

TONBRIDGE & MALLING BOROUGH COUNCIL

COUNCIL

13 December 2005

Report of the Management Team

Part 1- Public

Matters For Decision

1 CREATION OF AN AUDIT COMMITTEE

1.1 Introduction

1.1.1 We reported to Cabinet on 23 November 2005 concerning the consultation from the Audit Commission concerning the framework for Comprehensive Performance Assessment of district councils from 2006 and that part of that process contained certain key lines in enquiry relating to the Council's use of resources.

1.1.2 Linked to that process is the recommendation that local authorities should establish Audit Committees to oversee the governance, financial reporting and performance of the whole authority. Such a committee will be a committee of the Council and required to act independently of the Council's executive and scrutiny functions.

1.1.3 This report recommends the establishment of such a committee in accordance with guidance issued by CIPFA.

1.2 Proposals for an Audit Committee

1.2.1 The guidance states that the purpose of the committee is "to provide independent assurance of the adequacy of the risk management framework and the associated control environment, 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, and to oversee the financial reporting process".

1.2.2 The terms of reference of the Audit Committee, as set out in the guidance, are divided into three areas, audit activity, corporate governance framework and accounts, and are as follows:

Audit activity

1. To consider the Director of Finance'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.
2. To consider summaries of specific internal audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of internal audit services.
4. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
6. To consider specific reports as agreed with the external auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To liaise with the Audit Commission over the appointment of the council's external auditor.
9. To commission work from internal and external audit.

Corporate governance framework

10. To maintain an overview of the council's constitution in respect of contract procedure rules, financial procedure rules and codes of conduct and behaviour.
11. To review any issue referred to it by the chief executive or a chief officer or any council body.
12. To monitor the effective development and operation of risk management and corporate governance in the council.
13. To monitor council policies on ['Raising Concerns at Work'] and the anti-fraud and anti-corruption strategy and the council's complaints procedure.
14. To oversee the production of the authority's statement on internal control and to recommend its adoption.

15. To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
16. To consider the council's compliance with its own and other published standards and controls.

Accounts

- 17 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
 18. To consider the external auditor's report to those charged with governance on issue arising from the audit of the accounts.
- 1.2.3 The recommended size of the committee is five members (politically balanced) with a quorum of three.
- 1.2.4 It is also recommended that a senior officer and member jointly champion and take overall responsibility for embedding risk management throughout the council and we are recommending that this should be the Chief Executive and the Cabinet Member for Resources and Capital Projects.

1.3 Implementation

- 1.3.1 Implementation of these proposals will require some amendments to the Council's constitution, as set out in **[Annex 1]** to this report.

1.4 Recommendations

- 1.4.1 It is **recommended** that:
- 1) The Council establish an Audit Committee in accordance with the recommendations set out in this report; and
 - 2) Subject to the Monitoring Officer advising that the changes to the Constitution can lawfully be made, that the amendments to the Constitution set out in **[Annex 1]** to this report be adopted with immediate effect.

Background papers:

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Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2005)

David Hughes

Chief Executive

On behalf of the Management Team