

# **Audit Committee Annual Report 2023/24**

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## Foreword by the Chair

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2023/2024. Council is requested to take note of the work conducted by the Audit Committee in improving and enhancing the governance arrangements throughout the Council.

The report illustrates how the Audit Committee makes a positive contribution to the Council's governance, risk and control environments. These cover aspects such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting and assurance over improvement programmes.

The Committee is supported by officers through reports, presentations, and briefings, and makes recommendations for officers to take on suggestions to ensure the benefits of this Committee are passed onto our citizens through improvements to the governance, risk and control environment.

I would like to thank Councillor Samuel Gardiner for chairing the Committee during 2023/24 and his Vice Chair, Councillor Sulcan Mahmood, and the Internal Audit and the External Audit teams for their input. I should also like to thank all the officers, and all fellow Committee members who have contributed to, and supported the work of the Committee throughout the past year challenging officers to ensure our governance, risk, and control processes are effective, open, and transparent. Special thanks also go to Shail Shah for his years of dedication and support as Head of Internal Audit and Risk, the committee wishes him well in retirement.

Key highlights of the Committee's work in 2023/24 included

- Regular reports on improved controls around exemption from Financial Regulations resulting in a significant reduction in exemptions requested and subsequently approved.
- The approval and initial work on the Audit Committee Improvement Plan, including a self-assessment session, and Committee Member Skills and Knowledge review in line with CIPFA best practice
- Progress towards production of Financial Statements and in the statutory audit
- Reports from theme leads on progress, governance, risk and control in the Together for Nottingham Plan and in Improvement and Assurance Board requirements
- Regular oversight of the work following the S151 Officers S114 report and activity to build improvement in financial controls
- Improvement plans and progress resulting from Limited Assurance Internal Audit Reports and external assurance provider reports
- Agreed in Principle for the implementation of an external independent member joining the Audit Committee.
- Worked with Officers to introduce of accountability with the Financial Improvement Plan

For 2024/25, as Audit Committee Chair, I look forward to continuing to support the Council by ensuring that the Committee:

- focuses on self-improvement, driving actions within the Audit Committee Improvement Plan, following best practice, and is proactive and forward thinking
- continues to recognise issues that require its focus, prioritising the most significant corporate risks and issues



- seeks to gain assurance and challenge weaknesses in governance, risk management, and control
- seeks assurance that work on the Nottingham City Improvement Plan advances at pace and the frameworks in which it operates are robust.

## **The Purpose and Aims of Audit Committees**

The Audit Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2022. The Guidance suggests the purpose of an Audit Committee as follows:

1. To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.
2. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

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, Corporate Directors, 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 risk management and financial reporting.

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 Council objectives are met;
- helps the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption

## **Terms of Reference**

The Terms of Reference were reviewed as required by the Report in the Public Interest. As part of the work towards the Audit Committee Improvement Plan addition work as initiated a to bring the committee Terms of Reference into line with the new CIPFA guidance, issued in 2022. This review got underway towards the end of 2023/24 following the approval of the Audit Committee Improvement Plan in March 2024 and the committee will endorse the new terms of reference to Full Council as part of the 2024/25 Work Programme.

## **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 the municipal year 2023/2024 were:  
Councillor Samuel Gardiner – Labour (Chair)

Councillor Sulcan Mahmood – Labour (Vice Chair)  
Councillor Graham Chapman – Labour (to December 2023)  
Councillor Michael Edwards – Labour  
Councillor AJ Matsiko – Labour  
Councillor Naim Salim – Labour  
Councillor Eunice Regan – Labour (from February 2024)  
Councillor Andrew Rule – Independent Group  
Councillor Adele Williams – Labour  
Vacancy – Labour

### **Work Undertaken**

Throughout 2023/24 the work of the committee has continued to be impacted by a range of significant events:

- the Improvement & Assurance Board Statement of Requirements and Statutory Directions,
- The report made under Section 114(2) of the Local Government and Finance Act 1988 issued by the Chief Financial Officer regarding unlawful transactions connected to the Housing Revenue Account in December 2021
- External Review of Housing Financial Management issued 2022/23
- External Auditors report in the Public Interest, and the Non statutory review by Max Caller commissioned by the Secretary of State, both issued in 2020/21.
- The report made under part VIII s.114(3) of the Local Government Finance Act 1988 issued by the Chief Financial Officer in November 2023
- Appointment of Commissioners in 2023/24

The committee has continued to seek assurances from across the Council's improvement plan and to understand progress of work in relation to, and seek assurance around, financial controls through regular progress updates on financial statement audits and completion, and also on the Finance Improvement Plan.

Appendix A sets out how the reports received through 2023/24 have fulfilled the purpose and objectives of the committee throughout the year, with regular reports monitoring the progress of the Financial Improvement Plan and the progress on the outstanding Statements of Accounts and External Audit reports with Appendix B setting out the reports received by the committee by month. The Audit Committee Work Programme 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.

Reports on the following areas were considered by the committee during the year:

- The Together for Nottingham Plan and the directions issued by the Improvement and Assurance Board including:
  - Asset Management
  - Companies Governance
  - Corporate Governance
  - Corporate Planning
  - Finance
- Statements of Accounts
  - External Audit updates and the Value for Money report
  - Chief Finance Officer updates and statement progress monitoring
- Financial Management

- Control over Procurement Exemptions
- Financial Controls Assessment and the Financial Improvement Plan
- Treasury Management
- Accounting Policies
- Annual Investment Strategy Revision 2023/24
- Annual Assurance Reports
  - HR and Equality, Diversity and Inclusion
  - Information Compliance and Information Security
  - Complaints & Local Government Ombudsman Annual Letter
  - East Midlands Shared Services Annual Report
- Responding to assurance concerns
  - Contract Management and Procurement
  - HR and Payroll
  - Appointeeship
  - Expenses
  - Physical and Environmental Security
- Risk Management and Corporate Risk and Assurance Register
- Internal Audit
- Audit Committee Improvement, Annual Work Programme & Performance

### **Impact**

The recommendation tracker was introduced in late 2022 to ensure that actions and recommendations made by the committee were considered by leadership and senior officers and responded to appropriately. In 2023/24 the committee made a number of recommendations that added value and made an impact across the Council with the following recommendations in particular, supporting improvement:

At the June 2023 meeting the Committee referred the Equality, Diversity and Inclusion Strategy to the Overview and Scrutiny function highlighting the need for additional work. The strategy was subsequently taken through the scrutiny process and a new EDI strategy is being implemented in Autumn 2024.

At the June 2023 meeting the committee recommended that a CIPFA Self-Assessment on the Audit Committee was undertaken. This was completed in early 2024 and led to the production of the Audit Committee Improvement plan designed to ensure efficiency and that the committee supports and adds value to the improvement journey.

At the February 2024 meeting the committee requested a refinement to the Capital Strategy, Annex C, Section 4 to better set out which Service Investments in the Register of Service Investment table have been impaired by the Council leading to a more accessible report for Councillors and for the public, improving transparency and accountability within the Council.

### **Independence**

The key criteria in assessing the independence of the committee are that its members are non-executives, and their conduct on the committee is independent of political allegiances. Councillors have sought advice from legal and governance officers to achieve this requirement and have made declarations or have left the meeting where a conflict of interest was apparent, as is appropriate. 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's Constitution now precludes Directors of any of the Council's Group of companies being a member of the Audit Committee. The Audit Committee terms of reference

allows for 2 independent members. The opposition member has an open invite to join any chair of audit briefings and any pre-meetings the committee holds.

### **Training & Development**

Training has been provided to committee members during the year on:

- Constitution eLearning
- Risk management (Zurich July 2023)
- Treasury Management (Link Asset Management July 2023)

### **Looking Forward**

Looking forward into 2024/25 the Audit Committee will:

- Confirm its reviewed terms of reference
- seek to strengthen its membership establishing a comprehensive member training schedule
- continue to self-assess its knowledge and skills via an annual CIPFA Self Assessment
- seek assurance on the implementation of the Improvement Plan
- monitor progress in bringing the Council's external audits up to date and ensuring future external audit cycles progress smoothly and on time
- monitor progress on the Financial Improvement Programme
- seek assurance that a corporate assurance framework is owned and managed by the executive and senior management, is fit for purpose and incorporates mapped controls with regular monitoring and appropriate escalation
- seek assurance that the ethical governance framework for councillors and officers is effective
- have oversight of the Corporate Risk Register and associated management assurance frameworks including examination of key risks as needed
- provide challenge to the executive and senior officers to encourage implementation of improvements and delivering best value

### **Conclusion**

I am of the opinion that the Committee has been compliant with the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022, with some clearly identified areas for development, captured within the Audit Committee Improvement Plan. The committee has carried out its role effectively during 2023/24 and will continue to proactively seek assurances required to ensure good governance. The committee has considered a wide range of reports and sought assurance on a significant range of corporate priorities. The committee has remained agile in its work programming and responded to both corporate pressures as they have evolved and external factors. The audit committee has retained its independent and will challenge the executive members and senior officers where necessary. The recommendations arising from the committee are taken seriously and the recommendation tracker continues to be a vital tool of the committee going forward ensuring timely action where necessary. The committee is committed to fulfilling its objective and continuing its improvement journey 2024/25.