

## AUDIT COMMITTEE - 25 NOVEMBER 2016

<b>Title of paper:</b>	Terms of reference and annual work programme	
<b>Director:</b>	Geoff Walker Director of Strategic Finance	<b>Wards affected:</b> All
<b>Report author and contact details:</b>	Shail Shah, Head of Audit and Risk 0115 876 4245 shail.shah@nottinghamcity.gov.uk	
<b>Recommendations:</b>		
<b>1</b>	Note the role and functions of the Audit Committee and the benefits arising from its existence.	
<b>2</b>	Endorse the outline work programme at <b>Appendix 1</b> and the terms of reference at <b>Appendix 2</b> .	

### **1 REASONS FOR RECOMMENDATIONS**

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 outline annual work programme.

#### **1.1 Role of the Audit Committee**

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.

#### **1.2 Benefits of the Audit Committee**

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, for example by providing a view on the annual governance statement;
- Provides additional assurance through a process of independent and objective review.

### 1.3 **Governance Role**

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

### 1.4 **Functions of the Committee**

The Audit Committee fulfils the functions listed in Appendix 2.

## **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. It has been developed to address the Terms of Reference for the Committee approved by the City Council which are 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  
2016 / 2017

REPORT TITLE	Provisional DATE ▷ LEAD ▽	24/02/17	28/04/17	05/17	07/17	09/17	11/17
		Annual Governance Statement Interim Report	GW/SS				
Annual Governance Statement	GW/SS						
Internal Audit Plan	GW/SS						
Annual Governance Statement Mid-Year Update	GW/SS						
Audit Committee Annual Report	Cllr P						
Audit Committee Role & Annual Work Programme	GW/SS						
Audit Committee Training Activity	GW/SS						
Counter Fraud Strategy	GW/SS						
EMSS Update	GW/SS						
Internal Audit Annual Report & Audit Charter	GW/SS						
Internal Audit Performance	GW/SS						
Internal Audit Reports Selected for Examination	GW/SS						
Performance Management Framework	AP/CC						
KPMG – Annual Audit Letter	KPMG						
KPMG – Certification of Claims & Returns Annual Report	KPMG						
KPMG – Report to Those Charged with Governance	KPMG						
KPMG – Regular update/statement progress	KPMG						
KPMG – External Audit Plan	KPMG						
LGO Annual Report	LN						

**KEY : PEOPLE**

Cllr P	Councillor Piper
TC	Theresa Channell
KPMG	External Auditor
NC	Nigel Cooke
LN	Lynne North
R	Jane O'Leary
SS	Shail Shah
GW	Geoff Walker
CC	Chris Common
IG	Simon Salmon / Mick Dunn
GD	Glyn Daykin

**KEY : PURPOSE**

	As required
	For approval
	Reviewing performance

## Audit Committee Terms of Reference

TITLE	AUDIT COMMITTEE
<b>POWERS / REMIT</b>	
<p><b>(a) Main Purposes:</b></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>(B) Main Functions:</b></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 Statement 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> <li>11. Overseeing the Partnership Governance Framework, including annual health checks and the Register of Significant Partnerships.</li> </ol>	
<b>ACCOUNTABLE TO:</b> Council	
<b>MEETINGS:</b> Normally six per annum plus specials where required	
<b>MEMBERSHIP:</b> 9 non-executive members (politically balanced) plus 1 independent member.	
<b>ESTABLISHED SUB COMMITTEES:</b> None.	