at its meeting on 28 September 2006 for forwarding to full Council for approval. The revised Terms of Reference were approved by Council on 22 November 2006.
- 2.2 As part of the self-assessment of the effectiveness of the Audit and Accounts Committee, the current terms of reference have been compared to the CIPFA suggested Terms of Reference and a gap analysis produced (see Appendix 2).
- 2.3 This alignment of the current terms of reference with the CIPFA guidance shows a number of areas where there is no specific responsibility detailed in the terms of reference. In the majority of cases the responsibility is being carried out by Committee although it is not formally included in the Terms of Reference. The responsibilities in the CIPFA guidance that are not defined in the current terms of reference are:
  - To consider reports dealing with the management and performance of the providers of internal audit services.  
*The service is provided by the Council's internal audit team and although not specifically detailed as a responsibility it has been covered through the receiving of quarterly updates on Internal Audit progress and in the Head of Audit and Risk Management's annual opinion report.*
  - To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.  
*This responsibility is not specifically detailed in the current terms of reference, but Committee receives a quarterly report on the progress of implementation of internal recommendations.*

- To consider specific reports as agreed with the external auditor.  
*Committee receives relevant reports produced by External Auditor.*
- To comment on the scope and depth of external audit work and to ensure it gives value for money.  
*This responsibility has been undertaken when considering External Audit's audit plan.*
- To liaise with the Audit Commission over the appointment of the council's external auditor.
- To commission work from internal and external audit.  
*Committee has on a couple of occasions made requests to internal audit for specific areas of work to be carried out and reported back*
- To review any issue referred to it by the chief executive or a director, or any council body.  
*Items are referred to committee for consideration and review as necessary by the Strategic Director – Resources.*

There are responsibilities specific to the Council that have been delegated to this Committee has that are not reflected in CIPFA guidance. The key one is the Independent Remuneration Panel on Members Allowances.

- 2.4 To adhere to best practice, the Terms of Reference have been re-written based on the CIPFA guidance, and are shown in Appendix 3.

<b>For more information contact:</b>	Richard Boneham, Head of Audit and Risk Management, 01332 255688 richard.boneham@derby.gov.uk
<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Gap Analysis Appendix 3 – Revised terms of reference

<b>IMPLICATIONS</b>
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**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. None directly arising.

CIPFA SUGGESTED TERMS OF REFERENCE	CURRENT TERMS OF REFERENCE
<b>Audit Activity</b>	
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.	To consider the Head of Audit and Risk Management's Annual Report and Opinion on the state of the internal control environment.  To approve and review the annual Internal Audit Plan  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.
To consider summaries of specific internal audit reports as requested	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.
To consider reports dealing with the management and performance of the providers of internal audit services.	No specific wording.
To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.	No specific wording. <i>Regular reports are brought to Committee but there is no specific mention in the terms of reference.</i>
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	To receive External Audit reports and opinions, including annual and interim external audit reports and the Annual Audit and Inspection Plan.
To consider specific reports as agreed with the external auditor.	No specific wording
To comment on the scope and depth of external audit work and to ensure it gives value for money.	No specific wording
To liaise with the Audit Commission over the appointment of the council's external auditor.	No specific wording
To commission work from internal and external audit.	No specific wording
<b>Regulatory Framework</b>	
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 adequacy of financial and contract procedure rules and to make recommendations for changes to Council.
To review any issue referred to it by the chief executive or a director, or any council body.	No specific wording
To monitor the effective development and operation of risk management and corporate governance in the council.	To approve and review the Council's risk management policy and strategy  To review the content of the strategic risk register, the adequacy of

CIPFA SUGGESTED TERMS OF REFERENCE	CURRENT TERMS OF REFERENCE
	associated risk management arrangements and the arrangements for departmental risk registers.
To monitor council policies on whistleblowing and the anti-fraud and anti-corruption strategy and the council's complaints process.	To approve and review Anti-Fraud and Corruption policies and strategies and the effectiveness of their application throughout the Authority.
To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.	To approve the proposed Statement on Internal Control - SIC - and review the procedures followed in its completion and supporting documentation.
To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To implement and review the Local Code of Corporate Governance and to receive the Corporate Governance Health Check.
To consider the council's compliance with its own and other published standards and controls.	<p>To review internal rules, regulations, policies and strategies which impact on corporate governance issues and advise Council or Council Cabinet accordingly.</p> <p>To review the Corporate Plan and the Best Value Performance Plan to ensure consistency with the internal control and risk management framework.</p> <p>To review the effectiveness of internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.</p>
<b>Accounts</b>	
To review 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.	To approve the annual Statement of Accounts, including subsequent amendments.
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	<p>To consider the External Auditor's report on the audit of the annual financial statements.</p> <p>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.</p>
	To carry out all powers and duties in respect of appointments to the Independent Remuneration Panel on Members' Allowances

## **Audit and Accounts Committee Terms of Reference**

### **Audit Activity**

1. 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.
2. To consider summaries of specific internal audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of internal audit services.
4. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider specific reports as agreed with the external auditor.
6. To comment on the scope and depth of external audit work and to ensure it gives value for money.
7. To liaise with the Audit Commission over the appointment of the council's external auditor.
8. To commission work from internal and external audit.

### **Regulatory Framework**

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

### **Accounts**

16. To review 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.
17. 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.

### **Remuneration**

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