

AUDIT COMMITTEE – 27 SEPTEMBER 2019

Title of paper:	Audit Committee Terms of Reference and Annual Work Programme	
Director:	Strategic Director of Finance	Wards affected: All
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Recommendations:		
1	Note the role and functions of the Audit Committee, which comply with best practice in the 2018 revision of CIPFA guidance on Audit Committees (the 2018 Guidance), including the additional elements prescribed by the Public Sector Internal Audit Standards (PSIAS), as set out in Appendix 1.	
2	Consider, comment on and endorse the outline work programme at Appendix 2.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 The Terms of Reference should be reviewed by the Committee on a regular basis, to ensure that they remain relevant and reflect best practice. The current Audit Committee Terms of Reference were last amended by the Council in May 2019 to enable reviewing the Constitution in order to recommend to Council proposed non-executive amendments. The Terms of Reference are primarily based on the Position Statement on Audit Committees in Local Authorities and Police issued by CIPFA in 2018.
- 1.2 Audit Committees are necessary to satisfy the legal and governance requirements for sound management and internal control. Specifically they help satisfy
 - section 151 of the Local Government Act 1972 which requires every local authority to ‘make arrangements for the proper administration of its financial affairs’, and
 - the Accounts & Audit Regulations 2015 which require that the authority ensures that it has a sound system of internal control which:
 - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.
- 1.3 In local authorities an Audit Committee reports to Council, is independent of both the executive and the scrutiny functions, acts as the principal non-executive advisory function to those charged with governance, has clear rights of access to other committees/functions and includes an independent member.
- 1.4 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.

Role of the Audit Committee

- 1.5 The overarching purpose of an Audit Committee is to provide independent assurance on the adequacy and integrity of the governance and control environment, the Risk Management Framework, and the annual financial reporting process.
- 1.6 The Chair has emailed councillors requesting suggestions for inclusion in the Committee's work plan. These suggestions have been collated with a view to incorporation in the work programme resulting in the outline work programme at Appendix 2. The Committee is asked to consider, comment on and endorse the outline work programme. Members will be aware that they can update the work programme or request any further items to be considered by the Committee if appropriate to the terms of reference.
- 1.7 Member suggestions have been incorporated within the following items:

Item	Scope to include
IICSA presentation	Outcomes of the inquiry and update on the plan at appropriate intervals to ensure that NCC procedures are robust enough
Equality / HR Assurance	Progress on NCC's commitment around lack of BAME officers at senior level
Governance of major projects & capital schemes presentation	Broadmarsh MediCity Dakeyne Street
Companies Governance Updates	Monitoring arrangements where NCC has a significant interest and the value of those companies to the NCC group
Governance and Accountability of 3rd Party Arrangements	Area Based Grant and NCC's relationship with other partners

Benefits of the Audit Committee

- 1.8 The benefits to be gained from operating an effective Audit Committee are shown in the diagram below:



Constitutional Role

- 1.9 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, including making recommendations to Council on non-executive amendments to the Constitution.

Functions of the Committee

- 1.10 The Audit Committee fulfils the functions listed in Appendix 1
- under delegations from Executive Board / Leader as noted in the Constitution – Responsibilities for Functions and Terms of Reference
 - under PSIAS as a consequence of the Accounts and Audit Regulations 2015.

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 helps to deliver improved services and maintains and increases public confidence in the objectivity and fairness of financial and other reporting. It is important that local authorities have independent assurance about the mechanisms underpinning 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 2 and includes comparison to:
- the Terms of Reference for the Committee approved by the City Council and
 - the requirements of PSIAS.

The work programme supports the Council's aim to improve its efficiency and effectiveness.

- 2.4 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 Ministry of Housing Communities & Local Government (MHCLG).

**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

4.1 Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2018)

4.2 Public Sector Internal Audit Standards (Local Government Application Note) (CIPFA 2019)