

**UPDATED DRAFT REVISED TERMS OF REFERENCE****Report By: Chief Internal Auditor****Wards affected**

1. County-wide.

**Purpose**

2. To present to the Committee for consideration the updated draft revised terms of reference for the Audit and Governance Committee.

**Financial Implications**

3. None.

**Recommendation**

**THAT (a) Subject to any comments by the Audit & Corporate Governance Committee, the updated draft revised terms of reference and the proposed change of name be put forward for consideration by the Constitutional Review Group.**

**Reasons**

4. An appropriate terms of reference will demonstrate compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

**Considerations**

5. Draft revised terms of reference for the Audit and Corporate Governance was presented to the Committee on 23<sup>rd</sup> January 2008. The Committee resolved that the Chairman and Vice-Chairman meet with the Chief Internal Auditor to discuss the proposed terms of reference in line with the suggested amendments in the preamble and that the amended version be submitted to the meeting of this Committee on 20 March 2009.
6. The Chairman, Vice-Chairman and the Chief Internal Auditor have carried out the review as request and updated draft terms of reference have been developed (Appendix 1 refers).
7. Members are reminded that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit states that the purpose of an audit committee is to :

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Further information on the subject of this report is available from Tony Ford (Chief Internal Auditor) on 01432 260425

- (i) Provide independent assurance of the adequacy of the risk management framework and the associated control environment.
  - (ii) Provide independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.
  - (iii) Oversee the financial reporting process.
8. The code also highlights that the Audit Committee role is different to that of the scrutiny function. The purpose of the scrutiny function being to review policy and to challenge whether the executive has made the right decisions to deliver policy goals.
9. As previously reported CIPFA's latest best practice guidance for Audit Committees highlights their role:
- (i) To consider the effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements.
  - (ii) Seek assurance that action is taken on risk related issues identified by auditors and inspectors.
  - (iii) Satisfy themselves that the Council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it.
  - (iv) Approve (but not direct) Internal Audit's strategy, the Audit plan and oversee performance.
  - (v) Review summary internal audit reports and the main issues arising and seek assurance that action is taken where necessary.
  - (vi) Receive the annual report of the Head of Internal Audit.
  - (vii) Consider the reports of external audit and inspection agencies.
  - (viii) Ensure there are effective relationships between external and internal audit inspection agencies and other relevant bodies.
  - (ix) Ensure the organisations activity promotes the value of the audit process.
  - (x) Review the financial statements, external auditor's opinion and reports to members and oversee management action in response to the issues raised by external audit.

10. The requirements as set out in paragraph 9 above have been highlighted with amendments in the updated draft revised terms of reference to take account of Herefordshire's requirements.
11. The suggested actions required by the committee to meet the CIPFA requirements are set out in Appendix 1.
12. The CIPFA Code makes reference to the Head of Internal Audit, which the glossary describes as the person responsible for the internal audit function, at Herefordshire Council this person is the Chief Internal Auditor.
13. Matters not covered by the latest CIPFA Code have been added at paragraph 11 of the updated draft revised terms of reference.

### **Risk Management**

14. If the Terms of Reference is not adopted there is a risk that the Audit and Corporate Governance Committee does not meet the CIPFA terms of reference, which would have an adverse impact on the Council's Use of Resources. The actions required by the committee have been linked to the CIPFA guidance.

#### **BACKGROUND PAPERS**

- Code of Practice for Internal Audit 2006
- Audit Committees – Practical guidance for Local Authorities 2005