



NORTHAMPTON
BOROUGH COUNCIL

Audit Committee

Report Title

Audit Committee Terms of Reference

AGENDA STATUS:

Public

Meeting Date:

28th June 2010

Directorate:

Finance and Support

Accountable Cabinet Member:

Councillor David Perkins

Ward(s)

N/A

1. Purpose

- 1.1 For the Audit Committee to review the revised Terms of Reference that were agreed at Full Council in May 2010.

2. Recommendations

- 2.1 That the Audit Committee notes the revised Terms of Reference and responsibilities of the committee.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The revised Terms of Reference of the Audit Committee was approved by Full Council on 20 May 2010. The report to Council was titled Amendments to the Constitution. The author was the Borough Solicitor.
- 3.1.2 This report to the Audit Committee is to highlight the changes and how the committee can fulfil its responsibilities.

3.2 Issues

3.2.1 Article 9 of the Constitution, The Audit Committee, is attached at Appendix 1.

3.2.2 The revision made is at paragraph 9.2.12 that states the Audit Committee will *“approve the Annual Statement of Accounts for submission to the External Auditor and for public consultation and to subsequently approve their adoption”*.

3.2.3 This means therefore that the committee will approve both the Annual Governance Statement (AGS) and the Statement of Accounts. The AGS forms part of the annual statement of accounts.

3.2.4 The review of the AGS has previously been included in paragraph 9.2.6 of Article 9, where it is referred to as the Statement of Internal Control.

3.2.5 The previous route of the approval of both the AGS and accounts was to the Audit Committee for comments, followed by Cabinet review and then Full Council for approval. This route is now not the common route and the Audit Commission have suggested in the past that the Audit Committee should be the approving committee. The Director of Finance and Support, the Section 151 Officer, also recommended the change.

3.2.6 Audit Committees are a key component of corporate governance. They are a key source of assurance about the organisation’s arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

3.2.7 Features

Good audit committees will be characterised by:

- Strong chairmanship – displaying a depth of skills and interest
- Unbiased attitudes - treating auditors, the executive and management equally
- The ability to challenge the Executive (leader/chief executive) when required
- A membership that is balanced, objective, independent of mind, and knowledgeable.

3.2.8 Structure and Administration

Although no single model of committee is prescribed, all should:

- Be independent of the Executive and Scrutiny functions.

- Have clear reporting lines and rights of access to other committees, for example scrutiny and service committees and other strategic groups.
- Meet regularly – at least four times a year with a quorum, and have a clear policy on those items to be considered in private and those to be considered in public.
- Include, as regular attendees, the Responsible Finance Officer (For NBC the Director of Finance and Support), Head of Internal Audit (or equivalent, therefore PWC Audit Manager) and Appointed External Auditor (Audit Commission). Other attendees may include the Monitoring Officer (for standards issues) and the Heads of Service and Directors as necessary. The committee should have the right to call any other officers or agencies of the council as required.
- The chair should have direct access to both the Appointed External Auditor and the Head of Internal Audit
- Be properly trained to fulfil their role.

3.3 Choices (Options)

- 3.3.1 The statement of accounts needs to be approved in draft for external audit and public inspection by the end of June each year. Post audit and inspection, it will be presented back at the committee for approval by the end of September.
- 3.3.2 In fulfilling its responsibilities, the committee will need to robustly review and challenge where necessary, the information that is contained in both the AGS and the accounts.
- 3.3.3 This review and challenge used to form part of the Comprehensive Area Assessment (CAA previously CPA) Use of Resources inspection, which ceased in May.
- 3.3.4 Our Internal Auditors provide an annual training event on how the committee can meet its responsibilities. The last training session was held in March 2010. The committee may wish to receive an update training session in light of the changes to the terms of reference.

4. Implications (including financial implications)

4.1 Policy

N/A.

4.2 Resources and Risk

N/A.

4.3 Legal

None

4.4 Equality

N/A

4.5 Consultees (Internal and External)

Director of Finance and Support, Head of Finance and Assets, Borough Solicitor

4.6 How the Proposals deliver Priority Outcomes

N/A

4.7 Other Implications

None

5. Background Papers

5.1 Amendments to Constitution report to Full Council 20 May 2010

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