

Birmingham City Council

City Council

7 February 2023



Subject: Annual Report 2021-22, Audit Committee
Report of: Councillor Fred Grindrod, Chair of Audit Committee
Report author: Craig Price, Principal Group Auditor

Does the report contain confidential or exempt information? ☐ Yes ☒ No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

1 Executive Summary

- 1.1 This report provides a summary of the work of the Audit Committee over a 12-month cycle.

2 Recommendation(s)

- 2.1 That the report be noted.

3 Background

- 3.1 The Audit Committee is a key component of the Council's governance framework.
- 3.2 The role of the Audit Committee is set out within its terms of reference. Supporting guidance and best practice is provided by the Chartered Institute of Public Finance (CIPFA) within its publication - 'Audit Committees - Practical Guidance for Local Authorities and Police'.
- 3.3 This guidance recommends the publication of an annual report to account on the work of the Committee.
- 3.4 The annual report summarises the work of the Audit Committee completed between October 2021 and September 2022 - the approval cycle for the Annual Governance Statement (AGS) and Annual Statement of Accounts.

4 Annual Report

Audit Committee Aims

- 4.1 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. 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 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.

Activities Undertaken

- 4.2 During the year the Audit Committee has considered the following key governance areas and sought assurance on the management of risk and the effectiveness of key controls:
- Review of the Effectiveness of the Audit Committee:
 - Ways of working.
 - Strengthening assurance arrangements.
 - Assurance Statements and Governance:
 - Approving and monitoring the Annual Governance Statement.
 - Receiving Assurance updates.
 - Risk Management:
 - Reviewing the mechanisms for the assessment and management of risk, thereby developing the Council's ability to respond to known and emerging risks.
 - Overseeing the Council's Treasury Management arrangements.
 - Performance Management, Quality Management and Value for Money:
 - Monitoring of, and contribution to, the development of the Council's Statement of Accounts.
 - Reviewed the value money concerns raised by the external auditor.

- Reviewed Local Government and Social Care Ombudsman reports; ensuring lessons learnt are acted upon.
- Financial Reporting, External Audit, Inspection and Assurance:
 - Maintaining a good working relationship with the external auditor.
 - Approving the response to recommendations and monitoring the action.
 - Approving the Statement of Accounts.
- 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.

Conclusion

- 4.3 Audit Committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. This gives confidence to those charged with governance that arrangements are effective.
- 4.4 Having considered the available guidance, the terms of reference and duties of the Audit Committee, and the work undertaken, it is my assessment that the Committee has carried out its roles effectively and provided effective challenge across a range of governance related areas.

5 Legal Implications

- 5.1 There are no direct legal implications arising from this report, however the work and functions of the Council's Audit Committee is prescribed in the Council's constitution.

6 Financial Implications

- 6.1 There are no additional financial implications arising from this report, however the work and functions of the Audit Committee includes considering the external auditor's annual findings report and letter, including the annual Value for Money assessment and relevant reports, and approving the Council's audited Financial Statements.

7 Public Sector Equality Duty

- 7.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.2 The Audit Committee ensures that it addresses these duties by considering them during their work and evidence gathering. The Committee also monitors the management of the public sector equity duty strategic risk.

8 Other Implications

8.1 The work of the Audit Committee supports all the corporate priorities by challenging, assessing and gathering assurance from within the Council and external agencies, on the level and quality of the internal control and risk management processes that are in place.

9 Background Papers

9.1 There are no background papers.

10 Appendices

10.1 Annual Report 2021-22, Chair of Audit Committee - Appendix A,