

Appendix 'A' - Proposed New Terms of Reference

EXTRACT FROM THE COUNCIL'S CONSTITUTION – 2011

The Council will appoint an Audit Committee

1. Statement of Purpose

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

Terms of Reference

2. Within the Terms of Reference of the Committee it will be

- a. the member forum for external auditors matters, recommending to council the approval of the audited statement of accounts, formal approval will remain a full council responsibility.
- b. the member forum for internal audit matters,
- c. a key element of the internal control framework for the Council and take responsibility for the Annual Governance Statement,
- d. be the member forum for risk management matters,
- e. be the member forum for corporate governance matters.

General Role/Membership

3. The Committee is advisory and therefore not subject to the provisions of the local Government Access to Information Act 1985.
4. The Committee will comprise 7 people (6 Councillors on a proportional basis, and one co-opted member from outside the Council with suitable experience). The quorum for the Committee is two elected members and one co-opted member.
5. That Committee will meet four or more times per year.
6. In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit Advisory Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

Specific Functions

7. The Committee's specific functions shall include but not be limited to

- (a) External Audit
- To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised

- To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
- To consider and comment on any plans of the external auditors
- To comment on the scope and depth of the external audit work and to ensure it gives value for money
- To consider any other reports by the external auditors
- To liaise with the appointed body over the appointment of the Council's external auditor

(b) Internal Audit

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
 - To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
 - To consider and approve the annual Internal Audit plan , ensuring that there is sufficient and appropriate coverage
 - To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
 - To contribute to the annual audit plan
 - To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Panel.

(c) Internal Control

- To recommend the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.

(d) Risk Management

- Approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
- Ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment

- (e) Governance
 - To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
 - To consider the Council's compliance with its own and other published standards and controls
 - To review any issues of governance referred to the Committee by internal or external audit.
 - To take ownership of the Protocol on referring Matters to the External Auditor
 - To review the Anti-Fraud and Corruption policy

- (f) Other
 - To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
 - To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
 - To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.

- 8. The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the Strategic Director of Resources for Cabinet.

- 9. The terms of reference shall be reviewed annually.