

Birmingham City Council

City Council

2nd February 2021



Subject: Annual Report - Audit Committee
Report of: Chair of Audit Committee
Report author: Councillor Fred Grindrod

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 Motion

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 2018'.

3.3 This guidance recommends the publication of an annual report to account for the work of the Committee.

3.4 The attached report, Appendix A, summarises the work of the Audit Committee completed between September 2019 and September 2020, the approval cycle for the Annual Governance Statement (AGS). Publication of the report has been withheld pending the completion of the External Audit on the 2019-20 Final Accounts. The Statement of Accounts was formally approved under Chairs delegation on 7th January 2021.

Audit Committee Aims

- 3.5 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

- 3.6 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 the Local Government and Social Care ombudsman annual report 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.
- 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

- 3.7 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.
- 3.8 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 issues.

4 Appendices

- 4.1 Appendix A, Annual Report - Chair of Audit Committee.