

REPORT OF DEPUTY CHIEF EXECUTIVE & CORPORATE DIRECTOR FOR
RESOURCES

THE ROLE OF THE AUDIT COMMITTEE & ANNUAL WORK PROGRAMME

1. SUMMARY

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.

2. RECOMMENDATION

That the functions of the Audit Committee, the benefits arising from its existence, the outline work programme at **Appendix 1**, the membership and the Terms of Reference at **Appendix 2**, be endorsed.

3. REASONS FOR CONSIDERATION

- 3.1 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.
- 3.2 It is 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, and with Terms of Reference focussed on the key audit control and risk management areas critical to the Council's performance. The Committee's outline work programme is attached as **Appendix 1**.
- 3.3 The work of the Committee will support the Council's aim to improve its efficiency and effectiveness. In accordance with CIPFA guidance, the Committee is politically balanced and will not have Executive membership. Its membership will be eight non executive councillors and one independent member (**Appendix 2**).

4. 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.

5. 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 eg providing a view on the Annual Governance Statement;
- provides additional assurance through a process of independent and objective review.

6. 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.

7. LEGAL IMPLICATIONS

An Audit Committee is not a legal requirement but its establishment reflects best practice and will reinforce the importance of probity, and performance and risk management within the Council and in relation to its partnership working.

8. FINANCIAL IMPLICATIONS

None

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

None

10. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

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

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REPORT TITLE	MEETING LEAD ▷ ▽	July 2011	Sept 2011	Nov 2011	Dec 2011	Feb 2012	Apr 2012
Audit Committee Training Activity	TK/SS						
Risk Management Training	DJ						
Review/test the Council's Integrated Planning & Performance Framework	CME/DJ						
Risk Management Annual Report	DJ						
Risk Management Strategy/Framework	DJ						
Risk Management Quarterly Report	DJ						
Audit Committee Annual Report 2010/11	Cllr Williams						
Audit Committee Annual Work Programme 2011/12 Update	CME/SS						
Internal Audit Annual Report & Audit Charter	CME/SS						
Internal Audit Annual Plan 2011/12	CME/SS						
Internal Audit Quarterly Performance & Activity	TK/SS						
Internal Audit Reports Selected for Examination – quality control	SS						
Counter Fraud Strategy	CME/SS						
Corporate Governance and Annual Governance Statement	CME/TK/SS						
Annual Governance Statement 2010/11 – six-monthly update and progress	CME/SS						
Note City Council 2010/11 Statement of Accounts	CME/TK/JA						
Approve City Council 2010/11 Statement of Accounts – following audit	CME/TK/JA						
Audit Commission Report to Those Charged with Governance	CME/TK/SS						
Audit Commission Audit Letter (AAL)	CME/DJ						
Council's action plan arising from the AAL	CME/ DJ						
Audit Commission – specific and other inspectorate reports	AC						
Audit Commission – regular update/statement of audit progress	AC						
Standards Board Annual Report	GOC						
Whistle Blowing Policy & Activity Annual Report	GOC						
Ombudsman's Annual Letter & Action Plan	HC						
Treasury Management Strategy & Key Issues Update	TK/JA						
Grants Report Update	JA						
Accounts Payable Update	TK						
Central Government Funding	JA						

TITLE	AUDIT COMMITTEE		
POWERS / REMIT			
<p><u>Terms of Reference</u></p> <p>(a) The main purposes of the Committee are to:</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) Its functions include the following:</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 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. 			
ACCOUNTABLE TO: Council			
MEETINGS: Normally 7 per annum	As required plus specials where		
MEMBERSHIP: Politically balanced	8 non-executive directors		plus 1 independent
ESTABLISHED SUB COMMITTEES:	None		