

AUDIT COMMITTEE – 14 July 2017

Title of paper:	AUDIT COMMITTEE ANNUAL REPORT 2016/2017	
Director(s)/ Corporate Director(s):	Councillor Sarah Piper Chair of the Audit Committee	Wards affected: All
Report author(s) and contact details:	Councillor Sarah Piper Chair of the Audit Committee Email: sarah.piper@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the work undertaken and approve the report at Appendix 1.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 This report outlines the work undertaken by the Audit Committee in 2016/2017 and explains how the Committee has filled its designated role within the Constitution and how this work relates to its core responsibilities.

2 BACKGROUND

- 2.1 The Committee is a key component of corporate governance. CIPFA guidance for Audit Committees states that
- ‘The purpose of an audit committee is to provide, to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.’
- Taking actions towards this purpose helps fulfil the statutory obligations of the Council under the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972
- 2.2 Whilst the Audit Committee exists partly to oversee proposed and actual changes to the council’s policies and procedures pertaining to governance, the executive and senior management have responsibility for implementing these arrangements. In order to support this the Committee has approved a strategy, clear frameworks and processes for managing risk.
- 2.3 Good governance maintains and increases public confidence in the objectivity and fairness of financial and other reporting, and service planning, delivery, and improvement. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.
- 2.4 An effective Audit Committee both supports and challenges, and in doing so helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council and should enhance public trust and confidence in the governance of the Council.

2.5 In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair has produced this annual report in respect of its activities. It aims to develop the Council's commitment to improving corporate governance.

2.6 The report at **Appendix 1** summarises the work undertaken by the Committee during 2016/2017, shows the topics it discussed and uses its Terms of Reference to demonstrate how it met its objectives and responsibilities. The report recognises the positive contributions of councillors and colleagues in the deliberations of the Committee and the positive effect the Committee has had on the Council's governance arrangements. The report categorises the work under the broad themes below.

- Assurance Statements and Governance
- Risk Management
- Performance Management and Value for Money
- External Audit, Inspection and Assurance
- Internal Audit and Counter Fraud
- Financial Reporting

It also comments on Committee

- Independence
- Training and Development

2.5 The work undertaken is crosscutting, however, and the work covered in each theme is complimentary to that reported in the other themes.

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

3.1 None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- Accounts and Audit Regulations 2015
- CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2013
- CIPFA Delivering Good Governance In Local Government – Guidance Notes for English Authorities 2016 Edition

Appendix 1

Audit Committee Annual Report 2016/2017

Foreword by the Chair

In this annual report, I would again like to express my gratitude for the help I have received from committee members and to thank them all for their hard work and diligence. I also appreciate the support provided to the Committee throughout the year by Head of Audit and Risk with advice and training. Thirdly, I would like to thank Council colleagues and external providers of assurance, who have attended our meetings and answered our questions. Those attending the committee can confirm that the Audit Committee provides challenge in terms of both the assurance work reported on and the response of the management, since detailed questioning and responses are necessary for the Committee to assure itself of the Council's governance arrangements.

The following report summarises the work performed over the year 2016/2017 and describes how the Committee has contributed to the effectiveness of the Council by the work it has done including:

- Assurance Statements and Governance
 - Updating the Local Code of Corporate Governance
 - Monitoring and approving the Annual Governance Statement and associated activity
 - Monitoring and approving Partnership governance arrangements
- Risk Management
 - Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks and considering key risks
 - Overseeing the Council's Treasury Management arrangements
- Performance Management, Quality Management and Value for Money
 - Reviewing assurances provided
- External Audit, Inspection and Assurance
 - Managing a good working relationship with the External Auditor, ensuring appropriate action is taken on its recommendations
 - Receiving crosscutting external inspections and assurance reports, ensuring appropriate action is taken on its recommendations
 - Recommending External Audit arrangements for the Council
- Internal Audit and Counter Fraud
 - Approving arrangements and monitoring performance of Internal Audit and Counter Fraud
 - Ensuring internal audit independence and that findings are actioned by managers and consequently helping to improve the Council's effectiveness and governance arrangements;
- Financial Reporting
 - Monitoring of, and contribution to, the development of the Council's Statement of Accounts

The Purpose of Audit Committees

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the

- risk management framework,
- internal control environment and
- integrity of the financial reporting and annual governance processes.

By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

Terms of Reference

The Council has delegated some of its non-executive functions to the Audit Committee as defined in the Committee's terms of reference. Further detailed functions within these terms have been identified to support compliance with the Public Sector Internal Audit Standards.

Good governance is ultimately the responsibility of those charged with governance, as well as those with leadership roles and statutory responsibilities in the organisation, including the chief executive, the chief financial officer and the monitoring officer. The audit committee plays a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.

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 as 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 anti-fraud 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 Internal Audit and contribute to Peer Review

- 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; and
- Lead the Audit Committee in procuring external audit if required.

Committee Aims

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 to ensure that Council objectives are met. As part of this role it approves Audit Plans, the Statement of Accounts, and Annual Governance Statement and monitors the robustness of performance management systems. The benefits gained from operating an effective committee are that it:

- contributes to the development of an effective control environment including arrangements for management of risk;
- increases stakeholder confidence in the objectivity and fairness of financial and other reporting by promoting transparency and accountability;
- reinforces the importance and independence of internal and external audit and any other similar review process (e.g. providing a view on the AGS) and the implementation of audit recommendations;
- advises on the adequacy of the assurance framework and considers whether assurance is deployed efficiently and effectively to give assurance that business objectives are met;
- helps the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption

Membership

The Audit Committee is made up of 9 non-executive councillors appointed to reflect the political balance of the Council and 1 independent member. The members of the Committee for 2016/2017 were:

Councillor Sarah Piper (Chair)
 Councillor Steve Young (Vice Chair)
 Councillor Leslie Ayoola
 Councillor John Hartshorne
 Councillor Dave Liversidge
 Councillor Toby Neal
 Councillor Anne Peach
 Councillor Andrew Rule
 Councillor Malcolm Wood

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.

Assurance Statements and Governance

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.

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 Accounts and Audit Regulations 2015 require the publication of an AGS following an (at least) annual review of the effectiveness of the Council's internal control. In order to produce the AGS an annual timetable is required to ensure key tasks are undertaken to deliver the Statement alongside the Council's Statement of Accounts (SOA). The Committee has delegated authority for the formal approval of the AGS,

The 2016 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 Audit Committee.

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.

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 2015/16 AGS was signed by the Leader of the Council and the Chief Executive, was approved by the Committee at its September meeting and was published alongside the SOA. The Committee approved the AGS 2015/16, which identified the Medium Term Financial Plan, Brexit, Robin Hood Energy and Enviroenergy as new significant items of concern, and removed Icelandic Bank Deposits and Housing Revenue Account Stock Revaluation. The Committee periodically received reports on the progress made in addressing the issues reported in the 2015/16 Statement, and the process and timetable for compiling the 2016/17 statement. In summary the Committee was assured that progress was being made across the areas reported.

Partnership Governance Arrangements

Rationale

The Council has a long and successful history of working in partnership across the public, private, voluntary and third sector. The benefits and opportunities of working in partnership are well understood but risks can arise from collaborative working and the Council must ensure that its involvement in partnerships does not expose it to an unacceptable level of risk.

The Partnership Governance Framework includes an annual 'health check' of each partnership that is significant to the City Council in terms of strategic, reputational or financial importance. This health check is designed to identify any risks to the Council from its involvement in any of the partnerships. The results of these health checks are reported to Audit Committee along with remedial actions that are needed to protect the Council from an unacceptable level of risk. Partnerships that are deemed significant to the Council in terms of their strategic, reputational or financial importance are listed in the Register of Significant Partnerships. Any changes to the register are reported and explained to Audit Committee annually.

Summary of work

The Committee noted that no partnerships were added to the Register of Significant Partnerships in 2016. One partnership, the Greater Nottingham Transport Partnership, was removed as the partnership has ceased to operate. In 2016/17 the health checks found that the majority of partnerships scored either good or excellent in all areas. The committee noted the findings of the health checks and made a recommendation to support partnership compliance.

Midlands Engine/Midlands Connect were to be included on the Register of Significant Partnerships in 2017.

“With the potential changes which may occur as a result of devolution, the Metro Strategy, the Midlands Engine and Brexit, combined with the funding challenges facing local authorities, it is likely the partnership landscape will change significantly over the next few years.” – Report to Audit Committee 25Nov2016

Any new and emerging partnerships will be considered for inclusion on the register of significant partnerships and the validity of partnerships currently on the register will be evaluated on an annual basis.

Information Technology (IT)

Rationale

The City Council is reliant on the various forms of IT to perform its everyday business, whether this is collecting income, recording financial transactions, producing committee reports or keeping case notes of vulnerable citizens in order that they receive the appropriate level of care. Consequently, the City Council must have an appropriate infrastructure to

provide the appropriate service and to maintain controls that ensure that citizen and colleague data is properly protected at all times.

Summary of work

Following previous focus by the Committee on IT, the IT service has been externally re-assessed during 2016/17 and the results of this assessment and subsequent developments are due to be brought back to the Committee for consideration later this year.

Risk Management

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 places the Committee at the centre of the Council's implementation of the RMF and associated policies and practices.

Summary of Work

The Committee has responsibility for approving the RMF, consisting of Risk Management Policy, Process Guide, Risk Reporting guide and Strategy, and in addition to this, roles and responsibilities are set out. The RMF provides a guide to the benefits of risk management and how to incorporate it into the various activities of the Council. It provides guidance on when to escalate and when to de-escalate reporting of risks. During the year the Committee approved the RMF and its Strategy for continuous improvement of risk management and has started to select individual risks from the Council's Risk Register for scrutiny

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 CIPFA Treasury Management Code of Practice (the TM Code) and Prudential Code. The TM Code requires authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity.

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.

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 and performance reports including the Treasury Management Annual Report. The Committee reviewed the 2015/16 Treasury Management Annual Report and noted Issues including:-

- Treasury Management actions taken in 2015/16 and 2016/17
- Noting the 2017/18 Treasury Management Strategy, particularly the:-
 - strategy for debt repayment (Minimum Revenue Provision) in 2017/18;
 - investment and borrowing strategies for 2017/18;
 - prudential indicators and limits for 2015/16 to 2019/20;
 - current Treasury Management Policy Statement

Performance Management

Rationale

The Committee receives periodic reports in respect of how the Council's Performance Management Framework (PMF) is being implemented across the Council, which guides its management of non-financial, strategic and operational performance. This gives the Committee an insight into how strategic and operational performance is being managed and how the use of the PMF affects the Council's exposure to risk and the control environment.

The Council Plan stresses the importance of having effective performance management in place which effectively measures and reports success in delivering its key priorities. It is also enshrined in The Nottingham Plan to 2020, which forms the key overarching strategic plan for the public service agencies to deliver the priorities for the city by 2020.

Summary of Work

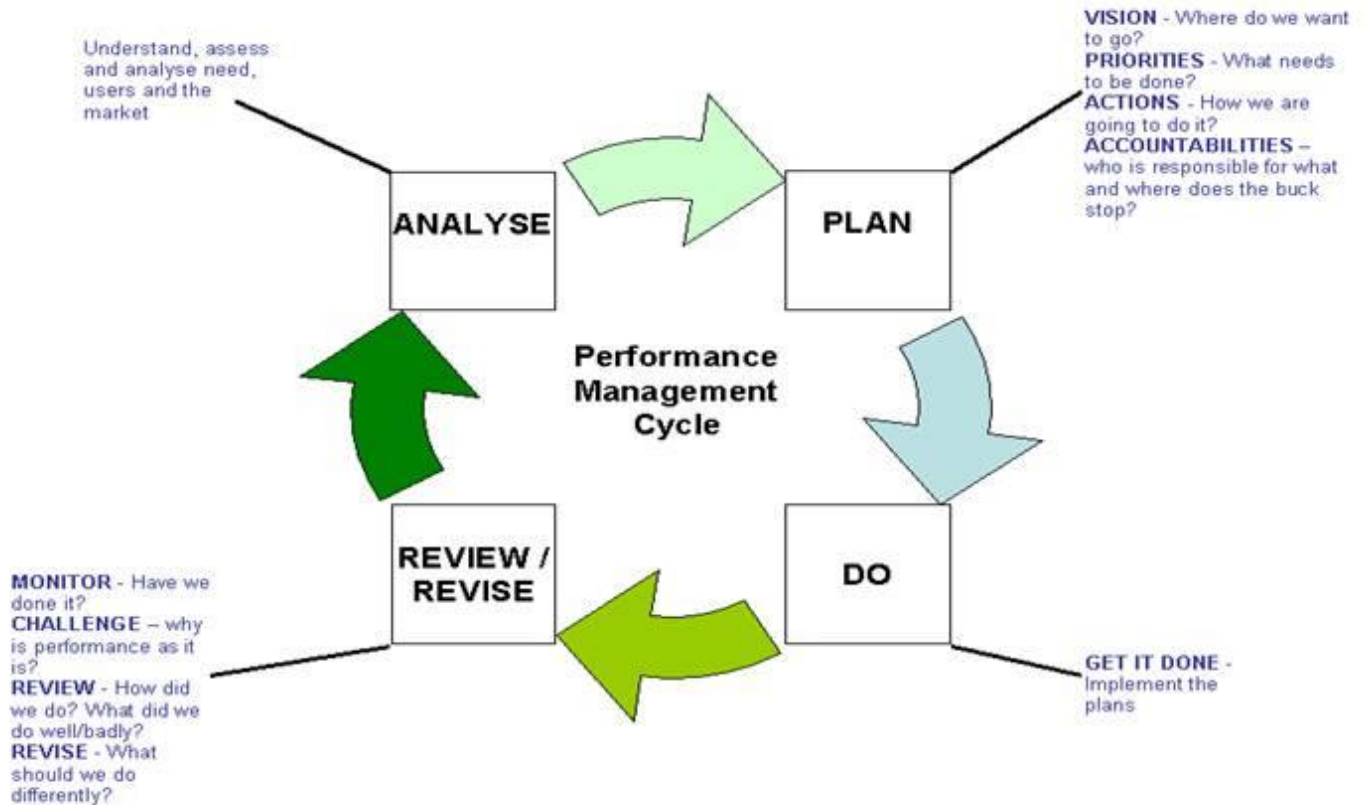
The Committee noted the progress made since the Corporate Performance Management Framework (PMF) was adopted in April 2014, which in 2016/17 included

- integration of performance management training into leadership programmes
- a revised business planning template
- improved sequencing of departmental performance boards with Corporate Leadership Team's performance meetings
- improvements to reporting of performance to Executive
- Challenge arrangements including Peer Challenge

The Committee also heard an outline of areas for focus in developing performance management and the PMF.

As the diagram below shows the current PMF is based on the Analyse – Plan – Do – Review/Revise cycle widely adopted as a good business planning/management process, and mirrors the approach taken by our commission activity:

PMF



External Audit, Inspection and Assurance

This area of work covers external providers of assurance including external audit, which is the key external provider of assurance for financial stewardship and accountability.

External Audit

Rationale

The Committee 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 the control environment, and to oversee the financial reporting process. It also has the responsibility 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 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.

Summary of work

Throughout the year the Committee received reports from the Council's external auditors, detailing their work plans and the progress they had made. The audit plan followed the approach of previous years and key audit risks were discussed.

"In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;*
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16."* – KPMG LLP

This has allowed the Committee to obtain an independent assurance in respect of the overall governance arrangements set in place by the Council, including assurance that NCC grant related processes and outcomes were similar to other local authorities and that their recommendations were addressed appropriately. The Committee has also considered arrangements for procuring external audit.

“On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Nottingham City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.” – KPMG LLP

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

The letter from the Ombudsman was noted in particular that of the 112 complaints reviewed by the Ombudsman, 13 had been upheld, which was an increase on the previous year but a comparable percentage to other core cities. Overall, the Council's figures reflect the national trend for the main subjects of complaint, which are Adult Care, Benefits and Tax and School Admission / Appeal services. A clear theme within the upheld complaints is Communication and Administration, for example, where the complaint is a result of a communication breakdown within a department or between services. A number of upheld complaints identified failings within the Council's complaint process. There is now a new complaints process in use by the council.

Ombudsman reviewed 112 complaints, 13 were upheld

Comparable percentage upheld and subjects to other core cities

New complaints process in use by the council

Internal Audit and Counter Fraud

Rationale

One of the Committee's key roles is to review and monitor the work of Internal Audit (IA). The Public Sector Internal Audit Standards (PSIAS) set out the requirements for Internal Audit, and the Audit Charter sets out the Council's terms of reference for the service. External and internal assessments of Internal Audit under the PSIAS and its Quality

Assurance and Improvement Plan (QAIP) help the Committee assess the performance and effectiveness of the service.

The Accounts and Audit Regulations 2015 state that local authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The PSIAS require that the responsibility for the management of Internal Audit is set with the Board. In practical terms, this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City council.

Summary of work

The service affects the achievement of 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. The Audit Committee agreed

- the approach taken for external assessment of Internal Audit
- the Internal Audit Charter.
- the Internal Audit Annual Workplan
- performance updates. IA continue to coordinate Counterfraud activities in line with the Counterfraud Strategy as reported in IA quarterly and annual reports. Counterfraud activities have made significant contributions in 2016-17 by exceeding savings and income targets

and received

- the Internal Audit Annual Report containing reasonable assurance from the HoIA that the internal control system was operating effectively within the Council and its associated partners. The HoIA's annual opinion regarding East Midlands Shared Services was noted as part of the Committee's deliberations regarding the organisation's annual report
- selected reports for further scrutiny

Financial Reporting

Statement of Accounts (SOA)

Rationale

The SOA is an annual publication that shows how the Council's resources have been utilised, it 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 Committee reviewed and agreed the accounting policies on which the annual accounts were prepared and noted the response of the Chair to the external auditors' questions to those charged with governance. The 2015/16 SOA and Annual Governance Report were received by the Committee. The Committee noted the issues identified in the associated Annual Audit Letter

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 their 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 has periodically considered and endorsed reports detailing its work programme. This work aims to improve the Committee's efficiency and effectiveness and ensure it addresses its terms of reference as approved by the City Council. Coverage as contained in the programme is essential for the Committee to gain assurance regarding governance on behalf of the Council. In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair produces an annual report in respect of its activities. The last 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.

Looking Forward

The Audit Committee will amongst other activities

- select further individual risks from the Corporate Risk Register for scrutiny.
- review and approve the revised version of the Performance Management Framework.
- review the results of the IT external assessment
- receive an update on the technical consultation on Business Rates

Independence

The key criterion in assessing the independence of the Committee is that its members are non-executives and their conduct on the Committee is independent of political allegiances. My assessment is that this has been the case this year and I thank members of the Committee for their contribution.

Whilst there is provision for the Committee to have 1 independent member this position has not been filled to date.

Training & Development

Members of the committee attended a training session in June 2016 run by KPMG on Audit Committee Effectiveness. At this event the Committee members considered the Committee's strengths and areas for development. The main area identified for development was in clarifying the context and requirements for Heads of Service when the Committee invites them to attend a meeting.

Training sessions on the Statement of Accounts took place in July and September 2016. Further refresher training will take place prior to members' consideration of the 2016/17 Statement of Accounts.

Conclusion

Having considered the available guidance, the terms of reference and duties of the Audit Committee, and the work undertaken over the period since my last annual report, it is my assessment is that the Committee has carried out its roles effectively during 2016/17.

Appendix A

The Committee's Terms of Reference 2016/2017

TABLE 1: TERMS OF REFERENCE MANDATED BY CONSTITUTION	
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 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.	

TABLE 2: DUTIES OF THE BOARD (AUDIT COMMITTEE) MANDATED BY PSIAS		
PSIAS ref	Duty of the Board	Compliance or Explanation
1000	Approve the Internal Audit charter	Comply
1110	Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant* changes	Comply (budget and resources to be approved by S151 officer)
1110	Approve decisions relating to the appointment and removal of the Chief Audit Executive	This role is fulfilled by S151 officer but NCC recruitment process allows the Chair to be a stakeholder representative on recruitment panel. The Chair would also be consulted on any decision to remove the CAE.
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Comply
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Comply
1110	The chair to provide feedback for the Chief Audit Executive's performance appraisal	Comply
1130	Approve significant* additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	Comply
1320	Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Comply
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	Comply
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.	Comply

*Significant is taken to mean 5% of the audit plan in days.

Appendix B

Summary of Category of Work Undertaken Cross referenced to the Committee's terms of reference by main purpose and function

Topics *	Cross reference to Appendix A TOR	Cross reference to Appendix A Function
Audit Committee Training	1 - 6	1- 11
Review of Accounting Policies	3,4	2
Internal Audit Annual Work Plan	1	4
Annual Governance Statement and Updates	2,4	3,6
Statement of Accounts	4	2
Internal Audit Annual Report	1	4
Internal Audit Charter	1	4
Annual Audit Letter	3,4	6
Ombudsman Annual Letter	2	10
Partnership Governance Health Checks and Update to Register Of Significant Partnerships	1	11
Strategic Risk Management Updates, Framework, Corporate Risk register and Corporate Risk Scrutiny	1	1
Counter Fraud Strategy	6	8
External Audit Plan, Progress, Technical Updates, and Reports	5	6,9
Arrangements for Appointment of External Audit	5	9
Performance Management Framework	2	7
Treasury Management Strategy, Annual Report, and Half Yearly Update	2	2,8
Internal Audits selected for examination	1	4
Reviews/ Updates :- Housing Benefits Risk Based Verification, Student Housing Strategy	2,6	9,10
EMSS Annual Report	2	11
Internal Audit Quarterly Reports	1	4
Audit Committee Terms of Reference and Annual Work Plan and Updates	1 - 6	1 - 11
Audit Committee Annual Report	1 - 6	1- 11
External Audit Questions To Those Charged With Governance	1, 3, 4	6