

REPORT BY THE CHAIR OF THE AUDIT COMMITTEE

AUDIT COMMITTEE ANNUAL REPORT 2012/13

1. SUMMARY

This report outlines the work undertaken by the Audit Committee (the Committee) in 2012/13 and how this relates to its core responsibilities. The report will be sent to Full Council to demonstrate how the Committee has filled its designated role within the Constitution and contributed to the governance arrangements in place in the City Council.

2. RECOMMENDATION

The Committee notes the work undertaken and approves the report at **Appendix 1** to be sent to the meeting of City Council in October 2013.

3. REASONS FOR CONSIDERATION

The Committee is central to the provision of effective corporate governance, which partly depends on a systematic strategy, clear framework and processes for managing risk. Good governance also maintains and increases public confidence in the objectivity and fairness of financial and other reporting, as well as helping to deliver improved services. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

An effective Audit Committee helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council and should enhance public trust and confidence in the governance of the Council.

In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair has produced this annual report in respect of its activities. It is aimed to develop the Council's commitment to improving corporate governance.

4. OVERVIEW

The report at **Appendix 1** summarises the work undertaken by the Committee during 2012/13, shows the topics it discussed and uses its Terms of Reference to demonstrate how it met its objectives and responsibilities. The report recognises the positive contributions of councillors and colleagues in the deliberations of the Committee and the positive effect the Committee has had on the Council's governance arrangements. For the purpose of reporting the report categorises the work under the broad themes below.

- Risk and Performance
- Performance Management
- External Audit
- Internal Audit
- Other Work

The work undertaken is, however, cross cutting and the work covered in each theme is complimentary to that reported in the other themes.

**5. LEGAL IMPLICATIONS**

Whilst not a current legal requirement, operation of an effective Audit Committee reflects best practice and reinforces the importance of probity and performance and risk management both within the Council and in relation to its partnership working.

**6. FINANCIAL IMPLICATIONS**

There are no additional financial implications as a result of this report

**7. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

Nottingham City Council's Constitution

**8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

None

Councillor Sarah Piper  
Chair of the Audit Committee

## **Audit Committee Annual Report 2012/13**

### **Foreword by the Chair**

I was appointed Chair of the Audit Committee at the May 2013 session of Full Council so am fairly new to this role. I am grateful for all the support and encouragement that I have had from council colleagues and fellow committee members and hope to continue the effective leadership shown by the former Chair Councillor Ken Williams. I would like to thank all the members of the Committee and particularly Ken who steered the deliberations of the Committee from inauguration through its first five years of operation. Ken's career before becoming a councillor involved lecturing in business studies so he had quite a considerable grasp of the business operations of the Council that assisted him greatly as Chair of Audit.

I would also like to mention Councillor Steve Parton, who joined the Audit Committee in 2011 and sadly died while campaigning during a by-election this April. Steve also had considerable business experience having run his own company for many years manufacturing fishing tackle for a British and international market. He was also widely known as one of the key experts and writers in the field of fly fishing.

I would also express my appreciation to the Head of Internal Audit, who has supported the Committee throughout the year, and also to Council colleagues and the providers of external assurances who have attended our meetings and answered our questions. Many Council colleagues will be able to testify that appearing before the Audit Committee has not been an enjoyable occasion which they would want to repeat too often. But it is through this depth of questioning and answering that the Committee has been able to assure itself of the Council's governance arrangements.

The following report summarises the work performed over the year 2012/13 and describes how the Committee has contributed to the effectiveness of the Council by the work it has done including:

- Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks.
- Managing a good working relationship with the External Auditor, ensuring appropriate action was taken on its recommendations and the most efficient use of external and Internal Audit was achieved.
- Overseeing the performance of the Internal Audit Service.
- Ensuring audit findings are actioned and consequently helping to improve the Council's effectiveness and governance arrangements.
- Monitoring of and contribution to the development the Council's Statement of Accounts and overseeing the Council's Treasury Management arrangements. This included examining the new borrowing arrangements for Net Phase 2.
- Accepted new responsibilities for overseeing our partnership with other notable organisations

## **Purpose of the Committee**

Corporate governance is a phrase used to describe the mechanisms underpinning how the Council directs and controls its operations, and relates to the people of Nottingham. Good corporate governance requires organisations to undertake their functions with integrity and in a way that is accountable, transparent, effective and inclusive. My role of the Chair of the Audit committee is to drive forward improvements on corporate governance. This means I must

- Consider the reports of external audit and inspection agencies.
- Support the Committee in reviewing the financial statements, external auditor's opinion and reports to Councillors, and monitor management action in response to the issues raised by external audit.
- Support the Committee in reviewing the Council's integrated planning and performance framework.
- Support consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Lead the Committee to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Lead approval (but not direct) Internal Audit's strategy, plan and monitor performance.
- Support the review of the summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Lead the Audit Committee in procuring external audit if required

## **Committee Aims**

The Committee helps to raise the profile of internal control, risk management and financial reporting within the Council. The Committee enhances public trust and confidence in the governance of the Council. My annual report underlines this important work and demonstrates the Council's awareness and commitment to maintaining and improving corporate governance across all its dealings. The Committee aims to improve corporate focus on governance by:

- Consideration of external audit and inspection agency reports;
- Review of the financial statements, external auditor's opinion and reports to Councillors, and monitoring management action in response to the issues raised by external audit;
- Review of the Council's integrated planning and performance framework;
- Considering the effectiveness of the Risk Management Framework and activities, the control environment and associated anti-fraud and anti-corruption arrangements;
- Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- Being satisfied that the Council's assurance statements, including the Annual Governance Statement (AGS), properly reflect the risk environment and any actions required to improve it;
- Approving Internal Audit's Strategy and Plan, and monitoring its performance;

- Reviewing Internal Audit (IA) reports and the main issues arising, and seeking assurance that action has been taken where necessary;
- Receiving the Annual Report of the Head of Internal Audit,
- Ensuring that there are effective relationships between external and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

In summary, the Committee's role is to challenge, assess and gather assurance from within the Council and from external agencies, on the level and quality of the internal control and risk management processes in place. It also approves audit plans, the Statement of Accounts, and AGS and monitors the robustness of performance management systems. The benefits to be gained from operating an effective committee are that it:

- raises greater awareness of the need for internal control and the implementation of audit recommendations;
- increases public confidence in the objectivity and fairness of financial and other reporting;
- reinforces the importance and independence of internal and external audit and any other similar review process (eg providing a view on the AGS);
- provides additional assurance through a process of independent and objective review.

## **Membership**

The members of the Committee for 2012/13 were:

Councillor K Williams (Chair)  
 Councillor S Piper (Vice Chair)  
 Councillor M Aslam  
 Councillor S Fox  
 Councillor J Hartshorne  
 Councillor N Heaton  
 Councillor T Moline  
 Councillor S Parton  
 Councillor R Steel

## **Work Undertaken**

The following summary of activity is categorised by the main topic or source of the assurance. The work is reflective of the Committee's terms of reference shown at **Appendix A**, which is addressed via an annual work programme endorsed by the Committee. The analysis has been derived from the reports and presentations set before the Committee in the period. **Appendix B** cross references the essential elements of the annual work programme to the Committee's terms of reference.

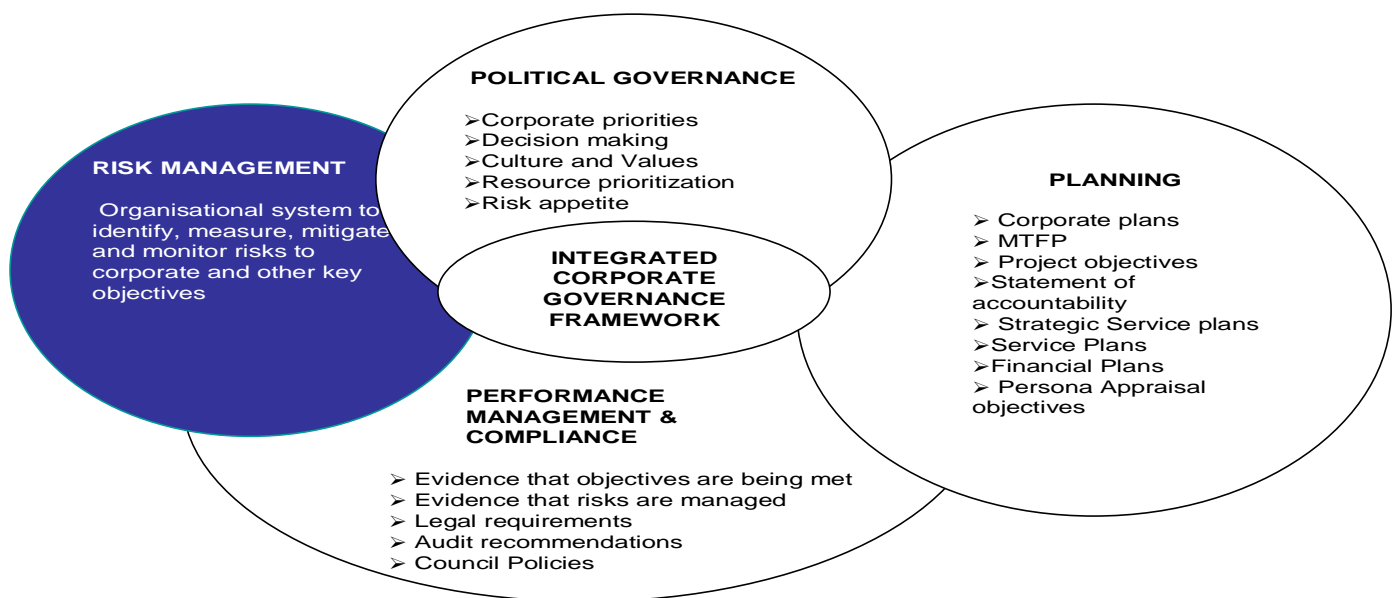
## A. Risk

### Rationale

The role and remit of the Committee was defined when it was established in 2008. The Committee's key risk management role is to provide assurance on the adequacy of the Council's Risk Management Framework (RMF) and the associated control environment by reviewing the mechanisms for assessing and managing risk. The role places the Committee at the centre of the Council's implementation of the RMF and associated policies and practices.

### Summary of Work

Risk Management is an essential part of the Council's governance framework. The following illustrates the interdependence of the key governance elements and how they sit together.



### RISK MANAGEMENT FRAMEWORK

The Committee has responsibility for approving the RMF which provides policy and detailed practical guidance on the Council's risk management approach. The Strategic Risk Strategy provides practical guidance on the management of the Strategic Risk Register and the risks within it including escalation/ delegation of risks, reporting arrangements, responsibilities. Risk Strategies are being developed for all Risk Registers maintaining a rigorous Risk and Opportunity Management approach while enabling flexibility in how risks are managed at different levels of the organisation. This approach will reflect departmental priorities and ways of working and activities whilst complying with the requirements of higher level risk strategies. During the year the Committee reviewed and approved the updated RMF including the Improvement Action Plan.

The Following Diagram Illustrates the interrelationship of the Council's Risk Registers

### Council Risk Register



### REVIEW OF STRATEGIC RISKS

The Council manages the full range of risks that threaten its priorities from the operational to the strategic through a portfolio of risk registers which collectively form the Council Risk Register (CRR). The “highest” register is the Strategic Risk Register (SRR).

In support of its role Audit Committee received quarterly updates on the SRR and has overseen the delegation / closing of five strategic risks and identification / escalation of one strategic risk by Corporate Leadership Team. Significant progress was made during 2012/13 to manage and reduce the threat levels of the Council's strategic risks despite the financial and economic pressures. During 2012/13 work to manage the Council's strategic risks resulted in:

Type of Change to Register	Risk Managed
Two new strategic risks	<ul style="list-style-type: none"> <li>• Failure to ensure a financially sustainable adult social care system to respond to significant increases in demand for care while protecting our most vulnerable citizens</li> <li>• Failure to establish an effective Public Health function impacting citizen wellbeing and a failure to deliver the authority's statutory responsibilities</li> </ul>
Two strategic risk having threat levels reduced to such an extent that it was delegated Corporate Directorate Risk Registers	<ul style="list-style-type: none"> <li>• Failure to implement harmonised pay, grade &amp; terms &amp; conditions, that are fair to all colleagues &amp; Equal Pay legislation compliant</li> <li>• Failure to reduce levels and the fear of crime and anti-social behaviour (ASB)</li> </ul>
Four strategic risks having reduced threat levels or being at target by Q4	<ul style="list-style-type: none"> <li>• Failure to mitigate the impact of the economic climate on the Nottingham City and its citizens</li> <li>• Failure of partners including the City Council to work effectively together to achieve vision and outcomes in the</li> </ul>

	<p>Nottingham Plan to 2020</p> <ul style="list-style-type: none"> <li>• Of the reputation of the City</li> <li>• Failure to implement and embed effective information management structures, policies procedures, processes and controls to support the council's immediate and future regulatory, legal, and business requirements</li> </ul>
Nine strategic risks showing no improvement in terms of threat level (SR19, SR26, SR6,)	<ul style="list-style-type: none"> <li>• Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City</li> <li>• Failure to accurately predict and respond to financial pressures supporting the development and delivery of the medium term financial plan</li> <li>• Failure to deliver culture change</li> <li>• Failure to ensure a financially sustainable adult social care system to respond to significant increases in demand for care while protecting our most vulnerable citizens</li> <li>• Failure of Workplace Parking Levy (WPL) to raise sufficient income to meet NET Phase Two funding requirements</li> <li>• Failure to establish an effective Public Health function impacting citizen wellbeing and a failure to deliver the authority's statutory responsibilities</li> </ul>
One strategic risks showed a deteriorating threat level at Q4 compared with Q1	<ul style="list-style-type: none"> <li>• Failure to ensure effective systems are in place to manage health and safety risks</li> </ul>
Five strategic risks reviewed/re-scoped, or work commenced	<ul style="list-style-type: none"> <li>• Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City</li> <li>• Of the reputation of the City</li> <li>• Failure to deliver improved outcomes through the implementation and embedding of the Commissioning Framework within the directorate, the council and with partners</li> <li>• Failure to deliver culture change</li> <li>• Failure to deliver Council Plan priorities</li> </ul>

The Committee has an important role in ensuring the adequacy of the RMF and the associated control environment. As part of the SRR Quarterly Updates, the Committee selected or received for review the following seven RMAPs covering the Council's most important strategic risks with risk owners attending meetings to provide a verbal briefing and answer questions: The Committee used these briefings as an opportunity to challenge / test the management of the risks, for example, identification of appropriate constituent risks and the robustness of risk management actions. The Committee has therefore made a valuable contribution to the management these risks

- Failure to mitigate the impact of the economic climate on the Nottingham City and its citizens



- Failure to provide the best educational outcome for children and opportunities for young people to access further education and skills training to contribute to the economic wellbeing of the City
- Failure to ensure effective systems are in place to manage health and safety risks
- Failure to embed a corporate approach to commissioning, informed by citizen need, which drives delivery of improved services at significantly lower cost
- Failure to support Nottingham citizens and communities in minimising the negative impact of welfare changes
- Failure to ensure a financially sustainable adult social care system to respond to significant increases in demand for care while protecting our most vulnerable citizens
- Failure to establish an effective Public Health function impacting citizen wellbeing and a failure to deliver the authority's statutory responsibilities

## **B. Performance Management**

### **Rationale**

The Committee receives periodic reports in respect of the Council's Performance Management Framework and financial and non-financial performance. This gives the Committee an insight into operational performance and the extent that it affects the Council's exposure to risk and weakens the control environment.

### **Summary of Work**

The Deputy Chief Executive is leading the overall transformation agenda and is closely engaged with Corporate Leadership Team (CLT) and lead councillors in developing a new workplace strategy to transform the Council and how services are delivered. This strategy links to the Council's refined purpose of Leading Nottingham. The Council's message map underpins key organisational messages and helps to ensure that plans and people management approaches are closely connected.

## Message Map



## **Performance Management Framework (PMF)**

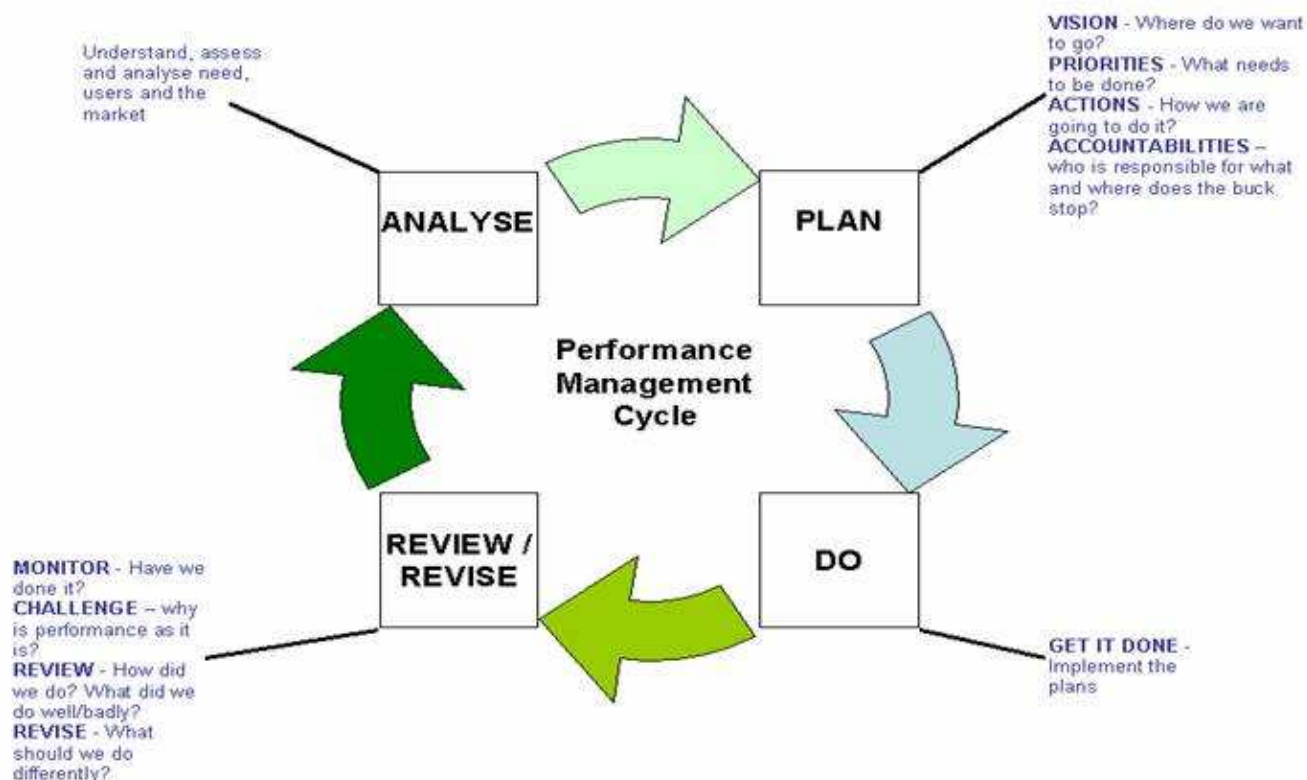
The Council's current Council Plan states the importance of having an effective PMF to allow it to effectively measure and report success in delivering its key priorities. It is also enshrined in The Nottingham Plan to 2020 which forms the key overarching strategic plan for the public service agencies to deliver the priorities for the city by 2020.

The Council's CLT is driving a shift in the culture of performance management across the authority and so has signalled a need for a more consistent, efficient, effective and streamlined approach that also helps services put the citizens at the heart of everything they do. This PMF helps in this process and therefore replaces the previous Corporate Integrated Planning & Performance Framework (CIPPF).

The new PMF is designed to provide this consistent approach to the way organisational & service performance is managed, monitored, reviewed and reported at all levels in the organisation and will be introduced in the Autumn of 2013 following consultation with key colleague groups.

As the diagram below shows it is based on the Analyse – Plan – Do – Review/Revise cycle widely adopted as a good business planning/management process, and mirrors the approach taken by our commission activity:

## PMF



## C. External Audit

### Rationale

The Committee also has a duty to scrutinise 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, and to oversee the financial reporting process. It also has further responsibilities to approve the Council's Statement of Accounts (SOA) and to consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

External audit is an essential element of governance, which gives an independent view of the stewardship and accountability roles of the Council. The duties and powers of the external auditor are set out in statute and in the Audit Commission's statutory code of practice. The Council's external auditor changed in the year, the service being provided by the Audit Commission until November 2012 when it was taken over by KPMG.

### Summary of work

Throughout the year the Committee received reports from the Council's external auditors, detailing their work plans and the progress they have made. This has allowed the Committee to obtain an independent assurance in respect of the overall governance arrangements set in place by the Council. The culmination of this work was the Annual Audit and Inspection letter.

In summary the Committee the committee received assurance from the following work and assurances the External Auditor

- The transition between external Auditors would be seamless and would be managed effectively
- The External Auditor
  - issued an unqualified opinion on the Authority's 2011-12 financial statements included in the Statement of Accounts;
  - concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
  - concluded that there are no matters arising from value for money work to report;
  - certified completion of the audit
  - Gave regular updates and was of the opinion that the Authority was making year on year improvements against its headline risks and improvements found in work involving certification of grants and returns had to be continued

## **D. Internal Audit**

### **Rationale**

One of the Committee's key roles is to review and monitor the work of Internal Audit (IA). The Audit Charter sets out the terms of reference of the service and is one of the benchmarks against which the Committee can measure performance and effectiveness of the service.

The Accounts and Audit Regulations 2011 state that local authorities should maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

### **Summary of work**

The service impacts on corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework. It operates within professional standards as laid down in the Public Sector Internal Audit Standards 2012. The Audit Charter is the embodiment of the terms of reference for the service defining the objectives and responsibilities of the service. The Committee has overseen the quality and performance of the service by review of reports including the Head of Internal Audit's (HoIA) quarterly and annual reports. From the assurance given by HoIA assurances gathered from other independent sources, the Committee gained reasonable assurance that the internal control system was operating effectively within the Council and its associated partners.

The Committee gained assurance from its consideration of detailed reports on:

- Internal Audit Plans
- Internal Audit Quarterly Reports and Recommendations Made
- Internal Audit Performance and Quality of the Service
- Internal Audit Annual Report and Head of Internal Audit Opinion
- Reports Selected for Examination
- Counter Fraud Strategy
- Partnership Governance Framework Health Checks
- Internal Audit Charter

## **E. Other Work**

The Audit Committee Work Programme (**Appendix B**) reflects the many subject areas and sources of information that the Committee considers in its deliberations about Corporate Governance. The information assimilated allows members of the Committee to understand governance issues and determine their opinion about the overall state of corporate governance in the Council.

### **E1. Annual Governance Statement - AGS**

#### **Rationale**

Included in this committee's terms of reference is the core function that it should be "satisfied that the Authority's assurance statements, including the AGS, properly reflect the risk environment and any actions required to improve it."

The publication of an AGS is required by the Accounts and Audit Regulations 2011. The Council is required to conduct a review, at least annually, of the effectiveness of its internal control and prepare a statement in accordance with proper practices. The 2007 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This has been adopted as the Council's Local Code of Corporate Governance by the Executive Board.

The Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.

In order to produce the AGS an annual timetable is required to ensure key tasks are undertaken in time to deliver the Statement alongside the Council's SOA.

The Committee has delegated authority for the formal approval of the AGS and approved it on at its September 2012 meeting. It was signed by the Leader of the Council, the Chief Executive and the Deputy Chief Executive and was published alongside the SOA.

#### **Summary of work**

The AGS reflects the governance framework operating within the Council and its significant partnerships, groups and trusts. The issues identified in the AGS and the consequent plans for their mitigation are used to direct corporate resources, including those of IA. The Committee has been kept updated on the progress in respect of those issues reported and has monitored the process for compiling the 2012/13 AGS. Issues reported in September 2012 and monitored within the year were as follows

- Single Status
- Balancing the Council's Budget
- Children in Care
- Accounts Payable controls
- Central Government Review of Local Government Funding

- Icelandic Banks

## **E2. Statement of Accounts (SOA)**

### **Rationale**

The SOA is an annual publication that shows how the Council's resources have been utilised, must be prepared in accordance with all legislative requirements and professional best practice, and approved by the Council within a defined timescale. The Committee's terms of reference include a duty to review and approve the Council's SOA on behalf of the Council.

### **Summary of Work**

The 2011/12 SOA and Annual Governance Report were approved by the Committee and was able to confirm that it was appropriate for the SOA be constructed on a going concern basis. The Committee has been made aware of changes to Accounting Policies and operations affecting the production of the SOA including the progress in the development of the 2012/13 statement.

## **E3. Local Government Ombudsman – Annual Review**

### **Rationale**

Each year all local authorities are provided with a letter from the Ombudsman and a report covering their performance with regard to dealing with complaints.

Complaints need to be used to influence service improvement and therefore to increase customer satisfaction and highlight areas where controls may be failing.

The Council is still the responsible body for complaints about housing provided by Nottingham City Homes and their figures are included in its Annual Letter.

### **Summary of work**

The letter from the Ombudsman was positive and concluded that there were no concerns about the authority's response times and there were no issues arising from the complaints to bring to the Council's attention

## **E4. Treasury Management**

### **Rationale**

Treasury management is the management of an organisation's borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.

The Council's treasury management function operates in accordance with the Code of Practice for Treasury Management in the Public Services (the TM Code), issued by the CIPFA. Under this code the annual Treasury Management Strategy, including the Investment Strategy, is considered and approved by a meeting of Full Council before the beginning of the financial year to which it applies.

Recent changes to the TM Code require authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. In undertaking this function, the Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices, and to deliver this in advance of the associated strategies being formally approved by Council. This provides an opportunity for detailed scrutiny and analysis of the Treasury Management Strategy and Investment Strategy by those charged with governance.

## **Summary of Work**

The Committee scrutinised and gained assurance from the regular reports it received in the period regarding City Council's Treasury Management Strategy and performance reports including the Treasury Management Annual

## **E5. Role of the Audit Committee and Annual Work Programme**

### **Rationale**

An Audit Committee is central to the provision of effective corporate governance. It is important that local authorities have independent assurance about the mechanisms underpinning its governance arrangements. It recognised that high performing councils develop effective financial and non-financial control mechanisms through the ongoing liaison and development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, with Terms of Reference focussed on the key audit control and risk management areas critical to the Council's performance. The work of the Committee supports the Council's aim to improve its efficiency and effectiveness. In common with the requirement for Overview & Scrutiny Committees/Panels, and in accordance with CIPFA guidance, the Committee is politically balanced and does not have Executive membership.

### **Summary of work**

The Committee adopted a work programme, designed to cover key aspects of corporate governance within the Council. The work programme was designed to meet the Committee's responsibilities as set out in its terms of reference.

## **E6. Audit Committee Annual Report 2012/13**

### **Rationale**

The Committee is central to the provision of effective corporate governance, which partly depends on a systematic strategy, clear framework and processes for managing risk. Good governance also maintains and increases public confidence in the objectivity and fairness of financial and other reporting as well as helping to deliver improved services. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

An effective Audit Committee helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council. The Committee should enhance public trust and confidence in the governance of the Council.

In order to demonstrate the effectiveness of the Committee and develop public trust, an annual report was produced in respect of the Committee's activities. It was aimed to demonstrate the Council's commitment to improving corporate governance.

## **Summary of work**

The last annual report outlined the work undertaken by the committee and how that related to its core responsibilities to demonstrate how the committee had fulfilled its designated role and contributed to the Council's governance framework. The report was presented to the Full Council by Councillor Ken Williams.



## THE COMMITTEE'S TERMS OF REFERENCE 2012/2013

TITLE	AUDIT COMMITTEE
<b>POWERS / REMIT</b>	
<p><b><u>Terms of Reference</u></b></p> <p>(a) The main purposes of the Committee are to:</p> <ol style="list-style-type: none"> <li>(1) provide assurance of the adequacy of the Risk Management Framework and the associated control environment;</li> <li>(2) scrutinise 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;</li> <li>(3) oversee the financial reporting process;</li> <li>(4) approve the Council's Statement of Accounts;</li> <li>(5) comment on the scope and nature of external audit;</li> <li>(6) oversee proposed and actual changes to the Council's policies and procedures pertaining to governance.</li> </ol> <p>(b) Its functions include the following:</p> <ol style="list-style-type: none"> <li>(1) reviewing the mechanisms for the assessment and management of risk;</li> <li>(2) approving the Council's statement of accounts;</li> <li>(3) receiving the Council's reports on the Annual Governance Statement and recommending their adoption;</li> <li>(4) approving Internal Audit's strategy, planning and monitoring performance;</li> <li>(5) receiving the Annual Report and other reports on the work of Internal Audit;</li> <li>(6) considering the external auditor's annual letter, relevant reports and the report to those charged with governance and the Council's responses to them;</li> <li>(7) considering arrangements for and the merits of operating quality assurance and performance management processes;</li> <li>(8) considering the exercise of officers' statutory responsibilities and of functions delegated to officers</li> <li>(9) to recommend external audit arrangements for the Council;</li> <li>(10) to receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers.</li> </ol>	
<b>ACCOUNTABLE TO:</b> Council	
<b>MEETINGS:</b> Normally seven per annum plus specials where required	
<b>MEMBERSHIP:</b> Politically balanced, eight non-executive councillors	
<b>ESTABLISHED SUB COMMITTEES:</b> None	

## Appendix B

### CROSS REFERENCE OF THE ANNUAL WORK PROGRAMME TO THE COMMITTEE'S TERMS OF REFERENCE BY MAIN PURPOSE AND FUNCTION

REPORT TITLE	Cross reference to Appendix A TOR	Cross reference to Appendix A Function
Audit Committee Training Activity	1-6	1-10
Audit Committee Annual Report	1-6	1-10
Role of Audit Committee & Annual Work Programme	1-6	1-10
Audit Committee Annual Work Programme Update	1-6	1-10
Risk Management Training	1	1
Risk Management Annual Report	1	1
Risk Management Strategy/Framework	1	3
Risk Management Quarterly Report	1	2
Internal Audit Annual Report & Audit Charter	1	4
Internal Audit Annual Plan	1	4
Internal Audit Quarterly Performance & Activity	1	5
Internal Audit Reports Selected for Examination	1	5
Review/test the Council's Integrated Planning & Performance Framework	2	7
Whistle Blowing Policy & Activity Annual Report	2	10
Ombudsman's Annual Letter & Action Plan	2	10
Treasury Management Strategy & Key Issues Update	2	2
Grants Report Update	2	10
Accounts Payable Update	2	3
Central Government Funding	2	2
Partnership Governance Framework	2	3
Council's action plan arising from the AAL and updates	3	6
Approve City Council 2010/11 Statement of Accounts – following audit	4	2
Corporate Governance and Interim Annual Governance Statement	5	3
Corporate Governance and Annual Governance Statement	5	3
Annual Governance Statement – mid-year update and progress	5	3
Audit Commission Report to Those Charged with Governance	5	10
Audit Commission Audit Letter (AAL)	5	4
Audit Commission – specific and other inspectorate reports	5	6
Audit Commission – regular update/statement of audit progress	5	6
Counter Fraud Strategy	6	8