

## **Appendix B – Amendment to Audit Committee Terms of Reference**

To approve amending the Audit Committee Terms of Reference to:

### **Audit Committee**

(a) The main purposes of the Committee are to:

- (1) the Audit Committee is a key component of Nottingham City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards;
- (2) provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment;
- (3) provide independent review of the Council's governance, risk management and control frameworks;
- (4) oversee the financial reporting and annual governance processes;
- (5) oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place;
- (6) 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;
- (7) oversee proposed and actual changes to the Council's policies and procedures pertaining to governance.

(b) The main functions of the Committee are to:

### **Governance, Risk and Control**

- (1) review the Council's corporate governance arrangements against the Good Governance Framework, including the Ethical Framework and consider the Local Code of Governance;
- (2) review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
- (3) consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements;
- (4) consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council;

- (5) receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers;
- (6) monitor the effective development and operation of risk management in the Council;
- (7) monitor progress in addressing risk-related issues reported to the Committee;
- (8) consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
- (9) review the assessment of fraud risks and potential harm to the Council from fraud and corruption;
- (10) monitor the counter-fraud strategy, actions and resources;
- (11) review the governance and assurance arrangements for significant partnerships or collaborations, including the Partnership Governance Framework, annual health checks and the Register of Significant Partnerships;
- (12) commission work from internal and external audit;
- (13) consider arrangements for and the merits of operating quality assurance and performance management processes;
- (14) consider the exercise of officers' statutory responsibilities and of functions delegated to officers;
- (15) effectively scrutinise, review and monitor treasury management strategies and policies in accordance with guidance issued to local authorities, and make appropriate recommendations to the responsible body;
- (16) consider any appeals made by an employee against decisions made by the Appointments and Conditions of Service Committee relating to a grievance made against the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees;

#### Financial Reporting

- (17) review the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;
- (18) consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts;

- (19) approve the Council's Statement of Accounts and associated governance and accounting policy documents;

#### External Audit

- (20) support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate;
- (21) consider the external auditor's annual letter, relevant reports and the report to those charged with governance;
- (22) consider specific reports as agreed with the external auditor;
- (23) comment on the scope and depth of external audit work and to ensure it gives value for money;
- (24) advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies;

#### Internal Audit

- (25) undertake the duties of the Board mandated by Public Sector Internal Audit Standards (PSIAs) as identified in Table 1 below;
- (26) consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services;
- (27) consider the Head of Internal Audit's annual report;
- (28) consider summaries of specific internal audit reports as requested;

#### Accountability Arrangements

- (29) report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions;
- (30) report to Full Council on a regular basis on the Committee's performance in relation to the Terms of Reference and the effectiveness of the Committee in meeting its purpose;
- (31) publish an annual report on the work of the Committee.

**TABLE 1: DUTIES OF THE BOARD (AUDIT COMMITTEE) MANDATED BY PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

<b>PSIAS ref</b>	<b>Duty of the Board</b>
1000	Approve the Internal Audit charter
1110	Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
1110	Approve decisions relating to the appointment and removal of the Chief Audit Executive.
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity.
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations.
1110	The Chair to provide feedback for the Chief Audit Executive's performance appraisal.
1111	Provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.
1112	Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
1130	Approve significant additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted.
1312	Contribute to the Quality Assurance and Improvement Programme and in particular, to oversee the external quality assessment of internal audit that takes place at least once every five years.
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive.
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters.
2060	Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Board.
2600	Receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

The Committee is accountable to Council, has 9 non-executive members (politically balanced), and normally has 6 meetings per annum.