

**REPORT TO:** POLICY AND RESOURCES COMMITTEE – 25 JUNE 2007

**REPORT ON:** TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT SUB-COMMITTEE

**REPORT BY:** HEAD OF FINANCE

**REPORT NO:** 368-2007

**1. PURPOSE OF REPORT**

This report details proposals to update the Terms of Reference of the Audit and Risk Management Sub-Committee. The Terms of Reference of the Sub-Committee have been reviewed in line with best practice and the resulting proposals provide a more comprehensive reference source, which consolidates information contained in previous Committee Reports, where appropriate.

**2. RECOMMENDATIONS**

The Committee is requested to approve the Purpose and Remit of the Audit and Risk Management Sub-Committee as contained in the Terms of Reference attached at Appendix A and to note the Framework included therein which has previously been approved by Committee.

**3. FINANCIAL IMPLICATIONS**

None

**4. SUSTAINABILITY POLICY IMPLICATIONS**

None

**5. EQUAL OPPORTUNITIES IMPLICATIONS**

None

**6. MAIN TEXT**

- 6.1. The Audit Sub-Committee was established as a Sub-Committee of the Finance Committee on the 13 July 1998 (refer Report No. 525-1998). The report also set out the proposed Framework and Remit of the Sub-Committee.
- 6.2. In December 2001 approval was given by the Finance Committee for the name of the Audit Sub-Committee to be amended to the Audit and Risk Management Sub-Committee and for the Remit of the Sub-Committee to be extended to formally address risk issues on a corporate basis (refer Report No. 542-2001).
- 6.3. As a result of the local elections in May 2007 and the subsequent review of the Council's Standing Orders and Schemes of Administration it was considered to be an opportune time to review, revise and update, where appropriate, the Terms of Reference of the Audit and Risk Management Sub-Committee and to consolidate information contained in

previous reports. The revised Terms of Reference are detailed at Appendix A of this report.

## **7. CONSULTATIONS**

The Chief Executive, Depute Chief Executive (Support Services) and Depute Chief Executive (Finance) have been consulted on the content of this report.

## **8. BACKGROUND PAPERS**

Establishment of an Audit Sub-Committee of the Finance Committee  
(Report No. 525-1998)

Integrated Risk Management (Report No. 542-2001)

Timetable for Future Meetings (Item 6, Audit Sub-Committee 11 December 2000)

**MARJORY STEWART**  
**HEAD OF FINANCE**

**06 JUNE 2007**

**TERMS OF REFERENCE OF THE OF THE AUDIT AND RISK MANAGEMENT SUB-COMMITTEE**

<b>Purpose</b>
<p>The Audit and Risk Management Sub-Committee is a key component of corporate governance. The purpose of the Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment and 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.</p>
<b>Framework</b>
<ol style="list-style-type: none"> <li>1. The Audit and Risk Management Sub-Committee is a Sub-Committee of the Council's Policy and Resources Committee.</li> <li>2. The Sub-Committee will meet three times per year with the timetable for such meetings being mid-May, mid-September and mid-January.</li> <li>3. The Sub-Committee will comprise of six Elected Members and the representation from the political groups will be three from the Administration, two from the SNP Group and one from the Conservative Group.</li> <li>4. The Depute Convener of the Policy and Resources Committee will be the Convener of the Sub-Committee.</li> <li>5. A minimum of three Elected Members of the Sub-Committee require to be present for the meeting to be deemed quorate.</li> <li>6. The Chief Executive, Head of Finance, Chief Internal Auditor, Risk and Business Continuity Manager and External Auditor should normally be in attendance at the Sub-Committee.</li> <li>7. Any other Officer of the Council may be requested to attend the Sub-Committee to assist with the discussion of any particular matter.</li> </ol>
<b>Remit</b>
<p>To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and to seek assurances that action is being taken on risk related issues that have been identified. The assessment of effectiveness and the provision of assurance will be gathered from a number of sources. These include the following:</p> <ol style="list-style-type: none"> <li>1. To consider and monitor the strategy, plan and performance of the Council's risk management arrangements and seek assurances that action is being taken on risk related issues</li> <li>2. To consider and monitor the strategy, plan and performance of the Council's Internal Audit Service.</li> <li>3. To consider the strategy and plans of the Council's External Auditor.</li> <li>4. To consider internal and external audit reports and seek assurance that appropriate action has been taken.</li> <li>5. To monitor the implementation of internal and external audit recommendations agreed with Management.</li> <li>6. To receive the Annual Report of the Chief Internal Auditor.</li> <li>7. To consider and monitor the effectiveness of the Council's anti-fraud and anti-corruption arrangements and receive reports on an exception basis.</li> </ol>