

AUDIT COMMITTEE TERMS OF REFERENCE

Report of the Director & Company Secretary

1. SUMMARY

This report proposes amendments to the Audit Committee Terms of Reference.

2. RECOMMENDATION

To approve the Audit Committee Terms of Reference, attached at Appendix 1.

3. MATTER FOR CONSIDERATION

- 3.1 The Audit Committee Terms of Reference require the Committee to review the Terms of Reference at least every three years. The last review was carried out in 2008 and a further review was undertaken and changes proposed at its meeting on 11 April 2011.
- 3.2 The amendments agreed by the Committee are a result of a self assessment of performance against the Terms of Reference carried out by the Committee in 2010. The amended Terms of Reference, showing tracked changes, is attached at Appendix 1.

4. LEGAL AND CONFIDENTIALITY IMPLICATIONS

Agreeing Committees' Terms of Reference is a matter reserved to the Board.

The areas listed below have no implications directly arising from this report:

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| • Consultation | • Equalities Impact Assessment |
| • Financial and Business Plan | • Health & Safety |
| • Personnel | • Risk |
| • Environmental | • Policy Review |

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information: None

Supporting Information: None



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Audit Committee –Terms of Reference

Composition of Audit Committee

- The Board will nominate the members of Audit Committee and the Chair of the Committee
- The members of the Committee will be a minimum of 5 members of the main Board who are not
 - the Chair of the Board
 - a Vice Chair of the Board
 - a Chair of any sub-committee of the Board
- The Chair of the Committee must have significant and relevant **financial** experience
- A quorum of any meeting will be 3 members
- Members will be appointed for a minimum term of 2 years, or until they cease to be a member of the main Board, or become ineligible.

Role of the Auditors

- External Audit provides an independent view of the accounts of the company and systems and controls upon which they are based, with a view to expressing a formal opinion on the statutory accounts. In undertaking this role, the External Auditors have any access they require.
- Internal Audit undertakes detailed specific reviews as set out in the Internal Audit Plan approved by the Audit Committee, with a view to commenting on the appropriateness of controls.

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Role of the Audit Committee

- Monitor integrity of financial statements of the company, reviewing significant, financial reporting judgements
- Keep under review the company's internal financial control system and risk management system
- Monitor and review effectiveness of the company's internal audit function
- Make recommendations to the Board in relation to the appointment of the internal and external auditors and approve remuneration and terms of engagement of the internal and external auditors

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- Monitor and review external auditor's independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements
- Develop and implement policy and engagement of external auditor to supply non-audit services, taking into account relevant ethical guidance regarding provision of non-audit services by external audit firm
- Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by internal and external auditors have been implemented by management
- Review the proposed internal and external audit plans for the coming year and ensure that they address key areas of risk
- The Chair to ensure that the Board is aware of any matters that may significantly impact upon the financial condition or affairs of the business.

Resources

- The Committee will be provided with sufficient resources to undertake its duties.

Authority

The Board authorises the Audit Committee, within the scope of its responsibilities to:

- Engage independent professional advice as it deems necessary to carry out its duties
- Have unrestricted access to management, employees and relevant information in accordance with the protocol on Officers Attendance at Audit Committee (Appendix A).
- Establish procedures to deal with employees' concerns and external complaints regarding accounting, control and audit matters.

Reporting to the Council

- The Chair's report to contain a separate section that describes the role of the Committee and what action it has taken
- The Chair of the Audit Committee (or another member of the Committee nominated by the Chair) to be present at the AGM to answer questions through the Chair of the Board
- The Chair of the Audit Committee (or another member of the Committee nominated by the Chair) to present an annual report on the Audit Committee's activities to the Board.

Frequency of meetings

- The Committee will meet at least 3 times a year, and meetings will correspond with the company's financial reporting cycle
- Additional meetings will be convened as required at the request of the Chair of the Committee or at the request of the internal or external auditors
- The Committee will meet with the internal and external auditors and without company management in attendance at least once a year

Attendance at meetings

- Only Committee members are entitled to attend meetings. The Committee, or an individual Committee member, may ask the Governance Services Manager to invite other such persons, for instance, senior managers, internal/external auditor as it deems necessary
- The Chair (or another member of the Committee nominated by the Chair) will attend the Board meeting at which the company's financial statements are approved.

Circulation of Papers

- The agenda and supporting documentation will be circulated to Committee members at a reasonable period (normally one week) in advance of each meeting
- Minutes of Committee meetings will be circulated to members of the main Board, and as soon as possible after the meeting to members of the Committee, and the internal and external auditors.

Evaluating Performance

- Evaluate the performance of the Committee, both individually and collectively, on a regular basis
- Review the Audit Committee Terms of Reference at least every 3 years and discuss with the Board. Any proposed changes to be discussed with and ultimately approved by the Board.

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Protocol for Officers' attendance at Audit Committee

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The Board has authorised the Audit Committee, within the scope of its responsibilities, 'to have unrestricted access to management, employees and relevant information'.

In particular the Committee has indicated that it requires management attendance at meetings to respond to delays in implementing internal audit recommendations.

The following protocol will be observed.

Internal Audit Reports

Audit Committee is charged with considering internal audit reports and monitoring progress made in implementing any recommendations.

Management's responses to internal audit recommendations identify an action date and responsible officer.

The Committee, or an individual Committee member, may request senior managers or any such persons, as it considers necessary, to attend a meeting to explain outstanding actions.

Generally, individuals will be notified that their attendance is required at a future meeting immediately following the meeting at which their attendance has been requested.

Other matters

The Committee also has authority to request staff to attend meetings for purposes other than those listed above.

The Chair of the Committee may identify individuals required to attend a meeting at the Committee Chair's pre meeting. Where possible seven days notice will be given to the individual.

Matters discussed at Audit Committee are confidential and meetings are closed to the public, other Board Members and staff other than those taking part in the meeting.

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