

AUDIT COMMITTEE - 27 NOVEMBER 2015

Title of paper:	AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME	
Director(s)/ Corporate Director(s):	Geoff Walker Acting Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Shail Shah - Head of Internal Audit ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note the functions of the Audit Committee and the benefits arising from its existence	
2	Endorse the outline work programme at Appendix 1 and the terms of reference at Appendix 2 .	

1. REASONS FOR RECOMMENDATIONS

1.1 Although an Audit Committee is not a legal requirement it reflects best practice reinforces the importance of probity, and performance and risk management. This report outlines the core functions of the Audit Committee, the benefits that will arise for the City Council and an updated annual work programme.

Role of the Audit Committee

1.2 The purpose of an Audit Committee is to provide independent assurance on the adequacy of the governance and control environment, effectiveness of the Risk Management Framework, and to oversee the annual financial reporting process.

Benefits of the Audit Committee

1.3 The benefits to be gained from operating an effective Audit 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 annual governance statement;
- Provides additional assurance through a process of independent and objective review.

Governance Role

- 1.4 The Audit Committee aims to improve corporate focus on governance by:
- Providing assurance on the adequacy of the Risk Management Framework and the associated control environment;
 - Scrutinising 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;
 - Overseeing the financial reporting process
 - Approving the Council's Statement of Accounts;
 - Commenting on the scope and nature of external audit;
 - Overseeing proposed and actual changes to the Council's policies and procedures pertaining to governance

2. BACKGROUND

- 2.1 An Audit 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.
- 2.2 It is recognised that high performing councils develop effective financial and non-financial control mechanisms. The development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, and with Terms of Reference focussed on the key audit control and risk management areas critical to the Council's performance is a key part of these mechanisms.
- 2.3 The Committee's outline work programme is attached as **Appendix 1**. The work programme supports the Council's aim to improve its efficiency and effectiveness and has been developed to address the Terms of Reference for the Committee approved by the City Council included as **Appendix 2**. In accordance with CIPFA guidance, the Committee is politically balanced and will not have Executive membership.

Membership will continue to be reviewed in accordance with guidance from the Department of Communities & Local Government (DCLG).

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

None

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Advice note from CIPFA Technical Audit Committees – Practical Guidance for Local Authorities (CIPFA)

Appendix 1

Audit Committee Programme of work 2015 / 2016

REPORT TITLE	DATE ▷	27.11.15	26.02.16	29.04.16		
	LEAD ▽					
					KEY : PEOPLE	
Audit Committee Role & Annual Work Programme	GW/SS				JA	Jeff Abbott
Audit Committee Training Activity	GW/SS				KPMG	External Auditor
Counter Fraud Strategy	GW/SS				NC	Nigel Cooke
					LN	Lynne North
Internal Audit Annual Report & Audit Charter	GW/SS				JO	Jane O'Leary
Internal Audit Performance Report	GW/SS				SS	Shail Shah
Internal Audit Reports Selected for Examination	GW/SS				GW	Geoff Walker
Annual Governance Statement Mid Year Update	GW/SS				CC	Chris Common
KPMG – Annual Audit Letter	KPMG					
KPMG – Certification of Claims & Returns Annual Report	KPMG					
KPMG – Regular update/statement progress	KPMG					
KPMG – External Audit Plan	KPMG				KEY : PURPOSE	
LGO Annual Report	LN					As required
Partnership Governance Framework	NC					For approval
Risk Management	GW/JO					
Treasury Management Strategy & Key Issues Update	GW/JA					
Performance Management Framework	AP/CC					

Audit Committee Terms of Reference

TITLE	AUDIT COMMITTEE
POWERS / REMIT	
<p>(a) <u>Main Purposes:</u></p> <ol style="list-style-type: none"> 1. Provide assurance of the adequacy of the risk management framework and the associated control environment; 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; 3. Oversee the financial reporting process; 4. Approve the council's Statement of Accounts; 5. Comment on the scope and nature of external audit; 6. Oversee proposed and actual changes to the council's policies and procedures pertaining to governance. <p>(b) <u>Main Functions:</u></p> <ol style="list-style-type: none"> 1. Reviewing the mechanisms for the assessment and management of risk; 2. Approving the council's statement of accounts; 3. Receiving the council's reports on the Statement on the Annual Governance Statement and recommending their adoption; 4. Approving Internal Audit's strategy, planning and monitoring performance; 5. Receiving the Annual Report and other reports on the work of Internal Audit; 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; 7. Considering arrangements for and the merits of operating quality assurance and performance management processes; 8. Considering the exercise of officers' statutory responsibilities and of functions delegated to officers; 9. To recommend external audit arrangements for the council; 10. To receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers; 11. Overseeing the Partnership Governance Framework, including annual health checks and the Register of Significant Partnerships. 	
ACCOUNTABLE TO: Council	
MEETINGS: Normally six per annum plus specials where required	
MEMBERSHIP: 9 non-executive members (politically balanced) plus 1 independent member.	
ESTABLISHED SUB COMMITTEES: None.	