



NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 28 April 2017

Time: 11.00 am (Please note the later start time)

Place: LH 2.17 - Loxley House, Station Street, Nottingham, NG2 3NG

Councillors are requested to attend the above meeting to transact the following business

Corporate Director for Strategy and Resources

Governance Officer: Kate Morris **Direct Dial:** 0115 876 4353

- | | | |
|----------|--|---------|
| 1 | APOLOGIES FOR ABSENCE | |
| 2 | DECLARATIONS OF INTERESTS | |
| 3 | MINUTES To confirm the minutes of the meeting held on 24 February 2017 | 3 - 8 |
| 4 | CORPORATE RISKS FOR FURTHER SCRUTINY Presentation by Head of Corporate Finance | Verbal |
| 5 | HOUSING BENEFIT SUBSIDY CLAIM QUALIFICATIONS 2015/16 Report of the Corporate Director for Strategy and the Strategic Director of Finance | 9 - 10 |
| 6 | INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION Report of the Director of Strategic Finance | 11 - 24 |
| 7 | INTERNAL AUDIT ANNUAL WORK PLAN 2017/2018 Report of the Director of Strategic Finance | 25 - 34 |
| 8 | AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME Report of the Director of Strategic Finance | 35 - 40 |

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB 31 - Loxley House, Station Street, Nottingham, NG2 3NG on 24 February 2017 from 10.31 - 11.32

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Leslie Ayoola
Councillor John Hartshorne
Councillor Anne Peach
Councillor Andrew Rule

Absent

Councillor Dave Liversidge
Councillor Toby Neal
Councillor Malcolm Wood
Councillor Steve Young

Colleagues, partners and others in attendance:

| | |
|--------------|--|
| Tony Crawley | - KPMG, External Auditor |
| Glyn Daykin | - Audit Section |
| Kate Morris | - Governance Officer |
| Jane O'Leary | - Insurance and Risk Manager |
| Shail Shah | - Head of Audit and Risk |
| Thomas Straw | - Senior Accountant Capital Programmes |
| Thomas Tandy | - KPMG, External Auditor |

46 APOLOGIES FOR ABSENCE

Councillor Dave Liversidge - Personal
Councillor Malcolm Wood - Personal
Councillor Steve Young - Personal

47 DECLARATIONS OF INTEREST

None.

48 MINUTES

The Committee agreed the minutes of the meeting held on 25 November 2016 as a correct record and they were signed by the Chair.

49 TREASURY MANAGEMENT 2017/2018 STRATEGY

Glyn Daykin, Senior Accountant for Treasury Management presented a report on the Treasury Management 2017/18 Strategy. He highlighted the following points:

- (a) the proposed Treasury Management strategy is due to be considered before Council on 6 March 2017;
- (b) 3 year financial forecasts indicate a continued shift to borrowing along with the expected continuation of low interest rates of 0.25%. The proposed Treasury

Management Strategy reflects this and plans to take advantage of the current climate;

- (c) there is a level of uncertainty in the financial markets and the main driver behind this is the uncertainty surrounding Britain's exit from the European Union;
- (d) in 2017/18 the Council expects to comply with the Chartered Institute of Public Finance and Accountancy's recommendation that the total debt should be lower than its highest forecast Capital Finance Requirement over the next three years;
- (e) the strategy takes a careful approach to capital projects, which are rigorously assessed before they are entered into to mitigate unnecessary risk;

Following questions from the committee the following further points were highlighted:

- (f) borrowing is set to go up over the forecast period as a result of an increasing Capital Programme Requirement, and it is predicted that 18/19 will see a large increase;

RESOLVED to note the proposed Treasury Management Strategy for 2017/18, and in particular:

- the strategy for debt repayment (Minimum Revenue Provision) in 2017/18;
- the Investment and Borrowing Strategies for 2017/18;
- the Prudential Indicators and limits for 2015/16 to 2019/20;
- the current Treasury Management Policy Statement;

50 CHANGES TO ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS

Shail Shah, Head of Audit and Risk, introduced the report on the Changes to Arrangements for the Appointment of External Auditors. He outlined the three options to the Committee along with the associated financial implications as set out in the report. It was pointed out that 76% of local authorities in the UK have already opted into the national scheme for audit appointments led by PSAA Ltd.

RESOLVED to note the contents of the report and to recommend option 3, opting into the national scheme for Auditor appointments led by PSAA Ltd, to full Council.

51 EXTERNAL AUDIT - AUDIT COMMITTEE PROGRESS REPORT

Tony Crawley, Audit Manager at KPMG introduced the Audit Committee Progress Report updating the Committee on the progress of delivering their responsibilities as external auditors, disruptive trends and technical developments. He highlighted the following points:

- (a) the external audit plan has been finalised and the Annual Report on Grants and Returns for 2015/16 has also been completed;

- (b) external audit risk assessment and wider planning has taken place with the Council teams responsible for producing financial statements and overseeing the capital programme;
- (c) disruptive trends seen are centred around technology: data protection, social engineering, cyber insurance, auditing of third parties and remediation procedures being the main threads alongside assuring technological expertise being accessible to the Committee

Following questions from the Committee the following information was given:

- (d) the PSAA's Value for Money tool can be well used as a prompt and for self-assessment to ensure areas progress is where they are expected to be;

RESOLVED to note the contents of the Audit Committee Progress Report and the updates provided.

52 ANNUAL GRANTS REPORT 2015/16

Thomas Tandy, Audit Manager, KPMG delivered the Annual Report on Grants and Returns 2015/16. He highlighted the following points:

- (a) Overall work was completed on 5 grants, 2 were unqualified and required no amendments, 2 were unqualified and required minor amendments, 1 required a qualification to the audit certificate and a minor adjustment;
- (b) Housing benefit required a qualification letter and a minor amendment to be issued;
- (c) When looking at the period between August and November a number of errors were found which resulted in over 600 further cases being sampled. Errors were found in just over 100 of those cases sampled which was an increase from last year;

Following questions and comments from the committee the following points were made:

- (d) individual errors were minor, some as low as £1.00, and not inconsistent with other local authorities where Universal credits are being rolled out;
- (e) it is predicted that the further roll out of universal credit will help to simplify the benefits system, although it is acknowledged that the housing benefit system is complex and can be unwieldy;
- (f) investment in permanent staff, rigorous training, implementation of a quality assurance team would address the issue and a focus on receiving the right information from claimants would help to reduce errors;

RESOLVED

- (1) to note the content of the Annual Report on Grants and Returns 2015/16;**
- (2) invite Officers the meeting in April to update the Committee on the actions being taken to improve quality in housing benefit claims;**

53 EXTERNAL AUDIT PLAN 2016/17

Tony Crawley, Audit Director, introduced the External Audit Plan for Nottingham City Council 2016/17. He highlighted the following points:

- (a) there are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17 which provides stability;
- (b) the framework for the Value for Money audit, as set by the National Audit Office remains unchanged;
- (c) there is some uncertainty around business rates and clarity is required on the relief that the Government has suggested may be available to certain businesses;
- (d) financial sustainability, including medium term financial planning will be reassessed taking into consideration the Sustainability Transformation Plans and their impact on the delivery of savings plans, the focus will be on 2016/17
- (e) there have been significant changes in the pension liability due to the Local Government Pension Scheme Triennial valuation and specific attention will be paid to this issue to identify likelihood of material financial statement error;
- (f) group accounts are currently stable and have had no significant impact. There has been assurance work with partners audit firms which confirms this;
- (g) Attention was drawn to the independence and objectivity requirements in appendix 3 as required by APB Ethical Standards;

RESOLVED to note the content of the External Audit Plan for Nottingham City Council 2016/17.

54 CORPORATE RISK REGISTER

Jane O'Leary presented the Corporate Risk Register to the Committee and updated them on recent work. She distributed copies of the register (as appended to these minutes) and highlighted the following points:

- (a) there has been positive engagement with Corporate Directors and some issues have been upgraded from departmental registers to the Corporate register;

- (b) most risks relate to the Council's ability to deliver services to citizens and individual teams are working on mitigation within the challenging financial environment;
- (c) the current capital programme identifies risky investments and puts plans in place to mitigate that risk. The programme regularly uses self-scrutiny and risk assessment tools and relies on having officers with the correct skills set for identification and mitigation planning;
- (d) if members of the Committee have any questions about specific risks on the register there are departmental contacts who will respond in detail;

RESOLVED to

- (1) select for discussion at a future meeting the audits of:**
 - **Changes of funding of services from national taxation. Reliance on funding from council and business tax, and**
 - **Growth and Delivery of Commercial Activity**
- (2) invite a written response and update on:**
 - **Citizens and the Heart Agenda and increasing partnership working/reliance on communities and partners to deliver services.**
- (3) table the Corporate Risk register in 6 months for a further update and selection of further risks for discussion;**

55 ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2015/16 AND PROGRESS FOR PRODUCING 2016/17 STATEMENT

Shail Shah, Head of Audit and Risk introduced the Annual Governance Statement updating the committee on progress made to date on issues reported 2015/16 and the process for producing the 2016/17 statement. He highlighted the following points

- (a) the draft Annual Governance Statement 2016/17 is due to come to the Audit Committee again in June as the committee responsible for monitoring compliance with the local code. It will come back to the Committee in September as a finalised document along with the statement of accounts;

Following questions from the Committee the following answers were given:

- (b) when an issue is identified the process can vary depending on the issue identified. For Resource related issues a robust action plan is put into place and reported as part of the budget and a transformation plan drafted. For a Partnership issues there would be regular updates to this committee from the team involved and updates from the Partner;

RESOLVED to:

- (1) adopt the principles of good governance included in the CIPFA/SOLACE – Delivering Good Governance in Local Government Framework, 2016 as the City Council's Local Code of Corporate Governance;**

- (2) note the progress made to date in addressing the issues reported in the 2015/16 Annual Governance Statement as detailed in the report;**
- (3) note the process and timetable for compiling and completing the 2016/17 Annual Governance Statement as detailed in appendix 1 of the report.**

56 INTERNAL AUDIT QUARTERLY REPORT (3RD QUARTER 2016/17)

Shail Shah, Head of Audit and Risk introduced the Internal Audit Quarterly report (3rd Quarter 2016/17) summarising and outlining the work undertaken by the Internal Audit service between October and December 2016 highlighting that most indicators are either on target or above target.

RESOLVED to note the work undertaken by and the performance of the Internal Audit service during the 3rd Quarter 2016/17, including the information and analysis set out within the appendices.

AUDIT COMMITTEE – 28th April 2017

| | | | |
|--|--|---|----------------------------|
| Title of paper: | | Housing Benefit Subsidy Claim Qualification 2015/16 | |
| Director(s)/ Corporate Director(s): | | Candida Brudenell – Corporate Director for Strategy Geoff Walker – Strategic Director of Finance | Wards affected: All |
| Report author(s) and contact details: | | Ian Roper, Commercial Finance Team Leader for Contract Management | |
| Other colleagues who have provided input: | | N/A | |
| | | | |
| Recommendation(s): | | | |
| 1 | To note the key findings from the KPMG Audit of Grants and Returns report specific to the Housing Benefit Subsidy Claim 2015/16 and the Councils response. | | |

1 REASONS FOR RECOMMENDATIONS

- 1.1 It is recommended that Audit Committee note Sections 2.2, 2.5 and 2.8, the key findings from the KPMG Audit of Grants and Returns 2015/16 and the Councils improvement plan developed in conjunction with Northgate Public Services and Nottingham Revenues & Benefits Limited.

2 BACKGROUND

- 2.1 At Audit Committee in 24th February 2017 a report was presented by KPMG on their Annual Report of Grants and Returns 2015/16. The report explained their mandatory approach to the audit work and the requirement to re-visit error themes identified in previous years.
- 2.2 The report highlighted increases in error rates compared to previous years audits, in total 606 cases were sample checked, with errors identified in 116 cases, an error rate of 19%. Whilst it is acknowledged that there has been an increase in the percentage of errors identified, the individual value and duration is much lower.
- 2.3 Analysis of financial errors post audit and the impact of extrapolation shows the following:-

| Financial Year | Total Value of Subsidy Claim | Qualification Value | Qualification % | Financial Accuracy Level |
|----------------|------------------------------|---------------------|-----------------|--------------------------|
| 2013/14 | £146m | £1.215m | 0.83% | 99.17% |
| 2014/15 | £144.5m | £1.060m | 0.73% | 99.27% |
| 2015/16 | £146m | £870k | 0.60% | 99.4% |

- 2.4 KPMG acknowledge in their report that the error rates are not inconsistent with the findings of audits for other large unitary authorities.
- 2.5 The theme of the errors identified relate to miscalculation of incomes for Earnings, Occupational Pensions, Tax Credits, Pension Credits, Childcare costs, Statutory

Maternity Pay, Job Seekers Allowance and for effective dates used for New Claims, Change of Address and Extended Payments.

- 2.6 In response, the Commercial Finance Contracts Management Team has so far met on two occasions with representatives from Northgate Public Services and Nottingham Revenues & Benefits Limited to formulate an action plan to address the key findings of the report.
- 2.7 The action plan demonstrates the Partnerships commitment to continuous improvement, to ensure that quality is embedded and that staff are trained and receive appropriate feedback where errors are identified.
- 2.8 The action plan incorporates the following:-
- Case studies and Help-Sheets produced for all error types. These have been shared and discussed at colleague Team Meetings.
 - Utilised regular 1-hour Thursday morning training sessions to work through error examples and exercises with teams.
 - Desk-Aids being produced for identified themes and specific areas of risk.
 - Preparing a business case to provide for more resources for quality checking to allow for in-year quality checks for known areas of risk to be undertaken, pre-submission of the HB Subsidy Claim.
- 2.9 A number of additional initiatives to improve quality and accuracy have either been implemented since the 2015/16 subsidy claim audit or are in the process of being introduced. These improvements are based on intuitive software extracting and reading data from both Department for Work & Pensions and Her Majesty's Revenues & Customs systems. The data is then automatically loaded into the core-processing system for recalculation using complex business rules and algorithms. This level of automation should remove many of the basic calculation errors and improved levels of accuracy.

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 KPMG Annual Report on Grants & Returns 2015/16

AUDIT COMMITTEE - 28 April 2017

| | | | |
|--|--|--|---------------------|
| Title of paper: | | INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION | |
| Director(s)/ Corporate Director(s): | | Geoff Walker Director of Strategic Finance | Wards affected: All |
| Report author(s) and contact details: | | Shail Shah Head of Internal Audit ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk | |
| Other colleagues who have provided input: | | Imoogen Denton – Equality & Community Relations Lead | |
| | | | |
| Recommendation(s): | | | |
| 1 | To consider the updated position with regard to the Internal Audit report at Appendix 1 to:- Determine whether the service’s response was sufficiently proportionate, robust and prompt; <ul style="list-style-type: none">• Make any further observations and/or comments considered relevant• Determine any further action. | | |

1. REASONS FOR RECOMMENDATIONS

This report presents the Internal Report previously selected for a further update, at the Committees' November 2016 meeting. The Audit Committee's role is to appraise the quality and scope of the Internal Audit work and determine whether the action taken by the audited service was sufficiently robust and prompt in response to the audit findings. Colleagues from Internal Audit will be present at the meeting to assist this activity.

1.1. Appendix 1 is the selected Equality Impact Assessments Follow Up Report

1.2. Tables A below summarises the key issues found.

| TABLE A – Equality Impact Assessments Internal Audit Report | | | | | |
|---|---|-----------------------|---|-------------------------|---|
| Reason for audit: The Audit selected was performed as part of the planned Internal Audit coverage. Appendix 1 contains the latest position with regard to the outstanding recommendations (see Action Plan). | | | | | |
| Latest Assurance level: | | Limited, Improving | | | |
| Key findings | | | | | |
| The review has confirmed that significant new equality activities and improvements are taking place across the council as detailed in Appendix 1. The drive for improvement has been assisted by the introduction of Departmental Equality Action Plans and their quarterly review by the Leader of the Council. Many of the new initiatives are in a formative stage and the challenge remains to bring the various strands together and embed a systematic, accountable process across the council. | | | | | |
| Recommendations Update | | | | | |
| Total: | 2 | High Priority: | 2 | Medium Priority: | 0 |

2 BACKGROUND

The critical appraisal of selected Internal Audit reports by Audit Committee is an important aspect of the Council's governance framework. This helps the Committee to fulfil its responsibility to receive reports on the work undertaken by Internal Audit and to critically appraise its performance. In doing this, the Committee is testing the robustness of and contributing to the organisation's audit and other governance arrangements. This also aids development of a deep understanding of the Council's internal control environment and Internal Audit working practices. Issues to consider are:

- How the audit was selected – for example the risk assessment, the potential for fraud, previous track record of the service, frequency of the audit;
- Whether the audit coverage was appropriate, adequate and correctly focussed;
- The time spent on the audit against the outcomes and findings;
- The quality of the internal audit report;
- The actual findings and the impact on the service and the council overall;
- The service's response to the audit recommendations;
- The speed and robustness of the actions taken to address the recommendations;
- Whether there are any learning points or principles that could be applied in future audit or governance work.

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 None



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Distribution List



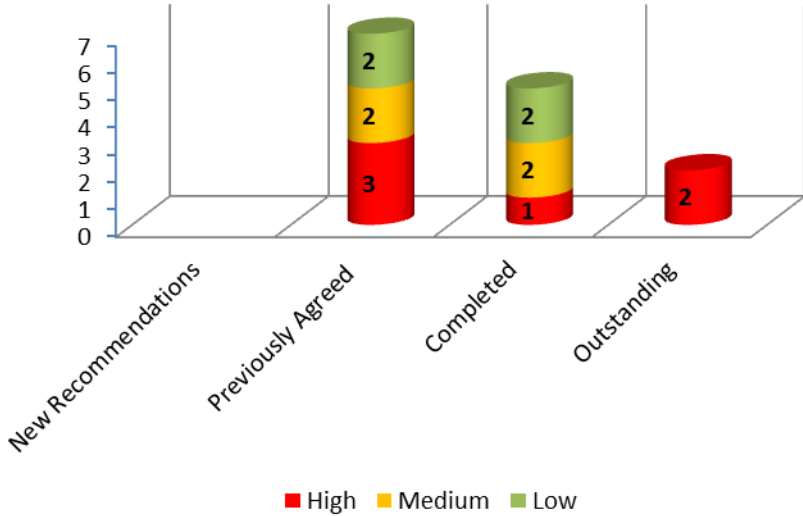
| | |
|-------------|---|
| Issue Date: | 20 th July 2016 |
| Issued to: | Imogeen Denton – Equality & Community Relations Lead |
| Copied to: | Richard Henderson – Interim Director of HR & Transformation Geoff Walker – Director of Strategic Finance |

Contact Details:

| | | |
|------------------------|---------------|-----------|
| Head of Internal Audit | Shail Shah | Ext 64245 |
| Audit Manager | Simon Parsons | Ext 64246 |
| Principal Auditor | Jane Buck | Ext 64238 |
| Auditor | Dawn Bond | Ext 64955 |

Equality Impact Assessments

Executive Summary

| <p>Organisation: Nottingham City Council Directorate: HR & Transformation</p> | <p>Overall Opinion: Limited Assurance</p> |  | <p>Direction of Travel:</p>  | | | | | | | | | | | | | | | | | | | | |
|--|---|--|---|----------|------|--------|-----|---------------------|---|---|---|-------------------|---|---|---|-----------|---|---|---|-------------|---|---|---|
| <p>Previous reviews: Equality Impact Assessments 14 September 2014</p> | <p><u>Scope and Approach:</u> The scope was limited to the ECR Team's work with departments to improve the early consideration of Equalities, the quality of written EIAs and record keeping.</p> | | | | | | | | | | | | | | | | | | | | | | |
| <p>High Priority Recommendations</p> <p>R1 ECR Team, with the Equalities Board, to consider and implement good practice in early monitoring of activity across NCC.</p> <p>R2 Importance of 'SMART' actions and monitoring to be reinforced in future training and ECR Team quality checking. Names/job title and dates to be added to actions. Actions and monitoring to be included on service implementation plans.</p> | | <p>Summary of recommendations by priority</p>  <table border="1"> <caption>Data for Summary of recommendations by priority</caption> <thead> <tr> <th>Category</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>New Recommendations</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Previously Agreed</td> <td>3</td> <td>2</td> <td>2</td> </tr> <tr> <td>Completed</td> <td>1</td> <td>2</td> <td>2</td> </tr> <tr> <td>Outstanding</td> <td>2</td> <td>0</td> <td>0</td> </tr> </tbody> </table> | | Category | High | Medium | Low | New Recommendations | 0 | 0 | 0 | Previously Agreed | 3 | 2 | 2 | Completed | 1 | 2 | 2 | Outstanding | 2 | 0 | 0 |
| Category | High | Medium | Low | | | | | | | | | | | | | | | | | | | | |
| New Recommendations | 0 | 0 | 0 | | | | | | | | | | | | | | | | | | | | |
| Previously Agreed | 3 | 2 | 2 | | | | | | | | | | | | | | | | | | | | |
| Completed | 1 | 2 | 2 | | | | | | | | | | | | | | | | | | | | |
| Outstanding | 2 | 0 | 0 | | | | | | | | | | | | | | | | | | | | |

Introduction and Background

- 1.1 We have undertaken a follow-up review of Equality Impact Assessments as part of the Internal Audit Plan. Seven recommendations were made in the original report which concerned the early recognition of Equality considerations across NCC's work, the quality of EIAs produced and the administration of the process by the Equality & Community Relations (ECR) Team. It is pleasing to note that four of the recommendations have been actioned in full and that work has started on the outstanding actions through a proposed long term improvement plan to be undertaken with departments.

Key Findings

- 1.2 Our previous audit revealed there was not a coherent system in place across the Council for early identification of Equality issues. A recent development has been the creation of Equality Action Plans by departments that will be reviewed quarterly by the Leader of the Council. It is hoped these will encourage the mainstreaming of Equalities and the ECR Team have begun discussions with HR Business Partners (HRBP) with the aim of further improving the early identification of Equality issues within departments. The Equalities Board will be provided with updates on progress with a report planned to be presented at the July 2016 meeting. Once agreement is reached on an improved mechanism, the ECR Team plan to attend each DLT to roll out.
- 1.3 Our previous work highlighted issues in the quality of final EIAs, specifically in unmeasurable actions and inadequate monitoring and consultation. The ECR Team have begun to address these issues in a number of ways;
- Weaknesses in written EIAs and training needs, will form part of the discussions with HRBP as at 1.2
 - The ECR Team have begun discussions with Commissioning colleagues regarding improvements to contract monitoring and will attend a team meeting later in the year
 - Spot Checks were undertaken earlier in the year and the ECR Team intends to review each EIA in future.
 - Departments will be required to enter details into Covalent. This will be checked by the ECR Team at review
- 1.4 Four recommendations were made to improve the administration of EIAs by the ECR Team. These have been completed; the EIA template and Team Tracker have been reviewed and updated and confirmation has been received that the publishing of EIAs is up to date. EIAs are now RAG rated with the intention that training will be targeted at poor performing Services.

Opinion

- 1.5 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed. Overall, our assurance remains at **Limited Assurance** on the controls in this area, this is because whilst work on embedding EIAs into NCC decision making and improving the quality of EIAs has begun, this is at an early stage and has yet to be established.

Summary of Recommendations

- 1.6 Details of all of the issues arising from this review, along with our recommendations and management responses, are set out in the attached Action Plan.
- 1.7 Within the Action Plan we have assigned a priority ranking to each recommendation to reflect the degree of risk that the issue that they relate to pose in the context of the audited area and hence the urgency with which the recommended actions should be addressed. The recommendations are summarised as follows:

| Priority | Previous Recommendations | Completed | Recommendations Outstanding |
|--------------|--------------------------|-----------|-----------------------------|
| High | 3 | 1 | 2 |
| Medium | 2 | 2 | 0 |
| Low | 2 | 2 | 0 |
| Total | 7 | 5 | 2 |

Added Value

Equality Impact Assessments

- 1.8 This audit adds value by highlighting that certain areas are not adequately protected and by making recommendations to strengthen control in these areas.

| Ref | Finding Risk | Recommendation | Priority | Previous Management Response and responsibility | Current finding and Recommendation | Update April 2017 |
|---------------|---|--|----------|---|---|---|
| 01 2014/15 | <p>There is no systematic embedding of EIAs into all NCC decision making. Early notifications of possible impacts on Equalities are not made to ECR Team.</p> <p><u>Risk</u></p> <p>NCC is unable to confirm Equality Impacts are consistently and rigorously considered across the organisation.</p> | <p>ECR Team to investigate instance of not receiving EIA to quality check.</p> <p>ECR Team, with the Equalities Board, to consider and implement good practise in early monitoring of activity across NCC.</p> | High | <p>Departmental Leadership Teams (DLT) should horizon scan for equality issues as part of their regular meetings and/or performance boards on upcoming activity and feedback to ECR team (via HR Business partners).</p> <p>DLT equalities rep to provide update at Equalities Board meeting.</p> <p>Equality Board Departmental Leads March 2016</p> | <p>Departments are now required to have Equality Action Plans that are reported on quarterly.</p> <p>The ECR Team are in discussions with HRBP to further improve the early recognition of Equality issues within departments.</p> <p>Action in Progress</p> | <p>Departmental Action Plans in place and reviewed quarterly by Leader of the Council.</p> <p>Departmental Equality Leads in place, attending Equalities Board and DLTs.</p> <p>DLTs to review their priority EIAs.</p> <p>Business Plans to include Equality information and the EIAs required. Plans shared with ECR Team at early stage.</p> <p>Equality Boards/ Groups set up in C&O and Adults.</p> <p>Increase in referrals to ECR Team from Committee Services and Legal team.</p> |

| Ref | Finding Risk | Recommendation | Priority | Previous Management Response and responsibility | Current finding and Recommendation | Update April 2017 |
|---------------|--|--|----------|--|---|--|
| 02 2014/15 | <p>Effective monitoring is hindered by non specific actions and officers other than the EIA author being responsible for actions.</p> <p><u>Risk</u></p> <p>Ineffective actions to reduce negative /increase positive Equality impacts and ineffective monitoring. Actions and monitoring not carried out.</p> | <p>Importance of 'SMART' actions and monitoring to be reinforced in future Training and ECR Team quality checking.</p> <p>Names/job title and dates to be added to actions. Actions and monitoring to be included on service implementation plans.</p> <p>ECR Team to carry out regular 'spot checks' to ensure actions and monitoring take place.</p> | High | <p>Senior leaders to ensure managers access corporate EIA learning opportunities.</p> <p>Mitigating actions and monitoring actions to be entered into Covalent by ECR with details of the accountable officer. This information should form part of the equalities reports tabled at departmental performance boards.</p> <p>Directors/ HoS ECR March 2016</p> | <p>Departments are required to enter EIAs onto Covalent. Spot Checks have taken place and reviews of all EIAs will occur in future.</p> <p>Training requirements are to be discussed with HRPBs.</p> <p>Monitoring is being discussed with Commissioning colleagues.</p> <p>Action Partly Complete</p> | <p>ECR Team reports an improvement in EIA quality. Service Areas requiring more training to be highlighted at Equalities Board for targeted training.</p> <p>Mitigating actions uploaded to Covalent and ECR Team to consider how to further assist Managers with monitoring.</p> <p>ECR Team to expand current spot checks to carry out monitoring review of every EIA.</p> <p>ECR Team to work with Commissioning Teams to improve contract monitoring documentation and review process.</p> <p>EIA training sessions scheduled for 2017/18.</p> |

| Ref | Finding Risk | Recommendation | Priority | Previous Management Response and responsibility | Current finding and Recommendation | Update April 2017 |
|---------------|--|---|----------|---|--|-------------------|
| 03 2014/15 | ECR Team tracker is incomplete and does not reflect current operating structure. <u>Risk</u> Accurate reporting of department's performance to Equalities Board cannot take place. | ECR Team to update tracker and amend to reflect new operating system. | High | Corporate structure chart on HR intranet pages need to clarify which departments Early Intervention; Commercial & Neighbourhood services; and OT sit in. The structure chart should also clarify whether Resources is called 'Corporate Services' as stated in the current chart. | Tracker updated. Action Complete | N/A |
| 04 2014/15 | Variance in quality of Draft EIAs received by ECR Team. <u>Risk</u> Assessments not rigorous and inefficient use of ECR Team's resources. | ECR Team to continue to discuss and monitor variance in quality of 1 st draft EIAs and report to Equalities Board on a regular basis. ECR Team to rank drafts by quality rather than number of recommendations required in order to reflect quality rather than complexity. | Medium | Agreed Internal Comms Team March 2016 | RAG rating system for EIAs introduced and recorded on tracker. Action Complete | N/A |
| 05 2014/15 | Erratic publication of finalised assessments. <u>Risk</u> Assessments are unavailable for general public to view and respond to. | ECR Team to determine who is responsible for publication of completed EIAs. Departments to be reminded to attach EIAs to Published Decisions. | Medium | Agreed – ECR to Publish EIAs March 2016 | Team have confirmed all publishing is up to date. Action Complete | N/A |

| Ref | Finding Risk | Recommendation | Priority | Previous Management Response and responsibility | Current finding and Recommendation | Update April 2017 |
|---------------|--|---|----------|---|---|-------------------|
| 06 2014/15 | <p>Consultation does not always take place and at an appropriate stage.</p> <p><u>Risk</u> Relevant information or views may not be used to assess impact.</p> | ECR Team to ensure importance of consultation is reinforced in future training. | Low | <p>HRBPs to provide clear advice and guidance to DLTs and to escalate failure to comply to the Equalities Board.</p> <p>Constitutional Services should review report templates and place guidance regarding Equality Impact Assessments early in the report structure.</p> <p>ECR December 2015</p> | <p>The importance of consultation will be included in proposed half day EIA training.</p> <p>Improvements in EIAs to be discussed with HRPBS.</p> <p>Action Complete</p> | N/A |
| 07 2014/15 | <p>On EIA form; entries on 'date sent to equality team for publishing' used to indicate sent to Equality Team for checking rather than publication.</p> <p><u>Risk</u> Inaccurate record of when/if assessment published</p> | ECR Team to consider amending form to suit their tracking needs. | | <p>Agreed October 2015</p> | <p>EIA form has been reviewed.</p> <p>Action Completed</p> | N/A |

Client Responsibilities

- Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested

- It is expected that management will respond to this draft report within 10 working days of receipt.
- Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.
- Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

| | |
|------------------------------|--|
| High Assurance | High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system. |
| Significant Assurance | Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk. |
| Limited Assurance | Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed. |
| No Assurance | No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed. |








Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

| | |
|------------------------|--|
| High Priority | A fundamental weakness which presents material risk to the audited body and requires urgent attention by management. |
| Medium Priority | A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management. |
| Low Priority | The audited body is not exposed to any significant risk, but the recommendation merits attention. |

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.

| Key to Opinion & Direction of Travel | | | | | |
|--------------------------------------|---|-------------------|---|--------------|---|
| Overall Opinion | | | | | |
| | | | Direction of Travel | | |
| High Assurance |  | Limited Assurance |  | Improving |  |
| Significant Assurance |  | No Assurance |  | No changes |  |
| | | | | Deteriorates |  |

AUDIT COMMITTEE - 28 April 2017

| | | | |
|--|--|---|------------------------|
| Title of paper: | | INTERNAL AUDIT ANNUAL WORK PLAN 2017/2018 | |
| Director(s)/ Corporate Director(s): | | Geoff Walker Director of Strategic Finance | Wards affected: |
| Report author(s) and contact details: | | Shail Shah Head of Internal Audit and Risk ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk | |
| Other colleagues who have provided input: | | | |
| | | | |
| Recommendation(s): | | | |
| 1 | To approve the Internal Audit Plan for 2017/2018 | | |
| 2 | To note the Head of Internal Audit's opinion regarding the organisational independence of Internal Audit | | |
| 3 | To note the Head of Internal Audit's opinion regarding whether there are inappropriate scope or resource limitations | | |

1 REASONS FOR RECOMMENDATIONS

- 1.1. The Accounts and Audit Regulations 2015 require every local authority to 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.
- 1.2. The mandatory Public Sector Internal Audit Standards (PSIAS) have been issued by CIPFA in collaboration with the Chartered Institute of Internal Auditors. The latest revision was in March 2017. The 2016 and 2017 versions of the standard are very similar but are being compared to identify any necessary adjustments.
- 1.3. Internal Audit has recently been externally assessed against the PSIAS Local Government Application Note issued in March 2016 and has received a positive report from the assessment team. A report on the assessment will be brought to a future meeting.
- 1.4. The Committee's terms of reference include the function of overseeing the work of Internal Audit and this includes ensuring compliance with PSIAS. The PSIAS requirements in Table 1 will be met through this report and the Committee's discussions.

TABLE 1: DUTIES OF THE AUDIT COMMITTEE RELATED TO APPROVAL OF THE INTERNAL AUDIT PLAN

| PSIAS ref | Duty of the Audit Committee* |
|----------------------|---|
| 1110 | Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant changes |
| 1110 | Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity |

| TABLE 1: DUTIES OF THE AUDIT COMMITTEE RELATED TO APPROVAL OF THE INTERNAL AUDIT PLAN | |
|--|---|
| PSIAS ref | Duty of the Audit Committee* |
| 1110 | Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations |
| 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 |

*(referred to as the Board in PSIAS)

- 1.5. Approval of the Internal Audit Plans gives the Committee the opportunity to understand the focus of audit resources and helps inform Committee's understanding of the Council's assurance, control and governance arrangements.
- 1.6. This report informs the Committee of the proposed work planned by the Internal Audit Service and is designed to support the City Council's Governance and Control Framework.

2. BACKGROUND

- 2.1. The Internal Audit Planning Methodology involves the following steps:
 1. **Understand corporate objectives and risks** by reviewing the Council Plan and Corporate Risk Register
 2. **Understand departmental risks** by reviewing departmental risk registers
 3. **Consider local and national issues** and how Nottingham City Council is affected
 4. **Consult with key stakeholders within NCC** to identify potential emerging risks and to consider the expectations of stakeholders for internal audit opinions and other conclusions
 5. **Utilise the Assurance Framework** (currently in draft) to identify any possible gaps that represent potential reviews for inclusion in the Audit Plan
 6. **Consider the requirements of the PSIAS** and ensure that the Internal Audit Plan reflects the expectation of the standard.
 7. **Consider the results from Internal Audit reviews/recent experience** and put forward areas of concern as potential reviews including professional judgement on the risk of fraud and error
 8. **Determine the minimum level of audit coverage**, timing and scope of audits to provide the annual Head of Audit Opinion on the control environment. This includes determining the approach to using other sources of assurances and any other work required to place reliance upon those other sources
 9. **Consider the level of resources available** for the delivery of the audit plan including that these are appropriate, sufficient and effectively deployed.
- 2.2. The number of days allocated in the plan to specifically provide the Head of Internal Audit with the necessary evidence for the opinion on the control environment is 2318, which includes the resources required to provide internal audit services to external clients.
- 2.3. **Appendix 1 of this report** is a summary the IA Plan for 2017/2018. Detailed plans are available for members of the Audit Committee or by request to the Head of Internal Audit and Risk (HoIA). The plan is centred on the need to align audit activity to

Council objectives and to meet the requirements of effective Corporate Governance, including the Annual Governance Statement (AGS).

**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

- The Accounts and Audit Regulations 2015
- Public Sector Internal Audit Standards 2016
- Public Sector Internal Audit Standards 2017
- Public Sector Internal Audit Standards 2016 Local Government Application Note

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Internal Audit Plan 2017/2018

1. Introduction

This document contains the operational Internal Audit Plan for 2017/2018

2. Background

2.1. The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate Internal Audit (IA) service which should operate within codes of professional best practice.

2.2. CIPFA and the Institute of Internal Auditors (IIA) developed a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector.

2.3. The PSIAS definition of IA is as follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

2.4. The PSIAS affirm the need for “risk based plans” to be developed for IA, stating that the “Chief Audit Executive” must “establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” They refer to the need for the Plan to reflect the assurance framework, risk management arrangements and input from management and “the board”, which in Nottingham City Council is interpreted to be the Audit Committee.

2.5. Consequently IA is recognised as an integral part of the Council’s Corporate Governance Framework giving assurance which complements that given by external review bodies including that given by external auditors.

3. The Role of IA

3.1. As noted above IA’s role is as an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations..

3.2. A key factor in the effectiveness of IA is that it is seen to be independent. To ensure this independence, IA operates within a framework that allows:

- Unrestricted access to senior management
- Reporting in its own name
- Segregation from line operations.

3.3. Each audit or piece of work undertaken has a clear scope and objectives. Any audit undertaken within the Council and its partners is conducted under the framework of

an agreed audit programme, service level agreement or a clearly defined letter of engagement. This is of particular importance in the management of consultancy where the respective roles, inputs and outputs are clearly defined and the independence of auditors maintained.

3.4. The IA Service requires unrestricted coverage of the Authority's and its partners' activities and unrestricted access to all records and assets deemed necessary to fulfil this function. In addition, the Head of Internal Audit and Risk (HoIA) has unrestricted access to the Chief Executive, Councillors, Corporate Directors and all colleagues of the Council.

4. The Audit Plan and Planning Process.

4.1. IA work is co-ordinated with that of external review agencies to provide maximum audit coverage and to prevent duplication of effort where practical.

4.2. The work is targeted in order to address the key risks to the Council's strategic objectives and other priorities of the Council. The proposed IA Plan for 2017/2018 is summarised in the table below

Table 1- Summary of proposed 2017/2018 Internal Audit Plan

| Audit Category | Planned Days | Council Plan Key Theme(s) |
|---|---------------------|----------------------------------|
| Governance | 185 | 10 |
| Organisation | 85 | 5, 10 |
| Key Financial Systems | 121 | 3, 10 |
| Procurement & Projects | 150 | 1, 6, 9, 10 |
| Risk Based Service Reviews | 150 | 3, 5, 9, 7 |
| Compliance | 195 | 2, 6, 7, 8, 10 |
| ICT and Information Governance | 130 | 3, 4, 5, 7, 8, 10 |
| Fraud / Counter Fraud | 530 | 2, 10 |
| Corporate Fraud Strategy | 90 | 10 |
| Companies / Other Bodies | 357 | 2, 3, 5, 9, 10 |
| Consultancy, Advice and Support | 210 | 10 |
| Development , Redesign & Quality | 115 | 10 |
| Total Days | 2318 | |

Key to link to Council Plan key themes:

| | |
|--|--|
| 1 - Strategic Regeneration and Development | 6 - Jobs, Growth and Transport |
| 2 - Schools | 7 - Adults, Health and Community Sector |
| 3 - Planning and Housing | 8 - Children, Early Intervention and Early Years |
| 4 - Community Services | 9 - Leisure and Culture |
| 5 - Energy, Sustainability and Customer | 10 - Resources and Neighbourhood Regeneration |

- 4.3. The full plan is available for discussion with the Head of Internal Audit and Risk on request.
- 4.4. The unique value that the professional IA function provides to the Council is objective assurance on the effectiveness of the governance, risk management and internal control processes. Management colleagues are responsible for the strategic and operational elements of these processes but need independent assurance that they are operating effectively and advice in respect of their improvement.
- 4.5. IA also has an important role to support the Chief Finance Officer in the statutory responsibilities, which include:
- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
 - S114 Local Government Act 1988 – to ensure the Council's expenditure is lawful.
 - Accounts and Audit Regulations 2015 – to ensure that an adequate and effective IA of the Council's accounting records and of its system of internal control is undertaken in accordance with the proper practices in relation to internal control.
- 4.6. IA also helps the Council to achieve its key priorities. The service does this by helping to promote a secure and robust internal control environment which enables a focus to be maintained on these key priorities.
- 4.7. Accordingly the Audit Plan has been devised following a risk based approach using the following approach:
1. **Understand corporate objectives and risks** by reviewing the Council Plan and Corporate Risk Register
 2. **Understand departmental risks** by reviewing departmental risk registers
 3. **Consider local and national issues** and how Nottingham City Council is affected
 4. **Consult with key stakeholders within NCC** to identify potential emerging risks and to consider the expectations of stakeholders for internal audit opinions and other conclusions
 5. **Utilise the Assurance Framework** (currently in draft) to identify any possible gaps that represent potential reviews for inclusion in the Audit Plan
 6. **Consider the requirements of the PSIAS** and ensure that the Internal Audit Plan reflects the expectation of the standard.
 7. **Consider the results from Internal Audit reviews/recent experience** and put forward areas of concern as potential reviews including professional judgement on the risk of fraud and error
 8. **Determine the minimum level of audit coverage**, timing and scope of audits to provide the annual Head of Audit Opinion on the control environment. This includes determining the approach to using other sources of assurances and any other work required to place reliance upon those other sources
 9. **Consider the level of resources available** for the delivery of the audit plan including that these are appropriate, sufficient and effectively deployed.

The illustrations below depict how the plan meets the client and risk demands

Illustration 1: Analysis of 2017/2018 Plan by type of activity

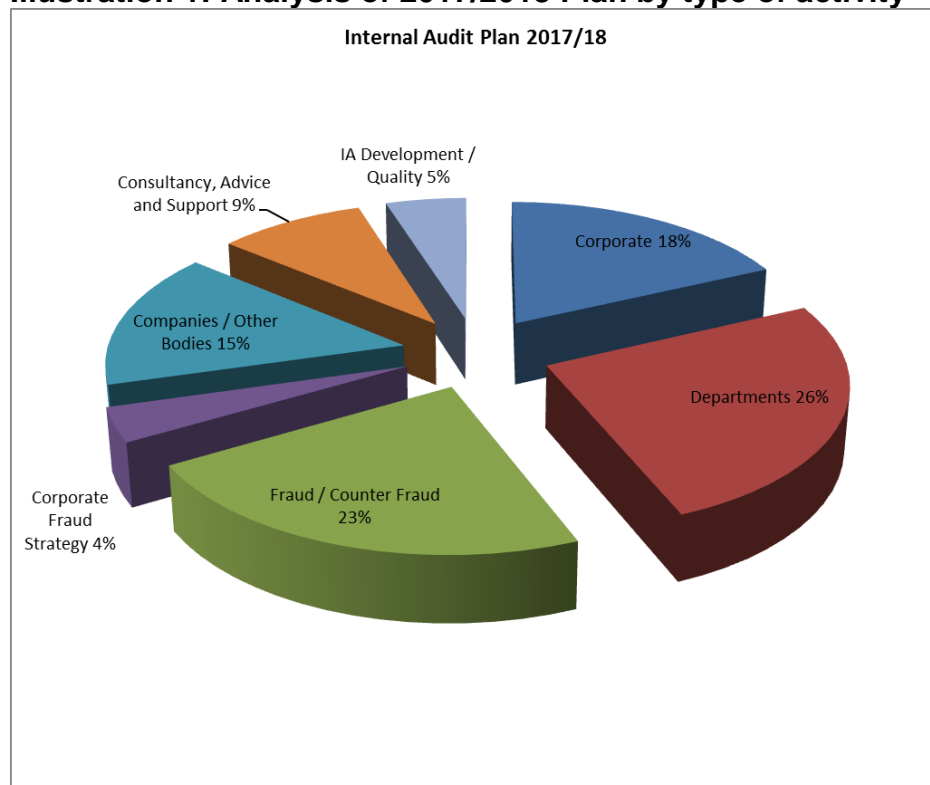
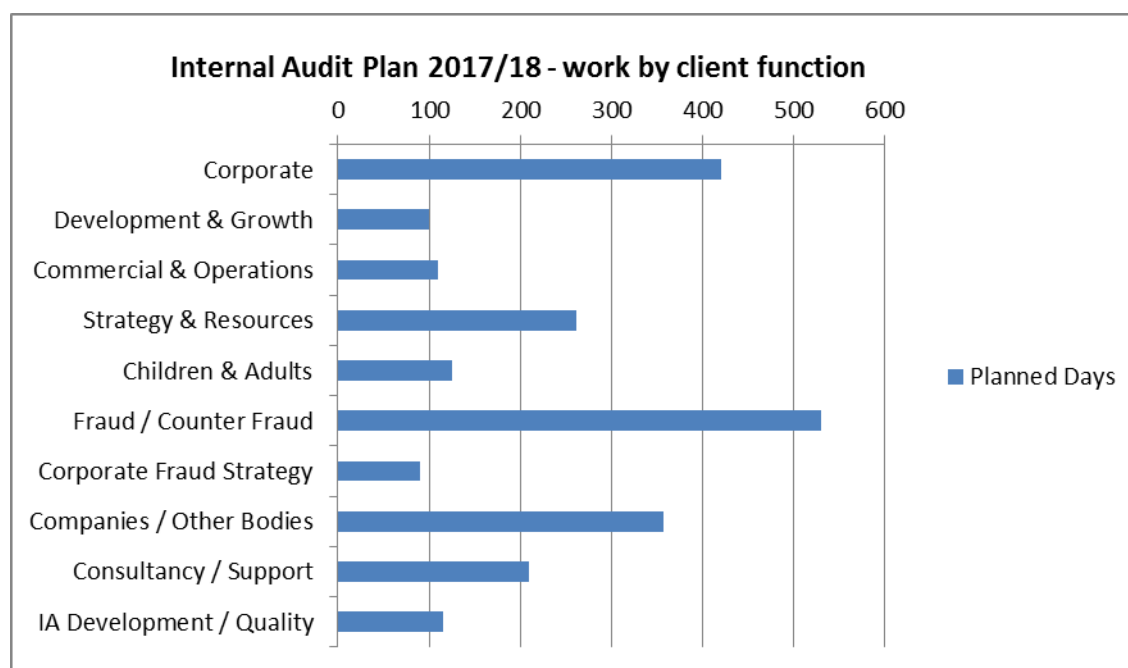


Illustration 2: Summary of the 2017/2018 Plan by department / client



4.8. As was the case when developing previous plans, the Council is continuing to go through a period of radical change giving rise to significant changes to financial and colleague resources available. Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (threats). The reduction in the workforce for example, provides opportunity for a breakdown in control as well as an opportunity to improve service delivery.

4.9. Substantial transformational changes are taking place in the design, commissioning and delivery of services. Delivering business as usual and achieving key priorities remains a key challenge for the Council and these are reflected in the IA Plan.

4.10. IA will continue to deliver work on the core financial systems and a number of proactive anti-fraud, irregularity and probity audits to provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error. However, the IA Plan incorporates some flexibility to enable assurance to be obtained over current as well as emerging risks, as well as those risks yet to be identified.

5. Standards

5.1. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. The service has also adopted its own code of ethics which complies with the PSIAS. IA has recently been externally assessed against the PSIAS Local Government Application Note issued in March 2016 and has received a positive report from the assessment team. The service has internal quality procedures in place and is ISO9001:2008 accredited. The service has fulfilled the requirements of the Account & Audit Regulations 2015 and associated regulations in respect of the provision of an internal audit service.

5.2. The City Council's Audit Committee receives regular monitoring reports of work undertaken against the Plan. The Committee scrutinises the work undertaken at both Plan and individual audit level, and monitors the actions taken by departments in respect of the recommendations made. The work of IA will also inform the opinion of the Audit Committee in respect of the assurance and corporate governance arrangements in place.

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AUDIT COMMITTEE - 28 April 2017

| | | | |
|---|---|---|-----------------|
| Title of paper: | | AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME | |
| Director(s)/ Corporate Director(s): | | Geoff Walker Director of Strategic Finance | Wards affected: |
| Report author(s) and contact details: | | Shail Shah - Head of Audit and Risk ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk | |
| Other colleagues who have provided input: | | | |
| | | | |
| Recommendation(s): | | | |
| 1 | Note the role and functions of the Audit Committee including the additional elements prescribed by the Public Sector Internal Audit Standards (PSIAS) and the benefits arising from its existence | | |
| 2 | Endorse the outline work programme at Appendix 1 including the Assurance Plan and the terms of reference at Appendices 2 and 3 . | | |

1 REASONS FOR RECOMMENDATIONS

Although an Audit Committee is not a legal requirement it is necessary for a sound management and has a role in satisfying 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.

An Audit Committee also reinforces the importance of probity, and performance and risk management. 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.

1.1 Role of the Audit Committee

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. As part of this role the proposed work programme this year includes agreeing the council's Assurance Framework.

1.2 Benefits of the Audit Committee

The benefits to be gained from operating an effective Audit Committee are that it:

- Raises greater awareness of the need for effective internal control and the implementation of audit recommendations;

- Increases public confidence in the objectivity and fairness of financial and other reporting;
- Reinforces the importance and independence of internal and external audit and any other similar review process, for example by providing a view on the annual governance statement;
- Provides additional assurance through a process of independent and objective review.

1.3 **Constitutional Role**

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

1.4 **Functions of the Committee**

The Audit Committee fulfils the following functions

- functions listed in Appendix 2 under delegations from Executive Board as noted in the Constitution – Responsibilities for Functions and Terms of Reference
- functions listed in Appendix 3 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 1. The work programme supports the Council's aim to improve its efficiency and effectiveness. It has been developed to address
- the Terms of Reference for the Committee approved by the City Council which are included within Appendix 2 and
 - the requirements of PSIAS which are shown in Appendix 3.

- 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 Department of Communities & Local Government (DCLG).

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

None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Advice note from CIPFA Technical Audit Committees – Practical Guidance for Local Authorities (CIPFA)

Appendix 1

Audit Committee Programme of work 2017 / 2018

| REPORT TITLE | Provisional DATE LEAD | 28/04/17 | 05/17 | 07/17 | 09/17 | 11/17 | 02/18 |
|--|-----------------------------|----------|-------|-------|-------|-------|-------|
| Annual Governance Statement Interim Report | GW/SS | | | | | | |
| Annual Governance Statement | GW/SS | | | | | | |
| Internal Audit Plan | GW/SS | | | | | | |
| Annual Governance Statement Mid-Year Update | GW/SS | | | | | | |
| Assurance Framework | GW/SS | | | | | | |
| Audit Committee Annual Report | Cllr P | | | | | | |
| Audit Committee Role & Annual Work Programme | GW/SS | | | | | | |
| Audit Committee Training Activity | GW/SS | | | | | | |
| Counter Fraud Strategy | GW/SS | | | | | | |
| EMSS Update | GW/SS | | | | | | |
| Internal Audit Annual Report & Audit Charter | GW/SS | | | | | | |
| Internal Audit Performance | GW/SS | | | | | | |
| Internal Audit Reports Selected for Examination | GW/SS | | | | | | |
| Performance Management Framework | AP/CC | | | | | | |
| KPMG – Annual Audit Letter | KPMG | | | | | | |
| KPMG – Certification of Claims & Returns Annual Report | KPMG | | | | | | |
| KPMG – Report to Those Charged with Governance | KPMG | | | | | | |
| KPMG – Regular update/statement progress | KPMG | | | | | | |
| KPMG – External Audit Plan | KPMG | | | | | | |
| LGO Annual Report | AW | | | | | | |
| Partnership Governance Framework | EF | | | | | | |
| Risk Management Annual Report | GW/JO | | | | | | |
| Risk Management Quarterly Report | GW/JO | | | | | | |
| Risk Management Strategy/Framework | GW/JO | | | | | | |
| Risk Management Training | GW/JO | | | | | | |
| Statements of Accounts | GW/TC | | | | | | |
| Treasury Management Annual Report | GW/GD | | | | | | |
| Treasury Management Strategy & Key Issues Update | GW/GD | | | | | | |
| Information Governance Reports | IG | | | | | | |

KEY : PEOPLE

Cllr Councillor Piper
P

AW Amanda Wright

CC Chris Common

EF Elaine Fox

GD Glyn Daykin

GW Geoff Walker

IG Simon Salmon /
Mick Dunn

JO Jane O'Leary

KP External Auditor

MG

SS Shail Shah

TC Theresa
Channell

KEY : PURPOSE

As required

For approval

Reviewing
performance

Audit Committee Terms of Reference

| TITLE | AUDIT COMMITTEE |
|--|-----------------|
| POWERS / REMIT | |
| <p>(a) Main Purposes:</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) Main Functions:</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 Statement 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.