



Report to: Audit Committee

Subject: Terms of Reference – Annual Review

Date: 15th December 2009

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1. PURPOSE OF REPORT

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

2. BACKGROUND

The Audit 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 CIPFA 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.

3. HISTORICAL DEVELOPMENT

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 Committee's Terms of Reference, taking into account governance developments and how it integrates with other committees within the Authority.

In addition, the Authority has reviewed and updated its Risk Management Strategy, which enhanced the role of the Audit Committee by incorporating responsibilities of the Risk Management Group.

In December 2006 the Audit Committee's Terms of Reference were reviewed and updated to reflect these enhanced responsibilities.

To provide assurance that effective reporting and monitoring arrangements are in place to allow the Audit Committee to fulfil its roles and responsibilities the Terms of Reference were enhanced during 2008 to include a schedule of reporting arrangements into the Audit Committee.

The current Terms of Reference are provided in **Appendix A**.

4. RECOMMENDATION

It is recommended that members consider the appropriateness of the current Terms of Reference.

CURRENT TERMS OF REFERENCE

AUDIT 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.
- To review the Assurance Statement of the Chief Internal Auditor (Manager of Audit & Risk Services), in support of the authority's Annual Governance Statement.
- 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.

| Key Task | Responsibility | Source Of Assurance | Schedule |
|----------------------|--|--|--|
| 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. | Annual Internal Audit report. | Annually (June) |
| | To consider summaries of Internal Audit reports. | All audit reports issued in full. | Quarterly |
| | To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale. | Follow-up report of previous audit recommendations. | Quarterly |
| | To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. | Code of Audit Practice. Statement of Responsibilities. Audit & Inspection Letter. | Annually – as published |
| | To consider specific reports as agreed with the external auditor. | Use of Resources Assessment. Best Value Performance Plan. Annual Governance Report. | Annually – as published |
| | To commission work from internal and external audit. | External – Audit & Inspection Plan. Internal – Annual Audit Plan. | Annually (Sept) Annually (March) |
| Risk Management | Receiving quarterly reports with respect to the effectiveness of Risk Management procedures. | Corporate Risk Scorecard. | Quarterly |
| | Achievement of Business Continuity Plans. | Annual Internal Audit report. Corporate Governance Review. | Annually (June) |
| | Notification of internal audit recommendations in respect of Risk Management procedures. | Risk Management Strategy. | Ongoing (approved Dec. 2006, reviewed Jan 09) |
| 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. | Relevant documents available on the council's intranet site. | |
| | To monitor the effective development and operation of risk management and corporate governance in the council. | Risk Management Strategy. Corporate Risk Scorecard. Corporate Governance Review. | Ongoing Quarterly Annually (June) |
| | To monitor council policies on "Whistleblowing" and the anti-fraud and anti-corruption strategy and the council's complaints process. | Annual Internal Audit report. Corporate Governance Review. Fraud & Irregularities report. | Annually (June) Annually (June) Annually (June) |
| | To review the Assurance Statement of the Chief Internal Auditor, in support of the authority's Annual Governance Statement. | Annual Internal Audit report. | Annually (June) |
| | To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice. | Annual Internal Audit report. Corporate Governance Review. Risk Management Strategy. Annual Governance Statement. | Annually (June) Annually (June) Ongoing Annually (June) |
| Accounts | To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. | Audit & Inspection Letter. Annual Governance Report. Best Value Performance Plan. | Annually – as published |