

CITY COUNCIL - 10 SEPTEMBER 2012

REPORT OF THE CHAIR OF THE AUDIT COMMITTEE

AUDIT COMMITTEE ANNUAL REPORT 2011/12

1 SUMMARY

- 1.1 This is the annual report to Council from the Audit Committee, setting out the Committee's achievements in 2011/12.

2 RECOMMENDATIONS

- 2.1 To receive the Annual Report of the Audit Committee for 2011/12.

3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 3.1 Good governance requires independent, effective assurance about the adequacy of financial management and reporting, together with sound management arrangements for achieving the City Council's corporate and service objectives.
- 3.2 Good practice indicates that these functions are best delivered by an Audit Committee functioning independently from the Executive.
- 3.3 While there is no statutory obligation for the Council to establish an Audit Committee, most other large organisations (including councils and health authorities) have recognised it as good practice and have set such committees in place.
- 3.4 Appendix 1 (circulated separately) is the Annual Report of the Chair of the Audit Committee. It summarises the work of the Committee and demonstrates the approach taken in receiving the assurance work undertaken internally and externally in respect of the risk and governance arrangements in place.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 4.1 The production of this report is considered best practice.

5 BACKGROUND

- 5.1 The Audit Committee was established by the City Council on 12 May 2008 and plays a key role in the Authority's governance arrangements. The key benefits of such committees are that they:
- increase public confidence in the objectivity and fairness of financial and other reporting;
 - reinforce the importance and independence of internal and external audit and any other similar review process e.g. providing a view on the Annual Governance Statement;
 - raise awareness of the need for internal control and the implementation of audit recommendations;
 - provide additional assurance through a process of independent and objective review.

6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

- 6.1 The control of risk and the strengthening of corporate governance enable the best use of corporate resources across the Council's services.

7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS)

- 7.1 The development and embedding of risk management principles as overseen by the Audit Committee enables the Council to meet its vision and associated objectives.

8 EQUALITY IMPACT ASSESSMENT (EIA)

- 8.1 Not needed (report does not contain proposals or financial decisions)

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

- 9.1 None.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 Audit Committee reports 2011/12

10.2 Nottingham City Council's Constitution

**COUNCILLOR KEN WILLIAMS
CHAIR OF THE AUDIT COMMITTEE**

Audit Committee Annual Report 2011/12

Foreword by the Chair

I am proud to have chaired the Audit Committee for the last four years and would take this opportunity to thank my fellow Committee members who have worked with me year on year to guide its deliberations. I would also express my appreciation to the Head of Internal Audit, who has supported me considerably in my role throughout the year, and also to Council colleagues and the Audit Commission who have attended our meetings and answered our questions. It is through this hard work that the Committee has been able to develop its understanding of the Council's governance processes in testing times both locally and nationally and gain the necessary assurance in respect of the procedures designed to deliver its operational and strategic objectives.

In representing the Council at meetings of the Core Cities Audit Committee Chairs Group, I have been able to discuss best practice and learn from the experience of other audit committees. This information has been valuable in helping the deliberations of the committee improve and mature and give assurance that the work undertaken is in line with best practice.

The following report summarises the work performed over the year 2011/12 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 Audit Commission, 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 of the Council's treasury management process and strategy in response to the global economic crisis, in particular to the Icelandic Bank collapse, and monitoring the progress on the recovery of the Council's investments in the banks affected.



Councillor Ken Williams
Chair of the Audit Committee

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 antifraud 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 2011/12 were:

Councillor K Williams (Chair)
 Councillor S Piper (Vice Chair)
 Councillor M Aslam
 Councillor S Fox
 Councillor J Hartshorne
 Councillor N Heaton
 Councillor T Molife
 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.

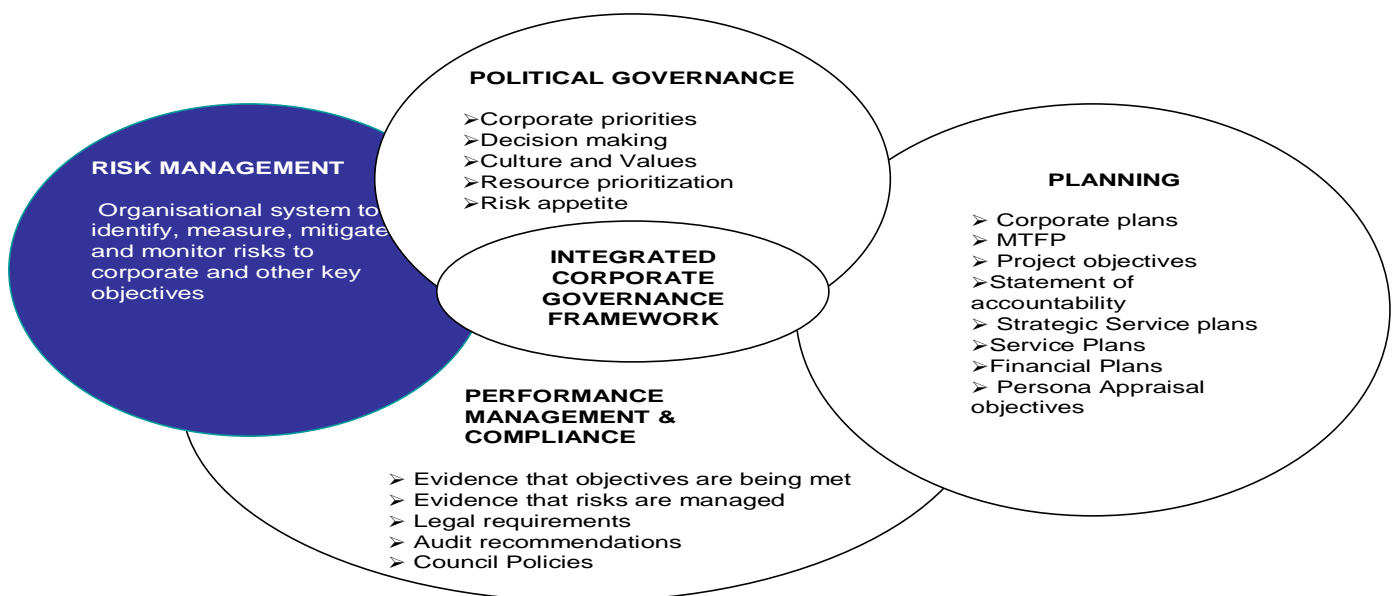
A. Risk

Rationale

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

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.



REVIEW OF STRATEGIC RISKS (QUARTERS 1 to 3 2011/12)

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 to date overseen the delegation / closing of five strategic risks and identification / escalation of one strategic risk by Corporate Leadership Team.

<u>Strategic Risk</u>	<u>Action</u>
<u>Delegated / closed strategic risks:</u>	
Inadequate arrangements in place to respond to civil emergencies and / or catastrophic service delivery failure (SR4)	Delegation of this risk to the Resources Risk Register for ongoing monitoring
Failure of major programmes and projects (SR9)	Delegated to the Development Corporate Directorate Risk Register for ongoing monitoring
Failure to secure additional funding for Decent Homes programme (SR13)	Delegated to the Development CDRR for ongoing monitoring
Failure to achieve the national policy requirement, milestones and targets for Putting People First (SR22)	Closed as part of wider review of Adult Social Care
Failure to deliver the 'Local Development Core Strategy' (SR23)	Delegated to the Development CDRR for ongoing monitoring
<u>New / escalated strategic risks:</u>	
Failure of Workplace Parking Levy to raise sufficient income to meet NET Phase Two funding requirements (SR27)	Escalated to the SRR.

In fulfilling its role, Audit Committee selected Strategic Risks for review and received a verbal presentation from colleagues leading on the management of the risks. 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 made a valuable contribution to the management of specific risks selected for review including:

- Safeguarding vulnerable children; (SR6)
- Failure to implement and embed effective information management structures, policies, procedures, processes; (SR8a)
- Failure to address medium term financial pressures in a sustainable SR11;
- Failure of partners including the City Council to work effectively together to achieve vision and outcomes in The Nottingham Plan to 2020; (SR16a)
- Failure to support Nottingham citizens and communities to cope with welfare reforms results in increased economic hardship and long term risks to the economy; (SR26)
- Failure of Workplace Parking Levy to raise sufficient income to meet NET Phase Two funding requirements. (SR27)

Currently colleagues are undertaking more detailed work on the following Strategic Risks:

- Failure to reduce levels and the fear of crime and anti-social behaviour (SR7)
- Failure to deliver culture change; (SR14)
- Failure to deliver Council Plan priorities; (SR19)
- Failure to ensure a financially sustainable adult social care system is in place able to respond to the significant increase in demand for care and at the same time protects our most vulnerable citizens.

The outcome of these reviews is to be reported to the Committee in future updates.

RISK MANAGEMENT FRAMEWORK (2011/12)

The Committee has responsibility for approving the RMF which provides policy and detailed practical guidance on the Councils risk management approach. The framework was updated and approved by Audit Committee at its 6 January meeting. The RMF was originally adopted in 2006 and has been updated a number of times since. In the latest update, the contents of RMF have been divided between three separate documents:

- Business Risk & Opportunity Management Policy;
- Business Risk & Opportunity Management Process Guide;
- Business Risk & Opportunity Management Strategic Risk Strategy.

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.

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



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 Committee has been briefed on the developments of the Council's Performance Management Framework throughout the year.

The Acting Chief Executive is leading the overall transformation agenda and is closely engaged with Corporate Leadership Team 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



The Committee has received updates on the Corporate Integrated Planning and Performance Framework (CIPPF) and has been involved in changes and improvements by appraising and testing the CIPPF's suitability to drive improvement. Work has shown how the CIPPF has helped the priorities of the Council to become clearer and consistent. The Committee received information detailing the practical application of the CIPPF, including proposals to bring together a range of activities to plan, deliver and improve Council services and optimise the City's community leadership role. The Committee has concluded that:

- it was essential for the CIPPF to exist and be embedded in the Council plan;
- improved performance may not be achievable in the current financial climate and a lack of funding may force a lowering of aspirations (both locally and nationally);
- the Council should adopt the methodology behind the CIPPF immediately and then adapt it to fit local needs.

C. Audit Commission

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 external auditor appointed for the Council is the Audit Commission.

Another function of the Committee was to consider and approve the SOA and Audit and Inspection Plans for the Bridge Estate Charity, Highfields Leisure Park Trust and Harvey Hadden Stadium Trust.

Summary of work

Throughout the year the Committee received reports from the Audit Commission, 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 findings of the audit Commission

- an unqualified opinion on the financial statements had been given;
- officers had coped very well with the introduction of the complex International Financial Reporting Standards;
- further improvements were required in relation to related party transactions and accounts payable and payroll;
- the council were working very closely with Leicestershire County Council to share processes/procedures as part of EMSS and that the introduction of East Midlands Shared Services (EMSS) and a new I.T system would address ongoing concerns. Nottingham City Council would be taking the internal audit lead for EMSS.
- Shortcomings found in the Audit Commissions Job Plan Review would be addressed in a comprehensive action plan made to meet all the recommendations made.
- an unqualified Value for money conclusion had been given;
- certificates of audit completion for 2009/10 and 2010/11 had been issued;

- Work was complete on the nine standard grant claim agreed between the Audit Commission and Government Departments

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 CIPFA Code of Practice for IA in Local Government in the United Kingdom 2006 (the Code). The Audit Charter is the embodiment of the terms of reference for the service defining the objectives and responsibilities of the service. The Code states that the Audit Charter should be produced, subject to regular review and approved and routinely reviewed by the organisation. The Committee fulfils this role on behalf of the Council and oversees 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 IA and work assurance gathered from other independent sources, the HoIA was able to conclude that reasonable assurance could be given that the internal control system was operating effectively within the Council and its associated partners.

The Committee considered detailed reports on:

- Internal Audit Plans
- Internal Audit Quarterly Reports and Recommendations Made
- Quality of the Service
- Internal Audit Performance
- Internal Audit Annual Report and Head of Internal Audit Opinion
- Reports Selected for Examination
- Counter Fraud
- 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 23 September 2011. 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 2011/12 AGS. Issues reported in September 2011 were as follows

- Single Status
- Balancing the Council's Budget
- International Financial Reporting Standards
- Children in Care
- Housing and Council Tax Subsidy Claim
- 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 2010/11 SOA and Annual Governance Report were approved by the Committee and the Audit Commission gave an unqualified opinion on the Council's SOA. The Committee ensured the council had responded well to the challenge of producing financial statements under International Financial Reporting Standards (IFRS) for the first time this year producing timely and comprehensive working papers for review. The Committee has been kept informed of the development of the 2011/12 SOA and has gained sufficient assurance regarding accounts payable and payroll implementation of East Midlands Shared Services (EMSS) bringing new processes and systems to address previous issues raised by the Audit Commission.

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

It was reported that the Council had seen a significant reduction in the number of days taken to resolve complaints, which demonstrated that Nottingham City Council was responding more quickly to citizens who had used the LGO service. Further the Council was currently undergoing a review of its access to services, which included the way it handled complaints corporately, enabling better tracking and communication surrounding complaints, and giving citizens of Nottingham and Council staff a better insight into the complaint resolving process.

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. The reports included:

- Changes to the limits for investing in Money Market Funds
- Treasury management performance
- Changes to the strategy resulting from the changing economic environment including problems in the Euro-zone

Information was provided about the procedures undertaken before new banks were added to the counterparty list. These included:

- The credit and support rating and the extent to which the government would support the bank if they collapsed;
- Reviewing the balance sheet, capital strength and default rating;
- Assurance that none of the City Council's money was directly invested outside of the UK.

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 2011/12

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 second 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 sent to Full Council to demonstrate the effectiveness of the Committee

THE COMMITTEE'S TERMS OF REFERENCE 2011/2012

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 seven per annum plus specials where required	
MEMBERSHIP: Politically balanced, eight non-executive councillors	
ESTABLISHED SUB COMMITTEES: None	

Appendix B

CROSS REFERENCE OF THE ANNUAL WORK PROGRAMME TO THE COMMITTEE'S 2011/12 TERMS OF REFERENCE BY MAIN PURPOSE AND FUNCTION

REPORT TITLE	Cross reference to Appendix A TOR	Cross reference to Appendix A Function
THE ROLE OF THE AUDIT COMMITTEE AND ANNUAL WORK PROGRAMME	1-6	1-10
LETTER FROM COMMUNITIES AND LOCAL GOVERNMENT	5	10
STRATEGIC RISK REGISTER QUARTER 4 2010/11 UPDATE	1	1
TREASURY MANAGEMENT STRATEGY 2011/12 REVISED PRUDENTIAL INDICATORS	2	2
ANNUAL REPORT TO STANDARDS COMMITTEE 2010/11	6	
INTERIM ANNUAL GOVERNANCE STATEMENT 2010/11	6	3
INTERNAL AUDIT ANNUAL REPORT 2010/11 AND INTERNAL AUDIT CHARTER	6	5
AUDIT COMMITTEE ANNUAL REPORT 2010/11	1-6	1-10
INTERNAL AUDIT ANNUAL WORK PLAN 2011/12 AND STRATEGIC PLAN 2011-14	6	5
THE STATEMENT OF ACCOUNTS 2010/11	4	2
STATEMENT OF ACCOUNTS 2010/11	4	2
ANNUAL GOVERNANCE REPORT - NOTTINGHAM CITY COUNCIL - AUDIT 2010/11	3	10
ANNUAL GOVERNANCE STATEMENT 2010/11	6	3
TREASURY MANAGEMENT STRATEGY 2011/12 REVISED INVESTMENT STRATEGY	2	2
STRATEGIC RISK REGISTER (QUARTER 1 2011/12 UPDATE AND 2010/11 ANNUAL REVIEW	1	1
CORPORATE INTEGRATED PLANNING AND PERFORMANCE FRAMEWORK - REVIEW	2	7
TREASURY MANAGEMENT STRATEGY 2011/12 - HALF YEARLY UPDATE	2	2
GOVERNMENT RESPONSE TO COMMUNITIES AND LOCAL GOVERNMENT SELECT COMMITTEE REPORT ON AUDIT AND INSPECTION	5	9
BRIBERY ACT 2010 AND COUNTER FRAUD STRATEGY	6	10
DEPARTMENT FOR WORK AND PENSIONS CONSULTATION ON OPTIONS FOR THE INCLUSION OF LOCAL AUTHORITY BENEFIT FRAUD INVESTIGATION TEAMS IN THE SINGLE FRAUD INVESTIGATION SERVICE	6	10
INTERNAL AUDIT REPORTS SELECTED FOR EXAMINATION	6	4
OMBUDSMAN ANNUAL LETTER	6	8
INTERNAL AUDIT QUARTERLY REPORT 2011/12 - 2ND QUARTER	6	5
AUDIT COMMISSION ANNUAL AUDIT LETTER 2010/11	5	6
JOBS PLAN REVIEW	6	10
REVIEW OF ACCOUNTING POLICIES	3	2
TREASURY MANAGEMENT STRATEGY 2012/13	2	2
CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2010/11	4	10
AUDIT PLAN 2011/12	6	4

REPORT TITLE	Cross reference to Appendix A TOR	Cross reference to Appendix A Function
ANNUAL GOVERNANCE STATEMENT - PROGRESS MADE TO DATE ON ISSUES REPORTED 2010/11 & PROCESS FOR PRODUCING 2011/12 STATEMENT	6	3
INTERNAL AUDIT QUARTERLY REPORT 2011/12	6	5
AUDIT COMMITTEE PROVISIONAL WORK PROGRAMME 2012/13	5	10
AUDIT COMMISSION - JOBS PLAN REVIEW ACTION PLAN	6	10