



Report to: Audit Sub-Committee

Subject: Terms of Reference – Annual Review

Date: 19th December 2005

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1. PURPOSE OF REPORT

To undertake an annual review of the Terms of Reference of the Audit Sub-Committee and where appropriate update these to reflect the work being undertaken by the Committee.

2 BACKGROUND

The Audit Sub-Committee met for the first time in February 2005. The Terms of Reference approved by the Personnel and Resources Committee and full Council in December 2004 are:

AUDIT SUB COMMITTEE

TERMS OF REFERENCE

- i) To receive reports on the strategic and annual audit plans from the internal and external Audit Service and to monitor their implementation.
- ii) To receive internal audit reports and make recommendations to the authority as necessary.
- iii) To receive external audit reports and management letters and make recommendations to the authority as necessary.
- iv) To monitor the implementation of approved recommendations relating to internal audit reports and external audit reports and management letters.

- v) To question the appropriate officers of the authority on the conduct of the authority's finance and to question the internal and external auditors on their reports.

In November 2005 CIPFA published a document titled "Audit Committees – Practical Guidance For Local Authorities. This guide suggests how Audit Committees should function and what should be included within the Terms of Reference. The suggested terms of reference are included in **Appendix A** of this report.

In keeping with good practice and CPA requirements the Audit Sub-committee should undertake an annual review of its terms of reference them and update them as required.

3. 2005-06 REVIEW

The suggested terms of reference from CIPFA are not prescriptive nor are they comprehensive and therefore the Authority must ensure that its terms are suitable for its own activities.

However, there are elements within the suggested terms and within the activities of the committee, which should be specifically included in the terms of reference rather than relying on the constitution to state them, such as being charged with governance.

In addition to this the suggested terms of reference provide further detail to the Authority's own terms.

Therefore, a revised terms of reference for the Audit sub-committee is given in **Appendix B**, which are appropriate for Gedling Borough Council. These differ slightly from the guidance and the changes reflect the working practices and delegation arrangements of this authority.

The remit of the Sub-Committee refers to its role with regard to the Council as a corporate body and to its officers. The Council's Standards Committee exercises similar functions with regard to the Codes of Conduct and required actions as they affect the members of the Council individually.

4 RECOMMENDATION

It is recommended that members consider the revised Terms of Reference and make comments where appropriate.

CIPFA's Suggested Terms of Reference**For Audit Committees**

Audit Activity
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 summaries of specific internal audit reports as requested
To consider reports dealing with the management and performance of the providers of internal audit services.
To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
To consider specific reports as agreed with the external auditor.
To comment on the scope and depth of external audit work and to ensure it gives value for money.
To liaise with the Audit Commission over the appointment of the council's external auditor.
To commission work from internal and external audit.
Regulatory Framework
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 any issue referred to it by the chief executive or a director, or any council body.
To monitor the effective development and operation of risk management and corporate governance in the council.
To monitor council policies on "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the council's complaints process.
To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
To consider the council's compliance with its own and other published standards and controls
Accounts
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 consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Revised Terms of Reference**For Gedling's Audit sub-committee**

Audit Activity
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 summaries of internal audit reports.
To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
To consider specific reports as agreed with the external auditor.
To commission work from internal and external audit.
Regulatory Framework
To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
To monitor the effective development and operation of risk management and corporate governance in the council.
To monitor council policies on "Whistleblowing" and the anti-fraud and anti-corruption strategy and the council's complaints process.
To review the Assurance Statement of the Chief Internal Auditor (Manager of Resource Services), in support of the authority's Statement on Internal Control.
To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
Accounts
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.