



Governance and Audit Committee – 26 April 2017

Annual Report of Governance and Audit Committee

Purpose of report

To set out the work of the Committee in an annual report in line with best practice.

Attachment(s)

Appendix A: Results of self-assessment exercise

Appendix B: Annual Report

1. Background

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance note 'Audit Committees – Practical Guidance for Local Authorities', recommend that an Audit Committee should:
 - undertake an annual review of their effectiveness; and
 - produce an annual report on their activity
- 1.2. Historically, the Committee has not undertaken these tasks but collectively agreed that it would be useful to do them as a means of assessing how the Committee was performing and raising the profile of the work of the Committee across the Council.
- 1.3. The effectiveness review was undertaken using a self-assessment checklist produced by CIPFA. The results were reported back to Committee on 30 November 2016. Since then a further response was received and is now included in the results shown in Appendix A. The results show that the Committee considers itself to be broadly compliant with the majority of best practice criteria. There are some actions arising from this review which are included in the Annual Report in Appendix B.
- 1.4. The Annual Report in Appendix B summarises the work of the Committee in the year.

2. Equality and Diversity Implications

- 2.1. There are no equality and diversity implications arising from the recommendations in this report.

3. Legal Implications

- 3.1. There are no legal implications arising from the recommendations in this report. The Governance and Audit Committee is not formally required in the Constitution to produce an annual report. However, the Committee can report any matter to Council so has the option to take the annual report to Council or inform other members that the report is available to review in the agenda to this meeting.

4. Risk Management

- 4.1. The risks arising from the self-assessment are around those where a score of less than 4 was achieved as detailed in section 2.3. An action plan will be developed which will address those risks.

5. Financial and Resource Implications

5.1. There are no financial implications arising from the recommendations in this report.

6. Constitutional Implications

6.1. There are no constitutional implications arising from the recommendations in this report.

7. Corporate Outcomes

7.1. This report links to the following Corporate Outcomes:

- Effective Management
Ensuring the Governance and Audit Committee operates effectively in accordance with best practice so that performance is managed and exposure to risks are minimised
- Councillors and staff with right knowledge, skills and behaviours
Ensuring that members have the right skill sand knowledge to carry out their roles effectively

8. Recommendation

8.1. The Committee is recommended to:

- Approve the annual report of the Governance and Audit Committee

(Reason: To ensure the Governance & Audit Committee are following good practice guidelines on performance and effectiveness)

Legal	Power: Local Government Act 2003, Local Audit and Accountability Act 2014 Accounts and Audit Regulations 2015				
	Other considerations:				
Background Papers: CIPFA – Practical Guidance for Local Authorities					
Person Originating Report: Michelle Drewery, Finance Manager ☎ 01832 742267 ✉ mdrewery@east-northamptonshire.gov.uk					
Date: 23/03/16					
CFO		MO		CX	

Governance & Audit Committee – Example Self -Assessment

Based upon CIPFA 2013 Position Statement: Audit Committees in Local Authorities

	Self-Assessment Questions	Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	5		
2	Does the audit committee report directly to Full Council?	5		
3	Do the Terms of Reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	4		1x?
4	Is the role and purpose of the audit committee understood and accepted across the authority?	2	3	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	5		
6	Are arrangements to hold the committee to account for its performance operating satisfactorily?	2	2	1x?
Functions of the committee				
7	Do the committee's terms of reference explicitly address the following:			
	• Good governance	5		
	• Assurance Framework	5		
	• Internal Audit	5		
	• External Audit	5		
	• Financial reporting	4		1xblank
	• Risk management	5		
	• Value for money and best value	4		1xblank
	• Counter Fraud and Corruption	4		1x?
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	1	3	1
9	Where coverage of core areas has been found to be limited, are plans in place to address this?	4		1xblank
10	Has the audit committee considered the 'wider areas' identified in the CIPFA Position Statement (as outlined below) and whether it would be appropriate for the committee to undertake them? Wider areas identified: <ul style="list-style-type: none"> • Considering governance, risk or control matters at the request of other committees or statutory officers. • Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values. • Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.3 • Providing oversight of other public reports, such as the annual report. 	4		1
11	Has the committee maintained its non-advisory role by not taking any decision making powers that are not in line with its core	5		

	purpose?			
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include:			
	<ul style="list-style-type: none"> • Separation from the executive 	5		
	<ul style="list-style-type: none"> • An appropriate mix of knowledge and skills among the membership 	4	1	
	<ul style="list-style-type: none"> • A size of the committee is unwieldy 	2		3
	<ul style="list-style-type: none"> • Where independent members are used, that they have been appointed using an appropriate process 	1		3xN/A 1xblank
13	Does the Chair of the committee have appropriate knowledge and skills?	5		
14	Are arrangements in place to support the committee with briefings and training?	5		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		2	2 1x?
16	Does the committee have good working relations with key people and organisations, including internal audit, external audit and the chief financial officer?	5		
17	Is adequate secretariat and administrative support to the committee provided?	5		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee and relying on its work?		1	3 1xblank
19	Has the committee evaluated whether and how it is adding value to the organisation?		1	3 1xblank
20	Does the committee have an action plan to address any weaknesses?	1		3 1xblank

Appendix B - ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE

1. Background

The purpose of the Governance and Audit Committee is to oversee and provide independent assurance of the adequacy of the risk management framework and control environment, scrutiny of the authority's financial and non-financial performance in that context, and oversee the financial reporting process, including:

- To review summary internal audit reports and actions arising from them
- To consider reports of external audit and inspection agencies and monitor action arising from them
- To monitor the effective development and operation of risk management and corporate governance
- To monitor the effectiveness of the whistleblowing and anti-fraud and anti-corruption policies
- To approve the annual governance statement
- To approve the annual statement of accounts for publication

The Terms of Reference can be found in the Constitution.

This report, in line with best practice, sets out the committee's work and performance during the year, including how it has met its terms of reference.

2. Membership of the Committee and meetings

The Committee comprises 7 members which are appointed by the Council at its Annual Meeting each year. The following Councillors were appointed for the municipal year 2016/17:

- Cllr C Wright (Chairman)
- Cllr P Wathen (Vice-Chairman)
- Cllr J Farrar
- Cllr L Jones
- Cllr V Raven-Hill
- Cllr A Smith
- Cllr R Underwood

The Committee met on the following dates:

- April 18th 2016
- July 6th 2016
- Sept 7th 2016
- Nov 30th 2016
- Feb 1st 2017
- Mar 20th 2017

Senior Officers from the Council are also present, including the Monitoring Officer, Section 151 Officer, Finance Manager, Internal Audit Manager and, where appropriate, the External Auditor (KPMG) will also attend. The Chair and Vice Chair of the Committee also meets in private with Internal Audit and the Finance Manager on a regular basis.

3. Governance and Audit Committee business

During the year the Committee conducted the following business:

- Received the annual internal audit report for 2015/16
- Approved the internal audit plan for 2016/17
- Received internal audit updates of progress against the audit plan for 2016/17
- Monitored the implementation of actions recommended by internal audit
- Received limited assurance reports across a number of areas and requested follow up work to assess the implementation of agreed actions
- Considered proposals for the internal audit plan for 2017/18
- Considered and recommended the arrangement for future delivery of Internal Audit service
- Received the external audit plan for 2015/16
- Reviewed and contributed to a draft of the Annual Governance Statement
- Approved the Statement of Accounts for 2015/16
- Received the external auditors Annual Governance Report (ISA260)
- Received technical updates from external auditors
- Considered and approved the future appointment of External Auditors
- Considered its training requirements
- Received and scrutinised the risk register
- Received the annual letter from the Local Government Ombudsman
- Completed an assessment of its own effectiveness

4. The Committee's main achievements

The Committee believes its key achievements during the year were:

- Effective challenge and questioning of officers in respect of audit reports
- Development of a process for follow up on specific audit reports to provide further assurance that control weaknesses are being addressed
- Improving its knowledge base through attendance at various training sessions throughout the year (as detailed in section 5)
- Review of Risk Register in order to seek assurance that key risks are being appropriately mitigated. Thereby, providing additional assurance through a process of independent review
- Satisfying itself that appropriate investigation was undertaken and action taken in relation to the Health and Safety audit
- Satisfying itself that appropriate investigation was undertaken and action taken in relation to purchase order process
- Scrutinising the Statement of Accounts prior to approval
- Review of Code of Conduct and Constitution

5. Training events

The Committee have received training on the following during the last year:

Assurance and the Assurance Framework

6. Result of Audit Committee effectiveness review

The Committee completed an effectiveness review based on CIPFA guidance. The conclusion of the review is that the Committee is effective in its role but the following action points were noted:

- In order to ensure the role and purpose of the Committee is understood across the authority, an Annual Report of the Governance and Audit Committee will be presented to Council each year
- The Committee will review its terms of reference to ensure they are still fit for purpose
- The Committee will carry out an annual evaluation to assess whether it is fulfilling its terms of reference and consideration is being given across all core areas
- The Annual Report will include an action plan to address any areas of weakness highlighted in the annual evaluation
- Whilst the Committee has not formally completed a skills assessment, the Chair is satisfied that the individual experience and knowledge of Committee members allows the Committee to adequately discharge its duties
- The Committee will continue to work with the Joint Standards Complaints Committee to support ethical values and review the Code of Conduct and the Constitution to achieve those values

7. Conclusion

The Committee was able to confirm:

- That the system of internal control, governance and risk management in the authority was adequate in identifying risks and allowing the authority to undertake the appropriate management of these risks
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention, that had not been adequately resolved or were in the process of being resolved.

The Committee's conclusion is based on assurance gained from its own work and the work of Internal Audit and External Audit.