



**Report to: Audit Sub-Committee**

**Subject: Terms of Reference – Annual Review**

**Date: 6<sup>th</sup> December 2006**

**Author: Manager of Resource Services**

**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 original Committee Terms of Reference were approved by the Personnel and Resources Committee and full Council in December 2004.

The initial Terms of Reference were subject to review and update in December 2005. In November 2005 published a guide outlining suggested Terms of Reference for Local Authority Audit Committee's. These were not considered prescriptive or comprehensive for the Authority's requirements and were revised to ensure appropriateness for Gedling Borough Council. These differ slightly from the guidance and the changes reflect the working practices and delegation arrangements of this authority.

The current Terms of Reference for the Audit Sub Committee are provided in **Appendix A**.

**3. 2006-07 REVIEW**

The Audit Commission undertook a review of the Authority's Use of Resources, issuing a report in March 2006. The report outlined areas for improvement which would enable the Authority to achieve the next level of assessment, including the need to undertake an annual review of the Audit Sub Committee's Terms of Reference, taking into account governance

developments and how it integrates with other committees within the Authority.

In addition, the Authority is in the process of updating its Risk Management Strategy, which enhances the role of the Audit Sub Committee by incorporating responsibilities of the Risk Management Group.

It is therefore, recommended that the Audit Sub Committee be renamed the Governance Sub Committee to reflect its wider remit. Revised Terms of Reference are provided in **Appendix A**.

#### **4. RECOMMENDATION**

It is recommended that members consider and approve the proposed renaming of the Committee and the revised Terms of Reference.

**CURRENT TERMS OF REFERENCE**

**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.

**REVISED TERMS OF REFERENCE**

**GOVERNANCE 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.

**Risk Management**

- Receiving quarterly reports with respect to the effectiveness of risk management procedures.
- Achievement of Business Continuity Plans.
- Notification of Internal Audit recommendations in respect of Risk Management procedures.

**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.
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- 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.