

Appendix 1

Audit Committee Annual Report 2019-20

Foreword by the Chair

During 2019/20, I was the Vice Chair of this committee and Cllr Steve Battlemuch was the Chair. I wish to thank Cllr Battlemuch on behalf of the whole committee for chairing and leading the work of this committee last year.

The following report summarises the work performed over the year 2019-2020 and describes how the Committee has contributed to the effectiveness of the Council by the work it has done including:

- Assurance Statements and Governance
 - Scrutinising non-executive amendments to the Constitution
 - Monitoring and approving the Annual Governance Statement and associated activity
 - Monitoring and approving Partnerships governance arrangements
 - Receiving and making recommendations in respect of Annual Assurance Reports from key corporate specialisms
- Risk Management
 - Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks and considering key risks
 - Overseeing the Council's Treasury Management arrangements
- Performance Management, Quality Management and Value for Money
 - Reviewing assurances provided
- External Audit, Inspection and Assurance
 - Managing a good working relationship with the external auditor, ensuring appropriate action is taken on its recommendations
 - Receiving cross-cutting external inspections and assurance reports, ensuring appropriate action is taken on their recommendations
- Internal Audit and Counter Fraud
 - Approving arrangements and monitoring performance of Internal Audit and Counter Fraud
 - Ensuring internal audit independence and that findings are actioned by managers and consequently help to improve the Council's effectiveness and governance arrangements;
- Financial Reporting
 - Monitoring of, and contribution to, the development of the Council's Statement of Accounts

The Purpose of Audit Committees

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the

- risk management framework,
- internal control environment and
- integrity of the financial reporting and annual governance processes.

By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.

Terms of Reference

The Council has delegated some of its non-executive functions to the Audit Committee as defined in the Committee's terms of reference. Further detailed functions within these terms have been identified to support compliance with the Public Sector Internal Audit Standards.

Good governance is ultimately the responsibility of those charged with governance, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, the Chief Financial Officer and the Monitoring Officer. The Audit Committee plays a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.

Corporate governance is a phrase used to describe the mechanisms underpinning how the Council directs and controls its operations, and relates to the people of Nottingham. Good corporate governance requires organisations to undertake their functions with integrity and in a way that is accountable, transparent, effective and inclusive. My role as the Chair of the Audit Committee was to drive forward improvements on corporate governance. This means I must:

- Consider the reports of external audit and inspection agencies;
- Support the Committee in reviewing the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to the issues raised by external audit;
- Support the Committee in reviewing the Council's integrated planning and performance framework;
- Support consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- Lead the Committee to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Lead approval (but not direct) Internal Audit's strategy, plan and monitor performance.
- Support Internal Audit and contribute to Peer Review
- Support the review of the summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted; and

- Lead the Audit Committee in procuring external audit if required.

Committee Aims

In summary, the Committee's role is to challenge, assess and gather assurance from within the Council and from external agencies, on the level and quality of the internal control and risk management processes in place to ensure that Council objectives are met. As part of this role it approves Audit Plans, the Statement of Accounts, and Annual Governance Statement and monitors the robustness of performance management systems. The benefits gained from operating an effective committee are that it:

- contributes to the development of an effective control environment including arrangements for management of risk;
- increases stakeholder confidence in the objectivity and fairness of financial and other reporting by promoting transparency and accountability;
- reinforces the importance and independence of internal and external audit and any other similar review process (e.g. providing a view on the AGS) and the implementation of audit recommendations;
- advises on the adequacy of the assurance framework and considers whether assurance is deployed efficiently and effectively to give assurance that business objectives are met;
- helps the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption

Membership

The Audit Committee was made up of 9 non-executive councillors appointed to reflect the political balance of the Council. The members of the Committee for 2019/2020 were:

Councillor Steve Battlemuch (Chair)

Councillor Audra Wynter (Vice Chair)

Councillor Leslie Ayoola

Councillor Graham Chapman

Councillor Michael Edwards

Councillor Jane Lakey

Councillor Lauren O'Grady

Councillor Anne Peach

Councillor Andrew Rule

Councillor Jay Hayes (as substitute for Councillor Leslie Ayoola – 22 February 2020)

Work Undertaken

The following summary of activity is categorised by the main topic or source of the assurance. The work is reflective of the Committee's terms of reference shown at **Appendix A** which is addressed via an annual work programme endorsed by the Committee and cross-referenced to the elements of the annual work programme. The analysis has been derived from the reports and presentations set before the Committee in the period, which are shown in **Appendix B**.

Assurance Statements and Governance

The Audit Committee Work Programme shown in **Appendix A** reflects the many subject areas and sources of information that the Committee considers in its deliberations about corporate governance. The information assimilated allows members of the Committee to understand governance issues and determine their opinion about the overall state of corporate governance in the Council.

Annual Governance Statement (AGS)

Rationale

Included in this Committee's terms of reference is the core function that it should be "satisfied that the authority's assurance statements, including the AGS, properly reflect the risk environment and any actions required to improve it."

The Accounts and Audit Regulations 2015 require the publication of an AGS following an (at least) annual review of the effectiveness of the Council's internal control. In order to produce the AGS an annual timetable is required to ensure key tasks are undertaken to deliver the Statement alongside the Council's Statement of Accounts (SOA). The Committee has delegated authority for the formal approval of the AGS.

The 2016 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This has been adopted as the Council's Local Code of Corporate Governance by the Audit Committee.

The Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with, and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.

Summary of work

The AGS reflects the governance framework operating within the Council and its significant partnerships, groups and trusts. The issues identified in the AGS and the consequent plans for their mitigation are used to direct corporate resources, including those of Internal Audit.

The Council's group accounts for 2018-19 were not fully audited until July 2020, a Report in the Public Interest was issued by the external auditor in August 2020, and a Value For Money conclusion is expected shortly. The interim 2018/19 AGS was signed by the Leader of the Council and the Chief Executive, was approved by the Committee at its 29th July 2019 meeting and was published alongside the interim SOA. The Committee approved the final AGS 2018/19, including changes resulting from the external audit and post balance sheet developments at its July 2020 meeting. Several Significant Issues were identified during the intervening year and were noted together with proposed actions. The Committee received reports on the

progress made in addressing the issues reported in the interim 2018/19 Statement, and the process and timetable for compiling the 2019/20 statement.

Partnership Governance Arrangements

Rationale

The Council has a long and successful history of working in partnership across the public, private, voluntary and third sector. The benefits and opportunities of working in partnership are well understood but risks can arise from collaborative working and the Council must ensure that its involvement in partnerships does not expose it to an unacceptable level of risk.

The Partnership Governance Framework includes an annual 'health check' of each partnership that is significant to the City Council in terms of strategic, reputational or financial importance. This health check is designed to identify any risks to the Council from its involvement in any of the partnerships. The results of these health checks are reported to Audit Committee along with remedial actions that are needed to protect the Council from an unacceptable level of risk. Partnerships that are deemed significant to the Council in terms of their strategic, reputational or financial importance are listed in the Register of Significant Partnerships. Any changes to the register are reported and explained to Audit Committee annually.

Summary of work

In February 2020 the Committee noted the findings of the Partnership Governance Annual Health Checks which followed work to verify governance documentation of 3 of the 10 partnerships and accepted a proposed change to the Register of Significant Partnerships in 2020-21.

The Committee was provided with an overview of the health checks. The proposed change to the register is the removal of the Green Partnership. Governance documentation has not been in place because the group has no formalised administrative function. Following discussion with colleagues it has been suggested that the partnership does not meet the threshold of a formal partnership and should be removed. The removal of the Green Partnership from the register will not affect its status as a themed partnership with One Nottingham and so oversight of the work will still be in place.

Any new and emerging partnerships will be considered for inclusion on the Register of Significant Partnerships and the validity of partnerships currently on the register will be evaluated on an annual basis.

Information Technology and Information Governance (IT)

Rationale

The City Council is reliant on the various forms of IT to perform its everyday business, whether this is collecting income, recording financial transactions, producing committee reports or keeping case notes of vulnerable citizens in order that they receive the appropriate level of care. Consequently, the City Council must have an appropriate infrastructure available to provide the appropriate service and to

maintain controls that ensure that citizen and colleague data is properly obtained, protected and accurate at all times.

Summary of work

Audit Committee was kept advised of Information Technology and Information Governance risks through updates as part of AGS reports and the annual Information Governance and Compliance Assurance Report. This assurance report provided information on the mechanisms by which responsible officers obtain assurances as to the Council's ICT estate and information governance, together with measures of competence. The committee noted the assurance report which helps NCC in upholding its statutory responsibilities and resilience. Internal Audit continue to follow a robust programme of audits across corporate ICT designed to identify ICT assurances that are essential to a well-governed and well-functioning City Council.

Governance of Group Companies

Rationale

Good governance of those companies in which the Council has an interest is an integral part of the governance arrangements of the Council as these ventures involve the expenditure of public money and the stewardship of public resources.

Summary of Work

In 2019-20 the Audit Committee has been kept updated by the external auditor and senior officers, on progress regarding the group accounts and specifically issues connected to the Council's governance of Robin Hood Energy. The external auditor has recently issued a Report in the Public Interest in respect of this issue. This marks a very serious position for the Council's governance role in respect of its companies and indicates significant deficiencies in overall Council governance. The Council has agreed and published an [Action Plan](#) to respond to the external auditor's recommendations and included three further areas which it considers needs improvement. The Audit Committee will be involved in reviewing progress on the Council's action plan, and taking any actions indicated for the Audit Committee itself.

Grant Thornton our external auditor has recently issued a Report in the Public Interest which the Council has agreed and published an action plan.

Counter Fraud Strategy and Whistleblowing Policy

Rationale

The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity. As part of its purpose to oversee proposed and actual changes to the Council's policies and procedures pertaining to governance, the committee has a responsibility to monitor the counter-fraud strategy, actions and resources.

Summary of Work

The committee received an update on counter fraud and whistleblowing arrangements within the Annual Internal Audit Report.

Risk Management

A purpose of the Audit Committee is to provide independent review of the Council's governance, risk management and control frameworks.

Risk Management

Rationale

The Committee's key risk management role is to provide assurance on the adequacy of the Council's Risk Management Framework (RMF) and the associated control environment by reviewing the mechanisms for assessing and managing risk.

Summary of Work

In January 2020 the Committee received an update on the RMF and Corporate Risk Register. The committee has considered risk and linked assurances around Treasury Management as part of training in September 2019, Health & Safety and Information Technology & Information Governance in January 2020, and received presentations on IICSA in September 2019 and on Governance of Major Projects in February 2020.

IICSA was an inquiry into a significant number of allegations (including physical and sexual abuse) of historical abuse, dating back as far as the 1940's, in children's homes previously operated by Nottinghamshire County and Nottingham City councils and other organisations. The presentation covered the Council's response to the inquiry's report and recommendations including progress against the Council's initial action plan. The Committee was assured that the care that children receive now is unrecognisable from that historically. Many additional measures had been put in place to minimise the risk of abuse. The inquiry was being used to help shape today's practice, and the Council was in the process of procuring an independent external evaluation from the NSPCC to ensure that a comprehensive action plan was developed in partnership. The committee received an update on the comprehensive action plans for IICSA and an Ofsted focussed visit report in its first meeting in 2020-21.

Treasury Management

Rationale

Treasury management is the management of an organisation's borrowings and investments, the effective management of the associated risks and the pursuit of optimum performance or return consistent with those risks.

The Council's treasury management function operates in accordance with the CIPFA Treasury Management Code of Practice (the TM Code) and Prudential Code. The TM Code requires authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. At Nottingham City Council

this role is performed by the Audit Committee, and how this role was executed is detailed in the following paragraphs.

Under this code the annual Treasury Management Strategy, including the Investment Strategy, is considered and approved by a meeting of Full Council before the beginning of the financial year to which it applies.

In undertaking this function, the Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices, and to deliver this in advance of the associated strategies being formally approved by Council. This provides an opportunity for detailed scrutiny and analysis of the Treasury Management Strategy and Investment Strategy by those charged with governance.

Summary of Work

The Committee took part in training in Treasury Management in September 2019. It scrutinised and gained assurance from the regular reports it received in the period regarding City Council's Treasury Management Strategy and performance reports including the Treasury Management Annual Report. The Committee reviewed the Treasury Management Annual Report and Half Yearly Update.

The Committee requested that in future the report includes

- original forecast and current forecast columns to allow better scrutiny of schemes subject to slippage;
- a list of schemes contributing to increase in operational borrowing boundary

In February 2020 the committee considered the Treasury Management Strategy for 2020/21 in particular:

- the Strategy for Debt Repayment (Minimum Revenue Provision) in 2020/21
- the Treasury Management Investment Strategy for 2020/21;
- the Prudential Indicators and limits for 2020/21 to 2022/23;
- the Treasury Management Policy Statement

Alongside this the Capital Investment Strategy was considered.

The committee has therefore met its scrutiny obligations in respect of Treasury Management.

Performance Management

Rationale

The Committee receives annual reports in respect of how the Council's Performance Management Framework (PMF) is being implemented across the Council, which guides its management of non-financial, strategic and operational performance. This gives the Committee an insight into how strategic and operational performance is being managed and how the use of the PMF affects the Council's exposure to risk and the control environment.

The Council Plan stresses the importance of having effective performance management in place which effectively measures and reports success in delivering its key priorities. It is also enshrined in The Nottingham Plan to 2020, which forms

the key overarching strategic plan for the public service agencies to deliver the priorities for the city by 2020.

Summary of Work

The Committee received a report in February 2020 noting the corporate performance framework used and including

- how the Council Plan 2019-2023 had been formed
- Council Plan Performance Reporting
- performance management software
- the Corporate Performance Management Framework (PMF)
- progress update on internal audit recommendations made in 2019

External Audit, Inspection and Assurance

This area of work covers external providers of assurance including external audit, which is the key external provider of assurance for financial stewardship and accountability.

External Audit

Rationale

The Committee has a duty to scrutinise the Council's financial and non-financial performance, to the extent that it affects the Council's exposure to risk and the control environment, and to oversee the financial reporting process. It also has the responsibility to approve the Council's Statement of Accounts (SOA) and to consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

External audit gives an independent view of the stewardship and accountability roles of the Council. The duties and powers of the external auditor are set out in statute and in the Audit Commission's statutory code of practice.

Summary of work

Throughout the year the Committee received reports from the Council's external auditors, detailing their work plans and the progress they had made. The audit plan followed the approach of previous years and the external auditors discussed key audit risks with the committee, and identified where problems had occurred and advised on the likely impacts and potential courses of action.

The external auditor prepared and presented a draft findings report in July 2019. This allowed the Committee to obtain independent assurance in respect of the overall governance arrangements set in place by the Council. The draft report included assurance that

- NCC accounting practices were appropriate
- the complex set of accounts including working papers had been prepared to a good standard and conformed well to CIPFA standards
- other information to be published with the financial statements was consistent with the auditor's knowledge of the Council and the financial statements audited.

These observations were repeated when the report was revisited in July 2020. However at the completion of the audit the external auditor noted material movements in the financial accounts in relation to

- the financial performance of RHE, and the associated impairments necessary to loan balances and equity held by Nottingham City Council as the parent body.
- the national McCloud pension issue, the impact of which was to increase total expenditure in the Council and Group Comprehensive Income and Expenditure Statement by £15.3m and the net pension liability in the Balance Sheet by £30.3m.

“The disclosures in the notes to the group accounts were enhanced on audit. Subject to the above adjustment, we obtained sufficient audit assurance to conclude that:

** the Authority’s assessment of which entities should be consolidated within the group was reasonable;*

** The Authority’s consolidation process was appropriate.”*

“The Annual Governance Statement has had to be extensively updated to reflect events which have taken place since the original version was prepared in May 2019. We are satisfied that the latest version meets the disclosure requirements and is not misleading or inconsistent with other information.”

“Management need to update their forecasts in the light of the current circumstances, in particular:

** Financial plans and budgets for members to approve, which continue into the medium term,*

** The assessment of the level of balances and reserves held by the Council,*

** The monitoring of the cash position and how this has been estimated going forward to cover the 12 months from the date of approval to the financial statements..”*

– Grant Thornton UK LLP

External auditors identified delivery of budgets and group governance as significant value for money audit risks prior to audit. Work around value for money for 2018-19 was still continuing as at July 2020 and the Committee hopes to receive this assessment soon. In August 2020 the external auditor exercised his formal powers by issuing a Report in the Public Interest on work on the Council’s arrangements for governance of its companies. The Council has formally responded to this report.

Local Government and Social Care Ombudsman – Complaints Annual Assurance 2018-19

Rationale

Each year all local authorities are provided with a letter from the Ombudsman (LGO) and a report covering their performance with regard to dealing with complaints in the previous financial year.

Complaints need to be used to influence service improvement and therefore to increase customer satisfaction and to highlight areas where controls may be failing.

The Council is still the responsible body for complaints about housing provided by Nottingham City Homes and their figures are included in the Council's Annual Letter from the LGO.

Summary of work

The letter from the Ombudsman was noted, in particular that of the 98 complaints reviewed by the Ombudsman, 18 had been upheld, which was an increase on the previous year, and comparable to other core cities. In 2018/2019, 19 adult social care complaints were considered by the Ombudsman, compared with 3 in the previous year's reporting period. Of the 19 complaints, 10 were upheld, whilst no fault was found in the remaining 9 complaints. This substantial increase in Ombudsman's investigations was due, in part, to the number of complaints about transport decisions received after the revised transport policy took effect. The Ombudsman recommended a change to the policy and a review of a number of decisions. The Committee heard that due to the low numbers of complaints investigated for each core city, the variation year on year in upheld rate can be significant and a city can go from best to worst performing on this statistic or vice versa in successive years, without the underlying performance of the systems concerned being responsible.

Ombudsman reviewed 98 complaints, 18 were upheld

Comparable subjects to other core cities.

In order to provide a better understanding of the assurance gained from management of complaints the assurance report set out complaints performance for the Council of which Ombudsman complaints form a very small part. The Committee was provided with information about performance of the Have Your Say process, the statutory social care complaints process and the schools admissions appeals process.

Internal Audit and Counter Fraud

Rationale

One of the Committee's key roles is to review and monitor the work of Internal Audit (IA). The Public Sector Internal Audit Standards (PSIAS) set out the requirements for Internal Audit, and the Audit Charter sets out the Council's terms of reference for the service. External and internal assessments of Internal Audit under the PSIAS and its Quality Assurance and Improvement Plan (QAIP) help the Committee assess the performance and effectiveness of the service.

The Accounts and Audit Regulations 2015 state that local authorities must 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. The PSIAS require that the responsibility for the management of Internal Audit is set with the Board. In practical terms, at the City Council, this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City Council.

Summary of work

The service affects the achievement of corporate objectives by bringing a systematic disciplined approach to improve the effectiveness of risk management control and governance processes and is an important part of the Council's governance and control framework. I would like to thank the Head of Audit & Risk for his support and guidance to myself and the committee, and his performance has been exemplary. He has had unrestricted access and has met with me, and with other members, privately on a number of occasions as the need arose during the year.

The Audit Committee agreed

- the Internal Audit Charter.
- the Internal Audit Annual Workplan
- performance updates.

IA continue to coordinate Counterfraud activities in line with the Counterfraud Strategy as reported in IA quarterly and annual reports. Counterfraud activities had made significant contributions in 2018-19 by exceeding savings and income targets

The Audit Committee received

- the Internal Audit Annual Report containing a significant level of assurance from the HoIA that the internal control system was operating effectively within the Council and its significant partners and associated groups but noted that the financial and overall control framework was under stress. The HoIA's annual opinion regarding East Midlands Shared Services was noted as part of the Committee's deliberations regarding the organisation's annual report. This opinion of the position in 2018-19 has changed as a result of the 2018-19 external audit and other developments, as the committee heard in the Revised 2018-19 AGS.
- an overview of external assurances as part of the Internal Audit Annual Report

Financial Reporting

Statement of Accounts (SOA)

Rationale

The SOA is an annual publication that shows how the Council's resources have been utilised, it must be prepared in accordance with all legislative requirements and professional best practice, and approved by the Council within a defined timescale. The Committee's terms of reference include a duty to review and approve the Council's SOA on behalf of the Council.

Summary of Work

In January 2020 the Committee reviewed and agreed the accounting policies on which the 2019-20 annual accounts have been prepared. The 2018/19 SOA and AGS were received and discussed by the Committee in July 2019, and again in July 2020 following the delayed conclusion of the external audit. The Committee maintained a dialogue with the external auditor and noted the issues identified by him, whilst continuing to seek assurances from officers of the Council and group companies that these were being addressed. The Committee notes that more robust assurance is required in future years for timely completion of group company audits.

Role of the Audit Committee and Annual Work Programme

Rationale

An Audit Committee is central to the provision of effective corporate governance. It is important that local authorities have independent assurance about the mechanisms underpinning their governance arrangements. It is recognised that high performing councils develop effective financial and non-financial control mechanisms through the ongoing liaison and development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, with terms of reference focussed on the key audit, control and risk management areas critical to the Council's performance. The work of the Committee supports the Council's aim to improve its efficiency and effectiveness. In common with the requirement for Overview & Scrutiny Committees/Panels, and in accordance with CIPFA guidance, the Committee is politically balanced and does not have Executive membership.

Summary of work

The Committee has periodically considered and endorsed reports detailing its work programme. This work aims to improve the Committee's efficiency and effectiveness and ensure it addresses its terms of reference as approved by the City Council and has regard to relevant guidance. Coverage as contained in the programme is essential for the Committee to gain assurance regarding governance on behalf of the Council. In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair produces an annual report in respect of its activities. The last annual report outlined the work undertaken by the Committee and how that related to its core responsibilities to demonstrate how the committee had fulfilled its designated role and contributed to the Council's governance framework.

Looking Forward

The Audit Committee will amongst other activities

- respond to requirements resulting from the Report in the Public Interest including
 - full involvement of the Chair in the review of committees' Terms of Reference
 - receiving training on the roles of Executive Board, Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee and the Audit Committee and how to recognise conflicts of interest
 - supporting the continuing development and refinement of Council company risks included in the risk register, including receiving a report on the high level risk register regularly as determined by review
 - considering the findings of the reviews set out in the Council's action plan
- have oversight of the Corporate Risk Register and associated management assurance frameworks including examination of key risks as needed
- review the Council's response to the Covid-19 pandemic

Independence

The key criterion in assessing the independence of the Committee is that its members are non-executives and their conduct on the Committee is independent of

political allegiances. There have been a number of challenges in maintaining this independence throughout the year, and councillors have sought advice from legal and governance officers to achieve this requirement, and we have left the meeting where a conflict of interest was apparent. We accept the observations of the external auditor about the conflicts of interest that arise when councillors act as directors on council owned companies and the Council will make appropriate arrangements including for the Audit Committee once its governance review is concluded. The Redmond Review on Local Audit has reported this month and we will also take this report into consideration going forward. I thank members of the Committee for their contribution.

Training & Development

Members of the committee attended a training session in September 2019 facilitated by Link Asset Services (who advise the Council on Treasury Management), with the aim of providing members with an overview of Treasury Management, the challenges and key areas the committee should focus on. The programme for this event was:

- An overview of treasury management, risk and Members' role
- The economy and the risks this raises from a treasury management perspective
- Interest rate expectations
- The Council's Balance Sheet in simple terms and what this means for treasury management
- Internal borrowing – the risks and benefits
- Debt management
- Investment issues

Training sessions on the Statement of Accounts took place in July 2019. Further refresher training will take place prior to members' consideration of the 2019/20 Statement of Accounts. New member induction training took place as required and the role of members on the Audit Committee was outlined and discussed as part of its work programming (as set out above).

An annual training programme will be developed as part of the response to the Report in the Public Interest to ensure that members are able to fulfil their roles effectively.

Conclusion

Having considered the available guidance, the terms of reference and duties of the Audit Committee, and the work undertaken over the period since the last annual report, it is my assessment that the Committee has carried out its roles effectively during 2019/20. However, it should be noted that the Committee's roles and responsibilities are currently being reviewed as part of the response to the Report in the Public Interest.

Appendix A - Analysis of Audit Committee Work Programme

Description	Report	Meeting			
(a) Main Purposes:					
1. The Audit Committee is a key component of Nottingham City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.	Annual Audit Committee Report		29JUL		
2. Provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.	External Audit Report, Annual Audit Committee Report Annual Governance Statement (AGS) reports	5JUL	29JUL		
3. Provide independent review of the Council's governance, risk management and control frameworks.	AGS & Risk Management reports			JAN	FEB
4. Oversee the financial reporting and annual governance processes.	Statement of Accounts & AGS reports	5JUL	29JUL		
5. Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.	Annual IA Plan and updates & EA Updates		14OCT (2)	JAN	FEB
6. 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.	Statement of Accounts, EA Updates, IICSA, Performance & Corporate Risk reports and presentations	5JUL	29JUL		
7. Oversee proposed and actual changes to the Council's policies and procedures pertaining to governance.	Non-Executive Amendments to the Constitution, Interim AGS & Governance Framework Updates	5JUL	29JUL	JAN	FEB

Description	Report	Meeting			
(B) Main Functions:					
Governance, Risk & Control					
1. Review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	AGS reports		29JUL		
2. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	AGS	5JUL	29JUL		
3. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	Annual Audit Letter		29JUL		
4. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	Assurance Reports (H&S ITG Complaints Partnerships)		29JUL	SEP	
5. Receive and consider the results of reports from external inspectors, Ombudsman and similar bodies and from statutory officers.	Annual summary of External Inspections, IICSA, Complaints & LG Ombudsman		29JUL	SEP	
6. Monitor the effective development and operation of risk management in the council.	Risk Management Updates & Strategic Risk Presentations			JAN	
7. Monitor progress in addressing risk-related issues reported to the committee.	Risk Management Updates, External Audit of Group & Major Projects Presentation		14OCT (2)	JAN	FEB
8. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	IA Progress Updates & Service presentations as required		29JUL		

Description	Report	Meeting			
9. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	Annual IA Report & Annual Audit Letter		29JUL		
10. Monitor the counter fraud strategy, actions and resources.	Annual IA Report		29JUL		
11. Review the governance and assurance arrangements for significant partnerships or collaborations, including the Partnership Governance Framework, annual health checks and the Register of Significant Partnerships.	Partnership Governance				
12. Commission work from internal and external audit.	[Audit Committee will commission any additional work it has determined that it requires to meet its terms of reference]	Not applicable in 2019/20			
13. Consider arrangements for and the merits of operating quality assurance and performance management processes.	Council Plan Corporate Performance				FEB
14. Consider the exercise of officers' statutory responsibilities and of functions delegated to officers.	e.g. S114A & S5A reports	Not applicable in 2019/20			
15. Effectively scrutinise, review and monitor treasury management strategies and policies in accordance with guidance issued to local authorities, and make appropriate recommendations to the responsible body.	Treasury Management Strategy and TM Performance	5JUL		SEP	
16. Consider any appeals made by an employee against decisions made by the Appointments and Conditions of Service Committee relating to a grievance made against the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees.	[Audit Committee will be advised by officers if/when it is required to carry out this role]	Not applicable in 2019/20			
Financial Reporting					
17. 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.	Statement of Accounts		29JUL		
			14OCT (2)		

Description	Report	Meeting			
18. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	ISA 260 report (with Statement of Accounts)		29JUL		
19. Approve the Council's Statement of Accounts and associated governance and accounting policy documents	Accounting Policies, Statement of Accounts, ISA260 & Annual Governance reports		29JUL	SEP	
				JAN	
External Audit					
20. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	Annual Audit Letter		29JUL		
21. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	Annual Audit Letter		29JUL		
22. Consider specific reports as agreed with the external auditor.	e.g. public interest reports		14OCT (2)		
23. Comment on the scope and depth of external audit work and to ensure it gives value for money.	EA reports	5JUL	29JUL		
24. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	Annual Audit Committee Report		14OCT (2)		
			29JUL		
Internal Audit					
25. Undertake the duties of the Board mandated by PSIAS as identified in Appendix 2.	PSIAS duties are listed below		29JUL		
26. Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services.	IA Progress Reports		29JUL		FEB

Description	Report	Meeting			
27. Consider the head of internal audit's annual report.	Annual IA Report		29JUL		
28. Consider summaries of specific internal audit reports as requested.	IA Progress Reports		29JUL		FEB
Accountability Arrangements					
29. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.	Annual Audit Committee Report		29JUL		
30. Report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	Annual Audit Committee Report		29JUL		
31. Publish an annual report on the work of the committee.	Annual Audit Committee Report		29JUL		
PSIAS Duty of the Board					
1. Approve the Internal Audit Charter	Annual IA Report		29JUL		
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	Annual IA Report		29JUL		
3. Approve decisions relating to the appointment and removal of the Chief Audit Executive	[If required the S151 Officer will provide a report]	Not applicable in 2019/20			
4. Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Annual IA Report		29JUL		

Description	Report	Meeting			
5. Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Annual IA Report		29JUL		
6. The Chair to provide feedback for the Chief Audit Executive's performance appraisal	Annual Audit Committee Report		29JUL		
7. Provide free and unfettered access to the Audit Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.	Annual IA Report		29JUL		
8. Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.	Annual IA Report		29JUL		
9. Approve significant additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	IA Progress Reports		29JUL		
10. Contribute to the QAIP and in particular, to oversee the external quality assessment of internal audit that takes place at least once every five years.	Annual IA Report		29JUL		
11. Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Annual IA Report		29JUL		
12. 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	Annual IA Report		29JUL		
13. 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.	Annual IA Report		29JUL		

Description	Report	Meeting			
14. Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Annual IA Report		29JUL		

Appendix B – List of Reports to Audit Committee by Date

5 Jul 2019

DRAFT STATEMENT OF ACCOUNTS 2018-19
Report of the Strategic Director for Finance

EXTERNAL AUDIT UPDATE
Verbal Update of the External Auditors

TREASURY MANAGEMENT 2017/18 ANNUAL REPORT
Report of the Strategic Director of Finance

INTERIM ANNUAL GOVERNANCE STATEMENT 2018-19
Report of the Strategic Director of Finance

AUDIT COMMITTEE TERMS OF REFERENCE AND
ANNUAL WORK PROGRAMME
Report of the Director of Strategic Finance

EMSS ANNUAL REPORT 2017/2018
Report of the Strategic Director of Finance

29 Jul 2019

NON-EXECUTIVE AMENDMENTS TO THE CONSTITUTION
Report of the Director of Legal and Governance

EXTERNAL AUDIT REPORT
Report of the External Auditors

STATEMENT OF ACCOUNTS 2018-19
Report of the Strategic Director of Finance

ANNUAL GOVERNANCE STATEMENT 2018-19
Report of the Strategic Director of Finance

AUDIT COMMITTEE ANNUAL REPORT 2018-19
Report of the Chair of Audit Committee (2017/18)

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2018-19
Report of the Strategic Director of Finance

Sep 2019

INDEPENDENT INQUIRY INTO CHILD SEXUAL ABUSE (IICSA) REPORT
Presentation by Leader of the Council & Director for Children and Adults

TREASURY MANAGEMENT TRAINING SESSION
Verbal Presentation by Link Asset Services

COMPLAINTS ANNUAL ASSURANCE 2018-19 REPORT
Report of the Corporate Director for Strategy and Resources

STATEMENT OF ACCOUNTS UPDATE
Verbal Report - Draft Statement of Accounts

14 Oct 2019 (1)

AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK
PROGRAMME
Report of the Director of Strategic Finance

14 Oct 2019 (2)

EXTERNAL AUDIT OF NOTTINGHAM CITY COUNCIL GROUP
Verbal Update of the External Auditors

Jan 2020

NON-EXECUTIVE AMENDMENTS TO THE CONSTITUTION

Report of the Director of Legal and Governance

ANNUAL REPORT OF HEALTH AND SAFETY WITHIN THE COUNCIL

Report of the Director of Legal and Governance

TREASURY MANAGEMENT 2019-20 HALF YEARLY UPDATE

Report of the Strategic Director of Finance

REVIEW OF ACCOUNTING POLICIES 2018/19

Report of the Strategic Director of Finance

RISK MANAGEMENT FRAMEWORK AND CORPORATE RISK REGISTER UPDATE

Report of the Strategic Director for Finance

ANNUAL INFORMATION GOVERNANCE AND COMPLIANCE ASSURANCE

Report of the Director of Legal and Governance

Feb 2020

GOVERNANCE OF MAJOR PROJECTS

Presentation by the Head of Major Projects

PARTNERSHIP GOVERNANCE ANNUAL HEALTH CHECKS OF NOTTINGHAM CITY COUNCIL'S SIGNIFICANT PARTNERSHIPS

Report of the Director of Strategy and Policy and the Head of Analysis and
Insight

COUNCIL PLAN CORPORATE PERFORMANCE REPORTING

Report of the Corporate Director for Strategy and Resources

TREASURY MANAGEMENT STRATEGY 2020/21 AND CAPITAL & INVESTMENT STRATEGY 2020/21

Report of the Strategic Director of Finance and S151 Officer

ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2018/19 AND PROCESS FOR PRODUCING 2019/20 STATEMENT

Report of the Corporate Director for Strategy & Resources

INTERNAL AUDIT PROGRESS REPORT 2019/20

Report of the Strategic Director of Finance

AUDIT COMMITTEE WORK PROGRAMME