

Appendices: 3



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Audit Committee Terms of Reference
---------------------	---

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	9 th January 2012
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 For the Audit Committee to note the revised Terms of Reference that were agreed at Full Council in May 2011.
- 1.2 For Audit Committee to consider the Terms of Reference and to propose changes as appropriate.

2. Recommendations

- 2.1 That the Audit Committee notes the current Terms of Reference and responsibilities of the Committee.
- 2.2 That Audit Committee recommends to the Constitutional Working Group changes to the Constitution relating to its terms of reference outlined in appendix 3.
- 2.3 That the Audit Committee consider the adequacy of the current Terms of Reference overall and to propose any other changes to the Constitutional Review Working Group as appropriate.

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 in May 2011. The Terms of Reference are being brought back here to make the Committee aware of the Terms of Reference for the Committee and for the Committee to consider and propose any changes it deems appropriate

- 3.1.2 As additional guidance to the Committee regarding the contents of Terms of Reference, the CIPFA Suggested Audit Committee Terms of Reference are attached at Appendix 2.
- 3.1.3 Changes to the Committee's terms of reference will need to be through changes to the Council's constitution and approved by Full Council. Changes to the constitution are considered by the cross party, Constitutional Review Working Group who are supported by the Monitoring Officer. If agreed, the Constitutional Review Working Group will make recommendations to the Full Council.

3.2 Issues

- 3.2.1 The Audit Committee Terms of Reference outline the responsibilities of the Audit Committee and are contained within the Constitution. Audit Committee members need to be aware of the contents of the Terms of Reference for the committee and ensure that it operates within these Terms of Reference.
- 3.2.2 It is good practice for the Audit Committee to consider the adequacy of its Terms of Reference from time to time and Audit Committee is now being asked to propose any changes it considers appropriate to the Terms of Reference attached at Appendix 1
- 3.2.3 From time to time, statute and regulations change what must legally be considered by the Council. The Council's duties in this regard are discharged by the Audit Committee. Prior to the process for the Statutory Accounts for 2010/11, Audit Committee had to approve the draft Statement of Accounts prior to submission for external audit. For 2010/11 Statement of Accounts, the Accounts and Audit Regulations were changed such that Audit Committee now receives the accounts in September alongside the report of the Council's external auditor. It is therefore suggested that a change to paragraph 9.3.12 of the Terms of Reference (suggested wording shown at Appendix 3) is made to reflect this.
- 3.2.4 Another change to statutory requirements is that the Annual Governance Statement is no longer published as part of the Statement of Accounts but rather is published with the Statement. An insertion to the Terms of Reference is therefore appropriate to reflect this (suggested wording shown at Appendix 3).

3.2.5 Features of Audit Committees

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.

3.2.6 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.

3.2.7 The 2011/12 Internal Audit Risk Assessment and Plan outlines the planned activity for internal audit for 2011/12. Audit Committee members need to be aware of the Plan because it outlines the planned work of Internal Audit for 2011/12. The Plan is subject to change during the year because of emerging issues but these changes will be reported to Audit Committee as they occur.

3.3 Choices (Options)

3.3.1 To be aware of and understand the responsibilities of the Audit Committee.

3.3.2 To propose appropriate changes to the Audit Committee Terms of Reference.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None.

4.2 Resources and Risk

4.2.1 There are no specific resources and risk implications arising from this report.

4.3 Legal

4.3.1 Outlined in the body of the report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Senior officers, **How the Proposals deliver Priority Outcomes**

4.5.2 Protecting and enhancing the reputation of Northampton Borough Council.

4.6 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix 2 – CIPFA Audit Committee Terms of Reference

Appendix 3 – Suggested Changes and Additions to the Terms of Reference

Bill Lewis
Head of Finance, ext 7167