



**Belfast City Council**

<b>Report to:</b>	The Audit Panel.
<b>Subject:</b>	<b>AUDIT PANEL TERMS OF REFERENCE</b>
<b>Date:</b>	11 March 2008.
<b>Reporting Officers:</b>	Trevor Salmon, Director of Corporate Services Ciaran Quigley, Director of Legal Services
<b>Contact Officers:</b>	As above

**Relevant Background Information**

At its meeting on 10 December 2007, the Audit Panel considered its Purpose Statement and Terms of Reference, as set out at Appendix 1 to this paper. The Panel agreed to recommend that the Strategic Policy and Resources Committee approve the Purpose Statement and Terms of Reference. The matter was subsequently considered at the Strategic Policy and Resources Committee on 14 December 2007. After discussion, the Committee agreed that the issue of governance be included within the Terms of Reference of the Audit Panel and noted that a Member of the Panel had expressed concern that the issue of scrutiny had not been included within the Terms of Reference.

At the Council meeting of 7 January 2008, the Council agreed that a minute from the Strategic Policy and Resources Committee meeting of 14 December 2007 under the heading "Statement of Purpose and Terms of Reference of the Audit Panel" be taken back to the Committee for further consideration. A Member had expressed a concern that the Terms of Reference did not include a means by which individual Members could refer issues to the Audit Panel, that the work of the Panel was constrained in so far as it could only address issues of compliance, was more directed towards risk management and did not enable the Panel to scrutinise Committee decisions. A further Member had pointed out that the issue of scrutiny had been raised by members of his Party on a number of occasions and that this matter still required to be addressed.

At the Strategic Policy and Resources Committee meeting of 25 January 2008, the Terms of Reference were discussed further, specifically with regard to how a scrutiny role could be embraced within the Terms of Reference of the Audit Panel.

**Key issues**

The two primary issues relate to firstly, 'scrutiny' and secondly, how issues are referred to the Audit Panel.

**1. Scrutiny**

In relation to the issue of scrutiny, in England, the Local Government Act 2000 brought

in new arrangements that clearly defined a scrutiny role for Members in terms of holding executives of councils to account. This is therefore in the context of executive arrangements as applying to the GB model, which do not currently apply in Northern Ireland. In GB, the role of scrutiny is to review policy and challenge whether the executive has made the right decision to deliver policy goals, which is different from the role of an Audit Panel / Committee, which exists to provide independent assurance in relation to risk management and internal control. While therefore it is clear that, because of the different circumstances prevailing in NI Law, it would be inappropriate for an Audit Panel to take on a role of the scrutiny of policy decisions themselves, nevertheless it would be entirely appropriate for the Audit Panel to have a scrutiny role in relation to the **implementation** of policy decisions in the context of ensuring that the Council is securing value-for-money (VFM). Indeed, this would reflect the duty imposed on district councils in Northern Ireland to 'make arrangements for continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness' (as set out at s.1 of the Local Government (Best Value) Act (NI) 2002).

While paragraph 8 of the original Audit Panel terms of reference refer to VFM studies, nevertheless it is suggested to Members that a more explicit reference to the scrutiny of the implementation of policy be set out in revised terms of reference (see Appendix 2). This serves to emphasise that scrutiny of value-for-money, along with review of risk management, internal control and probity work, is an integral part of the programme of audit work.

## 2. Referral

The issue has been raised that there is no means in the original Audit Panel Terms of Reference by which individual Members can refer issues to the Audit Panel. Paragraph 10 of the original Terms of Reference deals with the issue of referral and provides that the Panel may review any matter referred to it by the Council, any Committee or the Chief Executive. This reflects the legal position that, while the exercise of Council functions can be delegated to Committees and officers, it is not lawful for delegation to be made to individual Members. Nevertheless, the intention is that any individual Member having a concern in relation to a serious audit or probity issue would be able to have the matter brought to the attention of the Audit Panel, either by raising the issue through Committee or in the case of urgency with the Chief Executive.

This remains the legal position but it is suggested that the Terms of Reference be amended to include a specific section on how matters may be referred for the purposes of providing greater clarity to Members.

Accordingly, following discussions between the Directors of Corporate Services, Legal Services and Improvement, amendments to the original Terms of Reference of the Panel are proposed, as set out in Appendix 2 to this document.

## Resource Implications

### Financial

None

### Human Resources

None

Asset and Other Implications

None

**Recommendation**

That the Panel considers the revised Statement of Purpose and Terms of Reference for the Audit Panel, as set out at Appendix 2 to this document.

That the Panel determines whether it wishes to adopt Appendix 1 (original Statement of Purpose and Terms of Reference) or Appendix 2 – Revised Statement of Purpose and Terms of Reference of Audit Panel.

**Key to Abbreviations**

GB – Great Britain  
NI – Northern Ireland  
VFM - value for money

**Documents Attached**

**Appendix 1 - Statement of Purpose and Terms of Reference of Audit Panel, as tabled at Audit Panel meeting of 10 December 2007 (original version)**

**Appendix 2 – Revised Statement of Purpose and Terms of Reference of Audit Panel, as tabled at Audit Panel meeting of 11 March 2008**

**Appendix 1 – Statement of Purpose and Terms of Reference of Audit Panel, (as tabled at Audit Panel meeting of 10 December 2007)**

Statement of Purpose and Terms of Reference  
for the Audit Panel

'Purpose of the Audit Panel

*'The purpose of Belfast City Council's Audit Panel is to provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It will provide an independent scrutiny of the Council's financial and non-financial performance to the extent that it exposes the Council to risk and weakens the control environment. The Panel will also oversee the Council's financial reporting process.'*

*Note: the expression 'audit' should be accordingly understood in this context.*

Audit Activity

- 1. To consider the Head of Audit, Governance and Risk Services annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give concerning the Council's corporate governance arrangements.*
- 2. To consider summaries of specific internal audit reports.*
- 3. To consider reports dealing with the management and performance of Audit, Governance and Risk Services.*
- 4. To consider reports from Audit, Governance and Risk Services on agreed recommendations not implemented within a reasonable timescale.*
- 5. To consider the Local Government Auditor's annual letter, management letter and relevant reports.*
- 6. To consider all recommendations, reports and declarations of the Local Government Auditor as made under the Local Government (NI) Order 2005.*
- 7. To comment on the scope and depth of external audit work and to ensure it gives value-for-money.*
- 8. To commission work from internal audit (including value-for-money and review of the progress of any improvement plans) and external audit.*

Regulatory Framework

- 9. To maintain an overview of the Council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.*

10. *To review any matter concerning issues of audit referred to it by the Council or any Committee of the Council or by the Chief Executive.*
11. *To monitor the effective development and operation of risk management and corporate governance in the Council.*
12. *To monitor Council policies on whistleblowing and the anti-fraud and corruption strategy and the Council's complaints process.*
13. *To oversee the production of the Council's Statement on Internal Control and to recommend its adoption.*
14. *To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.*
15. *To consider the Council's compliance with its own and other published standards and controls.*

#### Accounts

16. *To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.*
17. *To consider the external auditor's report to those charged with governance on issuing arising from the accounts'."*

## **Appendix 2 – Revised Statement of Purpose and Terms of Reference of Audit Panel, as tabled at Audit Panel meeting of 11 March 2008**

### Statement of Purpose and Terms of Reference for the Audit Panel

#### 'Purpose of the Audit Panel

*'The purpose of Belfast City Council's Audit Panel is to provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It will provide an independent scrutiny of the Council's financial and non-financial performance to the extent that it exposes the Council to risk and weakens the control environment. The Panel will also oversee the Council's financial reporting process.'*

*The Audit Panel will also have the function of providing scrutiny in relation to the implementation of the Council's policy decisions for the purpose of ensuring that the Council meets its obligations to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness, pursuant to section 1 of the Local Government (Best Value) (NI) Act 2002.*

#### Audit Activity

- 1. To consider the Head of Audit, Governance and Risk Services annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give concerning the Council's corporate governance arrangements.*
- 2. To consider summaries of specific internal audit reports.*
- 3. To consider reports dealing with the management and performance of Audit, Governance and Risk Services.*
- 4. To consider reports from Audit, Governance and Risk Services on agreed recommendations not implemented within a reasonable timescale.*
- 5. To consider the Local Government Auditor's annual letter, management letter and relevant reports.*
- 6. To consider all recommendations, reports and declarations of the Local Government Auditor as made under the Local Government (NI) Order 2005.*

#### Scrutiny Role

- 7. To scrutinise the Council's arrangements for ensuring value-for-money, pursuant to section 1 of the Local Government (Best Value) (NI) Act 2002.*
- 8. To commission work from internal audit (including value-for-money and review of the progress of any improvement plans) and external audit.*

9. *To comment on the scope and depth of external audit work and to ensure it gives value-for-money.*

#### Regulatory Framework

10. *To maintain an overview of the Council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.*
11. *To monitor the effective development and operation of risk management and corporate governance in the Council.*
12. *To monitor Council policies on whistleblowing and the anti-fraud and corruption strategy and the Council's complaints process.*
13. *To oversee the production of the Council's Statement on Internal Control and to recommend its adoption.*
14. *To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.*
15. *To consider the Council's compliance with its own and other published standards and controls.*

#### Accounts

16. *To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.*
17. *To consider the external auditor's report to those charged with governance on issuing arising from the accounts'."*

#### Referral

18. *The Audit Panel shall consider any issue referred to it in relation to these terms of reference by the Council or any Committee. Furthermore, the Audit Panel shall also consider any matter brought to its attention by the Chief Executive.*
19. *Where any individual Member wishes to raise an issue under these terms of reference, the Member shall accordingly either raise the matter through the Committee or in the case of urgency with the Chief Executive.*

