

City Council - 7 March 2022

Report of the Chair of Audit Committee

Corporate Director/ Director:

Clive Heaphy, Interim Corporate Director of Finance and Resources

Report Author and Contact Details:

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Title: Audit Committee Annual Report 2020/2021

Does the report form part of the Budget or Policy Framework?

Yes No

Does this report contain any information that is exempt from publication?

No

Relevant Council Plan Key Outcome:

Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Healthy and Inclusive	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input checked="" type="checkbox"/>

1. Summary

- 1.1 This report summarises the work undertaken by the Audit Committee over the year 2020/21, and explains how the Committee has filled its designated role within the Constitution and how this work relates to its core responsibilities.

2. Recommendations

- 2.1 To note the work undertaken by the Audit Committee during 2020/21.
- 2.2 To accept the Audit Committee Annual Report 2020/21, as set out at Appendix 1.

3. Reasons for recommendations

- 3.1 The Audit Committee is accountable to Council and the report is brought in accordance with Article 9 of the Constitution.

4. Other options considered in making recommendations

- 4.1 None. The report is required as set out in the Constitution.

5. **Consideration of Risk**

- 5.1 The purpose of the Audit Committee is expanded in Appendix 1, but includes to:
- provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment;
 - provide independent review of the Council's governance, risk management and control frameworks; and
 - consider related assurances.

6. **Background (including outcomes of consultation)**

- 6.1 The Committee is a key component of corporate governance. CIPFA guidance for audit committees states that:

'The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.'

Meaning that taking actions towards this purpose helps fulfil the statutory obligations of the Council under the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972.

- 6.2 The overall aim of good governance is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities
 - there is sound and inclusive decision making
 - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 6.3 The Audit Committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.
- 6.4 Whilst the Audit Committee exists partly to oversee proposed and actual changes to the Council's policies and procedures pertaining to governance, the Executive and senior management have responsibility for implementing these arrangements. In order to support this the Committee has approved a strategy, clear frameworks and processes for managing risk.
- 6.5 Good governance maintains and increases public confidence in the objectivity and fairness of financial and other reporting, and service planning, delivery, and improvement. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.
- 6.6 An effective Audit Committee both supports and challenges, and in doing so helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council and should enhance public trust and confidence in the governance of the Council.

- 6.7 In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair has produced this annual report in respect of its activities in 2020/21. It aims to develop the Council's commitment to improving corporate governance.
- 6.8 The report at Appendix 1 summarises the work undertaken by the Committee during 2020/21, shows the topics it discussed and uses its Terms of Reference to demonstrate how it met its objectives and responsibilities. The report recognises the positive contributions of councillors and colleagues in the deliberations of the Committee and the positive effect the Committee has had on the Council's governance arrangements. The report categorises the work under the broad themes below:
- Assurance Statements and Governance;
 - Risk Management;
 - Performance Management and Value for Money;
 - External Audit, Inspection and Assurance;
 - Internal Audit and Counter Fraud; and
 - Financial Reporting.
- It also comments on the Committee's:
- independence; and
 - training and Development.
- 6.9 The work undertaken is crosscutting, however, and the work covered in each theme is complimentary to that reported in the other themes.
- 6.10 CIPFA guidance referred to in this paper and its Appendix is the guidance which was current in 2020/21 as shown below.

7. Finance colleague comments (including implications and value for money)

- 7.1 Any financial impact as a direct or indirect result of the work undertaken by the Audit Committee has been included in the Medium Term Financial Plan at the appropriate time, either in-year or in future years.

Phil Gretton, Strategic Finance Business Partner 15/02/2022

8. Legal colleague comments

- 8.1 Audit committees are a key component of corporate governance.
- 8.2 They provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 8.3 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require the Council to make arrangements for the proper administration of their financial affairs.
- 8.4 The authority must ensure 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.

8.5 The Audit Committee is a committee of Council. The Committee terms of reference are set out at Article 9 of the Council Constitution. This report fulfils the requirement to report annually to Council on the work of the Committee.

Beth Brown, Head of Legal and Governance 24/02/2022

9. Other relevant comments

9.1 Not Applicable

10. Crime and Disorder Implications (If Applicable)

10.1 Not Applicable

11. Social value considerations (If Applicable)

11.1 Not Applicable

12. Regard to the NHS Constitution (If Applicable)

12.1 Not Applicable

13. Equality Impact Assessment (EIA)

13.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because no proposals are made in this report and no equalities or diversity issues arise from the report.

14. Data Protection Impact Assessment (DPIA)

14.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA is not required because no proposals are made in this report and no personal data has been used in preparing the report.

15. Carbon Impact Assessment (CIA)

15.1 Has the carbon impact of the proposals in this report been assessed?

No



A CIA is not required because no proposals are made in this report.

16. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

16.1 None

17. Published documents referred to in this report

17.1 Accounts and Audit Regulations 2015

- 17.2 CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018
- 17.3 CIPFA Delivering Good Governance in Local Government – Guidance Notes for English Authorities 2016 Edition
- 17.4 Nottingham City Council Constitution Version 8

Councillor Audra Wynter
Chair of Audit Committee