	AUDIT COMMITTEE 22 JULY 2004	AGENDA ITEM: 8.

THE ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Portfolio: Cllr J O'Hare – Deputy Leader and Resources & Performance Mgt

Service: corporate governance (all services directly and indirectly)

Summary of report:
The report outlines the role and responsibilities of the Audit Committee as resolved at the adjourned Council Meeting on 30 June 2004.

Background papers:
Previous reports to Cabinet and council during 2003/4 and adjourned Council on 30.06.04.

Reason for scrutiny:
The Audit Committee's terms of reference and delegations are included within Part 3 of the Council's constitution.   These provide a wider brief than that of the former Administration & Audit Committee.   The terms of reference and delegations are set out within the body of the report.

Recommendations:
1. To note the contents of the report.
2. To determine the nature, content, and potential dates for training *

 * *deliberative recommendation*

Signed: ....

Executive Director: Carole Evans

10.07.04

Signed: ....

Cllr John O'Hare - Deputy Leader

10.07.04

Resources and legal considerations
None arising directly from this report.

Citizen impact
The work undertaken by the committee will make a major contribution to the Council's corporate governance arrangements. Its remit is wide ranging particularly by ensuring that effective systems of internal control are in operation, considering internal audit reports, including management responses to audit recommendations, reviewing the quality assurance and performance management processes and calling

officers and chairs of committees to assist in its work. The work should assist in offering protection to the council and its officers and also provide an assurance to council tax and business rate payers regarding the security of the Council's operations.

Environment impact
None arising from this report.

Performance management and risk management issues
The Audit Committee has an important role to play in considering the arrangements for and the merits of operating governance and performance management processes. This includes a key role in reviewing the mechanisms for the assessment and management of risk.

Equality Implications
None arising from this report.

Consultation
Consultation on these arrangements took place with senior managers, members and the local Audit Commission manager during 2003.

Contact Officer
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1. BACKGROUND TO THE ESTABLISHMENT OF AUDIT COMMITTEE

1.1 The cabinet meeting of 03.09.03 received and endorsed a report entitled 'Shaping overview and scrutiny 2003/4 onwards'. This included consideration of the role and remit of the former administration & audit committee. The report was then considered and approved by council on 15.09.03 resulting in the necessary changes being made to the constitution.

1.2 As part of the process, overview & scrutiny committees became known as scrutiny & performance panels and the administration & audit committee was replaced by an Audit Committee; comprising 7 elected members and one co-opted (non-voting) member. The latter is currently vacant and is being advertised.

2. THE REMIT OF THE COMMITTEE

2.1 The committee's principal function is to act as the council's Audit Committee with the following terms of reference and delegations:

a) Contributing to the council's governance by ensuring an effective internal control environment is maintained (both through reviewing the Statement of Internal Control and more widely)
b) Reviewing the mechanisms for the assessment and management of risk;
c) Agreeing a work plan for internal audit;
d) Receiving periodic reports on the work of internal audit;
e) Receiving reports on management responses to internal audit reports and recommendations;
f) Considering recommendations and reports from the external auditors;
g) Considering arrangements for and the merits of operating quality assurance and performance management processes;
h) Approving the council's statement of accounts;
i) Calling officers and/or committee chairs to assist the Committee in its work;
j) Considering the exercise of officers' statutory responsibilities and of functions delegated to officers.

2.1 Other Functions of the former administration & audit committee

Some of the other functions previously carried out by the former administration & audit committee are now be dealt with as follows:

- **Appointment and removal of LEA representative school governors**
A small panel of members has been established to carry out this function.
- **Elections Byelaws, Local Bills and matters relating to the name and status of the Borough and individuals** - non-executive functions are dealt with by Council.
- **Mayoralty and Civic Matters** - dealt with by cabinet within the remit of the community engagement & organisational development portfolio.

3. TRAINING AND DEVELOPMENT

3.1 In order to undertake their roles and responsibilities as effectively as possible, members of the committee have an opportunity to attend some tailor made

training during the summer. The training will provide an introduction to and overview of:

- Corporate Governance
- The role of internal audit
- The role of the Audit Commission
- Risk Management

3.2 This training will be delivered by the Executive Director (Chief Finance Officer), local Audit Commission Manager, Chief Internal Auditor and Corporate Risk Manager. A session can be held during the day or in the evening and would be anticipated to last two hours.

4. POTENTIAL PRACTICAL ACTIVITIES

4.1 The following are practical activities that should be/could be undertaken by the committee.

- **Annual Audit letter** - receipt of the Audit Commission's annual audit letter, seeking a greater understanding of the underlying issues by questioning the District Auditor, executive director, cabinet members and senior officers, receiving and endorsing the resulting action plan, and receiving regular updates to ensure all the issues are being suitably addressed.
- **External and Internal Audit Plans** - receiving and seeking a greater appreciation of each of the annual audit plans; how it is constructed, developed and delivered.
- **Internal Audit Projects** - undertaking a specific project into (for example) how the internal audit department operates, how particular types of audit are undertaken, how auditors are trained, what standards they use.
- **Risk management** - Receiving and endorsing the council's risk management policy, strategic risk register, a schedule of operational risks, participating in the identification and management of risk and opportunity, ensuring that all parts of the council adopt the policy and proactively manage risks in the best interests of the council.
- **Internal Audit Progress** – receiving and scrutinising quarterly reports from internal audit outlining their activities, and progress against annual targets and benchmarks, ensuring they have sufficient resources to undertake their responsibilities and that activity is taking place to appropriate standards, reviewing the operation of the internal audit partnership.
- **Audit reports** – receiving reports from the internal and external auditors, selecting particular reports for additional and detailed scrutiny to test that issues are being dealt with in an acceptable manner, identifying any cross cutting themes, and ensuring audit recommendations are being implemented by managers, or seeking to understand why not.
- **Statement of Accounts** – receiving the draft statement of accounts, asking detailed and searching questions about the draft statement and endorsing it for formal submission to external audit, receiving the finalised post-audit Statement of Accounts, taking note of any audit issues and their impact on the Statement of Accounts, ensuring any issues are dealt with appropriately and resolved.

This list is indicative only and not exhaustive.

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