
REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	17 December 2014	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF INTERNAL AUDIT PARTNERSHIP	
MEMBERS' CONTACT POINT:	HEAD OF INTERNAL AUDIT PARTNERSHIP RICHARD BONEHAM richard.boneham@derby.gov.uk	DOC:
SUBJECT: WARD(S) AFFECTED:	Terms of reference ALL	REF: TERMS OF REFERENCE: FM 09

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

3.1 The Sub-Committee's terms of reference were set by Council in June 2006. These are shown in **Appendix 1**. Good practice recommends that Audit Committees review their terms of reference on a regular basis, preferably annually.

3.2 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 2**, with the changes highlighted.

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 None

6.0 Corporate Implications

6.1 None

7.0 Community Implications

7.1 None

8.0 Background Papers

8.1 None

AUDIT SUB-COMMITTEE – TERMS OF REFERENCE – JUNE 2006

Statement of Purpose

The purpose of the Audit Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, and to provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment.

The Audit Sub-Committee will also oversee the Authority's corporate governance arrangements.

Specific Terms of Reference

1. Audit Activity

External audit

- a) To consider any matters arising from the External Auditor's annual letter (after presentation to Full Council), relevant reports and the report to those charged with governance. In certain instances, these reports may also be reported to the appropriate policy committee or Full Council.
- b) To consider specific reports as agreed with the External Auditor.
- c) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- d) To liaise with the Audit Commission on the appointment of the Council's External Auditor.

Internal audit

- e) To consider (but not direct) Internal Audit's strategy, operational plan and performance.
- f) To consider the Audit Manager's Annual Report and opinion, and a summary of internal audit activity.
- g) To consider summaries of specific internal audit reports, as requested.
- h) To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

Overall

- i) To ensure that there are effective relationships between External and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- j) To confirm the joint working arrangements between Internal and External Audit.
- k) To commission work from Internal and External Audit subject to approval by the Responsible Finance Officer.

2. Regulatory Framework

- a) To maintain an overview of the Council's Constitution in respect of Financial Regulations and Procedure Rules, Contract Procedure Rules and Codes of Conduct and behaviour.
- b) To review any issue referred to it by the Chief Executive or Director, or any Council body.
- c) To monitor the effective development and operation of risk management and corporate governance in relation to financial matters.
- d) To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and corruption strategy.
- e) To oversee the production of the Authority's Statement on Internal Control and to recommend its adoption.
- f) To consider the Council's arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.
- g) To consider the Council's compliance with its own and other published standards and controls.

3. Accounts

- a) To review the Annual Statement of Accounts and specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the annual audit that need to be brought to the attention of the Council.
- b) To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

AUDIT SUB-COMMITTEE – TERMS OF REFERENCE - REVISED

Statement of Purpose

The Audit Sub-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 Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, and to provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment.

The Audit Sub-Committee will also oversee the Authority's corporate governance arrangements.

Specific Terms of Reference

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- b) To consider specific reports as agreed with the External Auditor.
- c) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- d) ~~To liaise with the Audit Commission on the appointment of the Council's External Auditor.~~

Internal audit

- e) To consider (but not direct) Internal Audit's strategy, operational plan and performance.
- f) To consider the ~~Audit Manager's~~ **Head of Internal Audit's** Annual Report and opinion, and a summary of internal audit activity.
- g) To consider summaries of specific internal audit reports, as requested.
- h) To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.**
- i) To approve the Internal Audit charter**
- j) To approve significant interim changes to the annual audit plan and resource requirements.**
- k) To consider reports dealing with the management and performance of the providers of Internal Audit services.**
- l) 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.**
- m) 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.**
- n) To support the development of effective communication with the Head of Internal Audit.**

Overall

- o) To ensure that there are effective relationships between External and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- p) To confirm the joint working arrangements between Internal and External Audit.
- q) To commission work from Internal and External Audit subject to approval by the Responsible Finance Officer.

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- e) To oversee the production of the Authority's **Annual Governance Statement on Internal Control** and to recommend its adoption.
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