

**Agenda Item: 6**

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**Meeting:** Audit Committee

**Date:** 6 April 2009

**Subject:** Audit Committee Terms of Reference

**Report of:** Chairman of the Audit Committee

**Summary:** The report proposes to note the terms of Reference of the Audit Committee as approved in the Constitution.

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Contact Officer: N/A

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

Key Decision N/A

Reason for urgency/  
Exemption from call-in  
(if appropriate) N/A

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**RECOMMENDATIONS:**

**1. That the Audit Committee**

**(a) Note the terms of reference attached at Appendix A**

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**Background**

1. Independent Audit Committees are CIPFA's preferred model for local authorities and are seen to be best practice across other parts of the public and private sector.
2. The purpose of an audit committee is to:
  - (i) provide independent assurance of the risk management framework and the associated control environment;
  - (ii) provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment;
  - (iii) to oversee the financial reporting process.

3. This will include the committee having a clear role in relation to the authority's internal audit function. It should formally approve the internal audit strategy, the annual programme of audits and monitor progress against the plan. It should also assess whether there are adequate skills and resources available to provide an effective audit function.
4. The Committee should also receive and considering the work of the external auditor and should contribute to the council's response to the annual audit and inspection letter, reports and opinion.
5. The council will have a number of strategies in place to regulate its activities and control the actions of its employees, members and contractors. The Audit Committee should assess if these strategies have been properly formulated and remain effective and will include the financial regulations, risk management, Annual Governance Statement, codes of practice, arrangements for delivering value for money and anti-fraud and anti-corruption arrangements.
6. The Audit committee will also have a role to review the financial statements before they are approved ready for audit and then again in conjunction with the ISA260 report issues by the external auditors to those charged with governance following the completion of the audit. This activity will include assessing the suitability of accounting policies and accounting treatment, the changes to those policies and treatments as well as assessing significant adjustments and material weaknesses in internal control highlighted by the external auditors.
7. The role is different from that of the scrutiny function, the purpose of which is to review the policy and to challenge whether the Executive has made the right decisions to deliver policy goals. However, the Audit Committee can commission external or internal audit to review the risk management or control arrangements around any decisions made by the Executive.
8. Recognising the importance of the Audit Committee, the Shadow Council, as part of the Constitution, agreed the terms of reference for this committee on the 26 February 2009. These are attached at Appendix A.

<b>CORPORATE IMPLICATIONS</b>
<p><b>Council Priorities:</b> The Audit Committee is an integral part of the council's effective risk management and control environment and so will contribute to all of the councils priorities.</p> <p><b>Financial:</b> None</p> <p><b>Legal:</b> None</p> <p><b>Risk Management:</b></p>

None

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Development/Safety:**

None

**Sustainability:**

None

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**Appendices:**

Appendix A – Audit Committee Terms of Reference

**Background Papers:**

Constitution of Central Bedfordshire Council

Location of papers: Priory House, Chicksands