

Appendix 1

Audit Committee Annual Report 2018/2019

Foreword by the Chair

A previous Chair of Audit Committee, Ken Williams, when once introduced to a school party, was asked what "audit" meant. He said, originally, "to listen". And if there was one time in the last year when the Committee had to listen and act on what they heard, they demanded action on training, and much improved results were reported at the next cycle.

Such occurrences at Committee are rare, because of the years of the Council improving practice in finances, and more lately, project & service management and performance management. This year saw a whole series of changes recommended by standards bodies being formally adopted and pleasing that so much of it was already in our ways of working. If the work seemed routine, then fine, but the Committee embraced the practice of always looking for either an action or a celebration when presented with a recommendation merely to note, and I wrote a blog entry on every Committee meeting to think how we could be outward looking.

But not always routine - the most dramatic improved practice reported was responding to complaints to the local ombudsmen - a development drawn from learning from other organisations. We also welcomed new insights from our new External Auditors.

We did new things too - we required a report on preparations for Brexit that were then due at the end of March. Requiring action, through the first such report of Chair of Audit Committee to Full Council. The subsequent findings were that the extra review had been useful and brought fresh insights, but that most of the new problems were for other public authorities, and that the most significant risk to the Council was an escalation of an existing corporate risk.

I want to thank the vice-chair Steve Young. He and I took every opportunity to pass on our 40 years combined experience of working in computing for the railways. So thanks to colleagues for their patience and polite smiling when the anecdotes were being shared.

But more seriously, above normal expectations of us, we sought to be outward looking, to learn, to draw conclusions and to celebrate good practice and innovation. My thanks to the Committee members and officers who embraced this approach.

The following report summarises the work performed over the year 2018/2019 and describes how the Committee has contributed to the effectiveness of the Council by the work it has done including:

- Assurance Statements and Governance
 - Updating the Local Code of Corporate Governance
 - Monitoring and approving the Annual Governance Statement and associated activity
 - Monitoring and approving Partnership 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 crosscutting external inspections and assurance reports, ensuring appropriate action is taken on its recommendations
 - Recommending External Audit arrangements for the Council
- 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 helping 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 is 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 of (but not direct) the Internal Audit's strategy and 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 2018/2019 were:

Councillor Michael Edwards (Chair)
 Councillor Steve Young (Vice Chair)
 Councillor Leslie Ayoola
 Councillor Cheryl Barnard
 Councillor Rosemary Healy (to 10th September 2018)
 Councillor John Hartshorne
 Councillor Anne Peach
 Councillor Nick Raine (from 10th September 2018)
 Councillor Andrew Rule
 Councillor Adele Williams

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 B** 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 C**.

Assurance Statements and Governance

The Audit Committee Work Programme shown in **Appendix B** 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 2017/18 AGS was signed by the Leader of the Council and the Chief Executive, was approved by the Committee at its July meeting and was published alongside the SOA. The Committee approved the AGS 2017/18, which identified no new Issues Worth Noting, but those included were updated to reflect what actions had been taken in the last year. During 2018/19 the Committee has received a final update on Blueprint Limited Partnership as an issue worthy of note. The Committee received reports on the progress made in addressing the issues reported in the 2017/18 Statement, and the process and timetable for compiling the 2018/19 statement. In summary the Committee was assured that progress was being made across the areas reported.

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 November 2018 the Committee noted the findings of the Partnership Governance Annual Health Checks which followed work to verify governance documentation of 2 of the 10 partnerships. No further partnerships were added to the Register of Significant Partnerships in 2018-19, Midlands Engine having been included from 2017 with Health Checks from 2018. N2 Skills and Employment Board ceased in 2018 prior to the Health Checks

The Committee was provided with an overview of the Health Checks and the Committee asked that in future, where risk ratings are considered to be consistently poor by the Policy & Performance team following the review, that the Policy & Performance team request plans for the partnership concerned to provide evidence of what action has been or will be taken to mitigate those risks, and that this information is provided to the Audit Committee. Audit Committee can then ask a representative of the partnership concerned to attend the Committee and account for the continued poor performance and their plans to improve.

At its own request the Audit Committee also received a further update in February 2019.

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

With the introduction of the General Data Protection Regulation 2018 and the Data Protection Act 2018 the information governance landscape changed. Audit Committee were kept advised of progress of the project to implement the necessary changes at NCC during 2018-19 and have been provided with 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 approved measures to support 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 April 2018 the Committee received the best practice guidance developed for governance of the group.

In February 2019 an update was provided to the Committee summarising the governance principles, officer and councillor governance structures, and best practice guidance agreed. The report outlined the timeline envisaged for implementation of the structures.

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 endorsed the strategy and policy presented, and were assured that both the strategy, and whistleblowing procedure work and are used.

Risk Management

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

Brexit

Rationale

The City Council, at its meeting on 12 November 2018, asked for

- all service and project plans to be reviewed with regard to Brexit and that assurances of progress be reported to the Audit Committee; and
- a report of the status of the authority's emergency planning with regard to Brexit to be presented to the Audit Committee

Summary of Work

In January 2019 the Committee received the assurances and status report requested by the City Council. The Committee's discussion covered the prioritised risks and mitigations and how the Council's emergency planning had been engaged in this stream of work. The local press attended the Committee meeting and reported on it.

No Deal Brexit Planning

National Context

NCC Methodology and Governance Structure

including coordination and oversight with visibility for the Local Resilience Forum (LRF)

Priority Risks

Emergency Planning

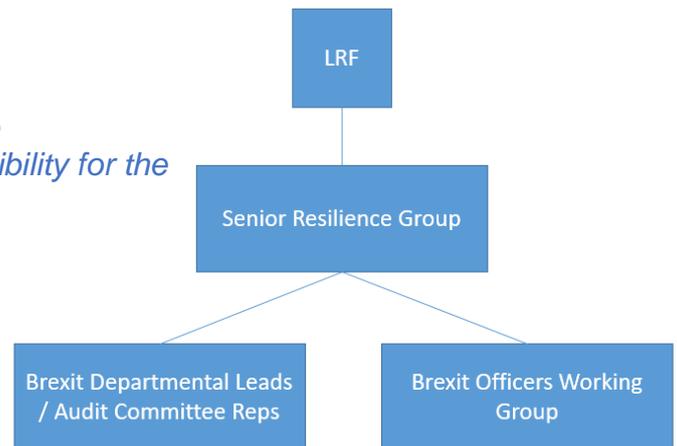
- City Council

- LRF

Government Reporting Regime

LRF Exercise

Concurrent Risks



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 April 2018 the Committee approved the RMF and its Strategy for continuous improvement of risk management. An update was provided in February 2019. The Committee has considered risk and linked assurances around Property Investments in April 2018, Treasury Management as part of training in September 2018, Health and Safety (through a new Health & Safety Annual Report) in November 2018 with an update in February 2019 to report progress on training as a result of the Committee's intervention, and Information Technology and Information Governance in February 2019.

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.

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 2018. 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 noting actions:-

- Treasury Management performance in 2017/18
 - Increase in total borrowing and the rates obtained on new long term borrowing
 - Treasury Management budget outturn
 - Setting and compliance with Operational Boundary, Authorised Limit and Minimum Revenue Provision for debt.
 - Economic context and future borrowing plans
 - Use of money market loans
 - Internal investment
 - Use of external advisors
 - Compliance with Prudential Indicators
 - Performance on interest payable and receivable

- 2018/19 Treasury Management Strategy and update:-
 - An economic update for the first part of the 2018/19 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, and prudential indicators;
 - A review of the Council's investment portfolio for 2018/19;
 - A review of the Council's borrowing strategy for 2018/19;
 - A review of any debt rescheduling undertaken during 2018/19;
 - A review of compliance with Treasury and Prudential Limits for 2018/19

In February 2019 the Committee considered the Treasury Management Strategy for 2019/20 in particular:

- the Strategy for Debt Repayment (Minimum Revenue Provision) in 2019/20
- the Treasury Investment Strategy for 2019/20;
- the Prudential Indicators and limits for 2019/20 to 2021/22;

- 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 noting the progress against the Council Plan to March 2019 in April 2018. In February 2019 it received a report about arrangements for the Council Plan 2015-2019 and for the forthcoming Council Plan 2019-2023. In particular the Corporate Performance Management Framework (PMF) was set out together with accountabilities, reporting, systems in use and the Committee's role and assurance requirements.

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.

"We consider that the overall process for the preparation of your financial statements is sound, we also consider the Authority's accounting practices appropriate"

"We have reviewed the Authority's 2017-18 Narrative Report and have confirmed that it is consistent with the financial statements and our understanding of the Authority."

"...the Authority's 2017-18 Annual Governance Statement... is not misleading and is consistent with other information we are aware of from our audit of the financial statements"

"We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

"We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have commented on the significant challenges facing the Authority and the need for action to address them." – KPMG LLP

This allowed the Committee to obtain independent assurance in respect of the overall governance arrangements set in place by the Council, including assurance that NCC grant related processes and outcomes were similar to other local authorities and that their recommendations were addressed appropriately. External auditors identified delivery of budgets and group governance as significant value for money audit risks.

In November 2018 the Council's new external auditors provided the Audit Committee with an overview by sector of issues which may be relevant to the Council together with forecast development of these issues.

Local Government Ombudsman – Annual Review

Rationale

Each year all local authorities are provided with a letter from the Ombudsman and a report covering their performance with regard to dealing with complaints.

Complaints need to be used to influence service improvement and therefore to increase customer satisfaction and 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 its Annual Letter.

Summary of work

The letter from the Ombudsman was noted in particular that of the 98 complaints reviewed by the Ombudsman, 4 had been upheld, which was a decrease on the previous year, a lower upheld percentage than all other core cities, and among the lowest upheld rates in the country. Overall, the Council's figures reflect the national trend for the main subjects of complaint, which are Adult Care, Benefits and Tax and School Admission / Appeal services. The committee welcomed the sustained improvements in Ombudsman outcomes which coincide with the embedding of NCC's new complaints process. The committee heard how further development of this strand of reporting in 2019 would include those complaints dealt with by NCC in order to provide a better understanding of the assurance gained from management of complaints.

Ombudsman reviewed 98 complaints, 4 were upheld

Comparable subjects to other core cities.

Nottingham has the lowest percentage upheld

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 have made significant contributions in 2017-18 by exceeding savings and income targets
The Audit Committee received

- the Internal Audit Annual Report containing reasonable assurance from the HoIA that the internal control system was operating effectively within the Council and its associated partners. 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
- 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 February 2019 the Committee reviewed and agreed the accounting policies on which the 2018-19 annual accounts have been prepared. The 2017/18 SOA and AGS were received and discussed by the Committee in July 2018, with draft versions of both being received and discussed in June 2018. The Committee noted the issues identified in the associated Annual Audit Letter.

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 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

- select further individual risks from the Corporate Risk Register for scrutiny.
- review and approve the revised version of the Performance Management Framework.
- review other management assurance frameworks
- receive an update on the technical consultation on Business Rates

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. My assessment is that this has been the case this year and I thank members of the Committee for their contribution.

Training & Development

Members of the committee attended a training session in September 2018 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 2018. Further refresher training will take place prior to members' consideration of the 2018/19 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).

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 is that the Committee has carried out its roles effectively during 2018/19.

Appendix B - 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		JUN		
2. Provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.	ISA 260 Report Annual Audit Committee Report Annual Governance Statement (AGS) reports No Deal Brexit Planning	APR	JUN	JUL	
3. Provide independent review of the Council's governance, risk management and control frameworks.	AGS reports	APR	JUN	JUL	
4. Oversee the financial reporting and annual governance processes.	Statement of Accounts & AGS reports		JUN	JUL	
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	APR	JUN	JUL	
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.	PMF & Corporate Risk reports and presentations	APR	JUN	JUL	SEP
7. Oversee proposed and actual changes to the council's policies and procedures pertaining to governance.	Interim AGS & Governance Framework Updates	APR			
				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	APR	JUN	JUL	
				FEB	
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		JUN	JUL	
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			JUL	
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)				SEP
		NOV	JAN	FEB	
5. Receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers.	Annual summary of External Inspections / Complaints & LG Ombudsman)			JUL	SEP
				FEB	
6. Monitor the effective development and operation of risk management in the council.	Risk Management Updates & Strategic Risk Presentations	APR			
				FEB	
7. Monitor progress in addressing risk-related issues reported to the committee.	Risk Management Updates & Strategic Risk Presentations	APR			
			JAN		
8. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	IA updates & Service presentations as required		JUN		
		NOV		FEB	
9. Review the assessment of fraud risks and potential harm to the council from fraud and corruption.	Annual IA Report & Annual Audit Letter		JUN	JUL	
				FEB	

Description	Report	Meeting			
10. Monitor the counter-fraud strategy, actions and resources.	Counter Fraud & Whistleblowing				
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			FEB	
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 2018/19			
13. Consider arrangements for and the merits of operating quality assurance and performance management processes.	Performance Management			FEB	
14. Consider the exercise of officers' statutory responsibilities and of functions delegated to officers.	e.g. S114A & S5A reports	Not applicable in 2018/19			
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		JUN		
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]	NOV		FEB	
		Not applicable in 2018/19			
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		JUN	JUL	
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)			JUL	

Description	Report	Meeting			
19. Approve the Council's Statement of Accounts and associated governance and accounting policy documents	Accounting Policies, Statement of Accounts, ISA260 & Annual Governance reports		JUN	JUL	
				FEB	
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		JUN	JUL	
21. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	Annual Audit Letter			JUL	
22. Consider specific reports as agreed with the external auditor.	e.g. public interest reports	Not applicable in 2018/19			
23. Comment on the scope and depth of external audit work and to ensure it gives value for money.	EA reports			JUL	
		NOV		FEB	
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		JUN		
Internal Audit					
25. Undertake the duties of the Board mandated by PSIAS as identified in Appendix 2.	PSIAS duties are listed below		JUN	JUL	
		NOV		FEB	
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 updates		JUN		
		NOV		FEB	
27. Consider the head of internal audit's annual report.	Annual IA Report		JUN		
28. Consider summaries of specific internal audit reports as requested.	IA updates		JUN		
		NOV		FEB	

Description	Report	Meeting			
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		JUN		
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		JUN		
31. Publish an annual report on the work of the Committee.	Annual Audit Committee Report		JUN		
PSIAS Duty of the Board					
32. Approve the Internal Audit charter	IA Charter		JUL		
33. 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		JUN		
34. 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 2018/19			
35. Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Annual IA Report		JUN		
36. Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Annual IA Report		JUN		
37. The chair to provide feedback for the Chief Audit Executive's performance appraisal	Annual Audit Committee Report		JUN		

Description	Report	Meeting			
38. 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		JUN		
39. 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.	Audit Charter			JUL	
40. Approve significant additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	IA updates		JUN		
41. 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		JUN		
42. Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Annual IA Report		JUN		
43. 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		JUN		
44. 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		JUN		
45. 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		JUN		No such conclusion was reached in the Annual IA Report

Appendix C – List of Reports to Audit Committee by Date

April 2018

REPORTING OF CORPORATE RISK MANAGEMENT FRAMEWORK, STRATEGY AND RISK REGISTER

Report of the Strategic Director for Finance and the Corporate Director Strategy and Resources

ANNUAL GOVERNANCE STATEMENT – PROGRESS MADE TO DATE ON ISSUES REPORTED 2016/17 AND PROCESS FOR PRODUCING THE 2017/18 STATEMENT

Report of the Strategic Director for Finance

EXTERNAL AUDIT UPDATE

Reports of the External Auditors

EXTERNAL AUDIT QUESTIONS TO THOSE CHARGED WITH GOVERNANCE 2017/2018

Report of the Chair of Audit Committee

CORPORATE PERFORMANCE - UPDATE

Report of the Director of Strategy and Policy

BEST PRACTICE FOR THE GOVERNANCE OF CITY COUNCIL COMPANIES

Report of the Strategic Director of Finance

INTERNAL AUDIT QUARTERLY REPORT (3RD QUARTER 2017/18)

Report of the Strategic Director of Finance

TREASURY MANAGEMENT 2018/19 STRATEGY AND REVISION TO 2017/18 DEBT REPAYMENT STRATEGY

Report of the Strategic Director of Finance

INVESTMENT REVIEW

Presentation by Head of Portfolio Investment and Development

Jun 2018

NOTTINGHAM CITY COUNCIL AUDIT PLAN 2017/18

Report of External Auditors - KPMG

6 STATEMENT OF ACCOUNTS PROGRESS

Verbal Report - Draft Statement of Accounts

TREASURY MANAGEMENT 2017/18 ANNUAL REPORT

Report of the Director of Strategic Finance

INTERIM AUDIT ANNUAL REPORT 2017/18

Report of the Director of Strategic Finance

INTERIM ANNUAL GOVERNANCE STATEMENT 2017/18

Report of the Director of Strategic Finance

AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME

Report of the Director of Strategic Finance

AUDIT COMMITTEE ANNUAL REPORT 2017/2018

Report of the Chair of Audit Committee (2017/18)

EMSS ANNUAL REPORT 2017/2018

Report of the Director of Strategic Finance

Jul 2018

STATEMENT OF ACCOUNTS

Report of the Strategic Director of Finance

ISA 260 REPORT AND SUPPORTING INFORMATION

Report of External Auditors - KPMG

ANNUAL GOVERNANCE STATEMENT 2017/18
Report of the Strategic Director of Finance

INTERNAL AUDIT CHARTER
Report of the Strategic Director of Finance

Sep 2018

TREASURY MANAGEMENT TRAINING SESSION
Verbal Presentation

LOCAL GOVERNMENT OMBUDSMAN ANNUAL LETTER 2018
Report of the Corporate Director for Strategy and Resources

AUDIT COMMITTEE TERMS OF REFERENCE
Report of the Strategic Director of Finance

Nov 2018

PARTNERSHIP GOVERNANCE FRAMEWORK AND ANNUAL HEALTH CHECK
Report of the Director of Strategy and Policy and the Head of Analysis and Insight

ANNUAL REPORT OF HEALTH AND SAFETY WITHIN THE COUNCIL
Report of the Director of Legal and Governance

EXTERNAL AUDITOR - AUDIT PROGRESS REPORT AND SECTOR UPDATE
Report of Grant Thornton, to be presented by John Gregory, Director

INTERNAL AUDIT HALF YEARLY REPORT 2018/19
Report of the Strategic Director of Finance

TREASURY MANAGEMENT 2018/19 HALF YEARLY UPDATE
Report of the Strategic Director of Finance

RESOLUTION OF COUNCIL 12 NOVEMBER 2018 - BREXIT
to hold an additional meeting of the Audit Committee on 18 January 2019 to consider Planning with regard to Brexit.

AUDIT COMMITTEE ANNUAL WORK PROGRAMME
Report of Director of Strategic Finance

Jan 2018

NO DEAL BREXIT PLANNING
Report of the Corporate Director for Strategy and Resources, and the Director for Strategy and Policy

Feb 2018

PARTNERSHIP HEALTH CHECKS
Update

REVIEW OF ACCOUNTING POLICIES 2018/19
Report of the Strategic Director of Finance

CORPORATE PERFORMANCE ASSURANCE
Report of the Assistant Chief Executive/Corporate Director Strategy and Resources

INFORMATION GOVERNANCE AND COMPLIANCE ASSURANCE
Report of the Director of Legal and Governance

TREASURY MANAGEMENT STRATEGY 2019-20
Report of the Strategic Director of Finance

INTERNAL AUDIT PLAN 2018-19 Q3 UPDATE AND INTERNAL AUDIT PLAN 2019/20
Report of the Strategic Director of Finance

ANNUAL GOVERNANCE STATEMENT 2017-18 UPDATE AND 2018-19 PROCESS
Report of the Strategic Director of Finance

COMPANIES GOVERNANCE UPDATE
Report of the Strategic Director of Finance

COUNTER FRAUD STRATEGY AND WHISTLEBLOWING POLICY
Report of the Strategic Director of Finance

RISK MANAGEMENT AND CORPORATE RISK REGISTER 2018-19 UPDATE
Report of the Strategic Director of Finance

ANNUAL REPORT - HEALTH AND SAFETY UPDATE
Report of the Director of Legal and Governance

GRANT THORNTON EXTERNAL AUDIT PLAN