



Governance and Audit Committee – 23 September 2020

Annual Report of Governance and Audit Committee

Purpose of report

To review and record the activities of the Committee in an annual report in line with best practice.

Attachment(s)

Appendix 1: 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.

2. Annual Report of Governance and Audit Committee

2.1. The Annual Report in Appendix 1 summarises the work of the Committee in the 2019/20 municipal year and provides details of the actions undertaken as a result of the review of the effectiveness of the Committee undertaken in June 2019.

3. Important Issues to Consider

3.1. The review of the effectiveness of the Governance and Audit Committee completed in June 2019 identified four areas where the effectiveness of the Committee could be further strengthened. A schedule of actions taken by the Committee as a result of the recommendations of the review of effectiveness is set out in Appendix 1.

3.2. Covid-19 was an emerging issue for the Council during February and March 2020. The full impact of the pandemic on the Council's day to day operations and activities was not felt until the 2020/21 financial year.

3.3. The Chair of the Governance and Audit Committee consulted with the Head of Internal Audit to agree amendments to the approach to internal audit during the Covid-19 lockdown period and discussed how these changes impacted on the Internal Audit Plan.

3.4. The Committee received a full overview of the Covid-19 corporate risk RM CORP035 and the Council's response from the Head of Environmental Services on 11 May 2020. Two further update reports were received on 17 June and 29 July. A further update on the risk will be presented at the meeting of the Committee on 23 September 2020.

4. Equality and Diversity Implications

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

5. Privacy Impact Implications

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

6. Health Implications

6.1. This is an information report for discussion. There are no health implications arising directly from this report.

7. Legal Implications

7.1. There are no legal implications arising from the recommendations in this report. The terms of the Constitution do not require the Governance and Audit Committee to produce an annual report. However, the Committee can report any matter to full Council; therefore it has the option to take the annual report to Council or inform other members that the report is available to review in the minutes of this meeting.

8. Risk Management

8.1. There are no significant risks arising from the recommendations in this report.

9. Resource and Financial Implications

9.1. There are no resource or financial implications arising from the recommendations in this report.

10. Constitutional Implications

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

11. Implications for our Customers

11.1. There are no implications for our customers arising from the recommendations in this report.

12. Corporate Outcomes

12.1. 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

- **Employees and Members with right knowledge, skills and behaviours**


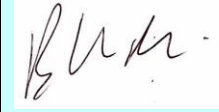

Ensuring that members have the right skills and knowledge to carry out their roles effectively

13. Recommendation

13.1. 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: Katherine Hayward, Finance Manager ☎ 01832 742090 ✉ khayward@east-northamptonshire.gov.uk					
Date: XX/XX/2020					
CFO 15/09/20		MO 15/09/20		CX 15/09/20	

ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE FOR THE MUNICIPAL YEAR 2019/20

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 (Part 8). A full review of the Terms of Reference for the Committee was undertaken in 2018 and amended Terms of Reference were approved by Council on 15 October 2018.

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 10 members who are appointed by the Council at its Annual Meeting each year. The following Councillors were appointed for the municipal year 2019/20 at Annual Council:

- Cllr P Wathen Chairman)
- Cllr A Smith (Vice-Chairman)
- Cllr A de Capell-Brooke
- Cllr S Hobbs
- Cllr R Underwood
- Cllr R Beattie
- Cllr S Hughes
- Cllr L Jones
- Cllr M Hillson
- 1 vacancy

The following changes to the Committee occurred during the 2019/20 municipal year:

- Cllr M Hillson resigned on 28 May 2019
- Cllr R Gell replaced Cllr L Jones on 9 December 2019
- Cllr P Tomas appointed on 27 January 2020

Senior Officers from the Council are also present at meetings, including the Monitoring Officer, Section 151 Officer, Head of Resources (Deputy Section 151 Officer), and the Head of Internal Audit. Where appropriate, representatives of the External Auditor (EY) will also attend. The Chair and Vice Chair of the Committee also meet with the Head of Internal Audit and the Head of Resources on a regular basis.

3. Governance and Audit Committee business

During the year the Committee met on the following dates and conducted the following business:

24 July 2019

Annual Internal Audit Report
Internal Audit – Progress and Performance: Disabled Facilities Certification of Grant Claim
Internal Audit Charter and Strategy
Code of Corporate Governance Review
Annual Report of the Governance and Audit Committee 2018/19
Rescheduling of the 2018/19 Statement of Accounts Audit
External Audit Annual Fee Letter 2019-20
Draft Statement of Accounts 2018/19
Risk Management Update – Quarter 4 2018/19
Minutes of the Governance and Audit Working Party

25 September 2019

Internal Audit – Progress and Performance: Homelessness, Community Safety and Anti-Social Behaviour
Final Statement of Accounts 2018/19
Annual Governance Report of the External Auditor 2018/19
Minutes of the Governance and Audit Working Party

27 November 2019

Annual Letter from the Local Government Ombudsman and Annual RIPA Report
Annual Statement of the North Northamptonshire Safety and Resilience Partnership (NNSRP)
Internal Audit Planning 2020/21
Internal Audit – Progress and Performance: Treasury Management, Waste Contract Management, Enterprise Centre, Local Plan Project
Risk Management Update – Quarter 2 2019/20
Planning Services Risk Review
Governance and Audit Working Party Update

29 January 2020

Progress on 2018/19 Audit
Internal Audit – Progress and Performance: Asset Management
Local Plan Project
Risk Management – Update on Quarter 2 Risk Scores 2019/2020
Enterprise Centre East Northants Risk Review

11 May 2020 (Reconvened from 25 March 2020 due to Covid-19)

Environmental Services Risk Review including a full overview of the Covid-19 corporate risk RM CORP 035 and the Council's response to the pandemic

Statement of Accounts 2018/19

Internal Audit – Progress and Performance: Main Accounting, Temporary Workers

LGSS Internal Audit Plan 2020/21

Grant Certification 2018/19

Risk Management Update – Quarter 3 2019/20

Fee Scale for the Audit 2020/21 and Update on 2019/20

Governance and Audit Working Party Update

4. The Committee's main achievements in 2019/20

The key achievements of the Committee during the year were:

- Effective challenge of officers in respect of audit reports.
- 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.
- Establishment of a cycle of 'Deep Dive' reviews of the Council's critical risks by service area, thereby providing assurance on the adequacy of the Council's risk management framework by ensuring that the Council is appropriately responding to identified risks.
- Providing assurance on the Council's response to the emerging risk of Covid-19 by reviewing the actions taken to manage the pandemic.
- Satisfying itself that appropriate actions have been taken to implement outstanding audit recommendations, including the establishment of a Governance and Audit Working Party to oversee the implementation of audit recommendations.
- Improving the knowledge base of the Committee through attendance at training sessions and completion of online training (as detailed in section 5).

5. Training events

Members of the Committee were provided with the following training during 2019/20:

- Statement of Accounts Training (24 July 2019)
- CIPFA Good Governance E-Learning Programme (online training)

6. Update on Governance and Audit Committee effectiveness review

The Committee completed an effectiveness review in June 2019 based on CIPFA guidance. The conclusion of the review was that the Committee is effective in its role but a number of action points were noted where effectiveness could be further strengthened, as detailed in the table below.

	Results	Comments	Recommendations	Actions Undertaken in 2019/20
1	The need for ongoing training to update and improve skills, including financial skills and a broader induction programme, has been identified.	The training programme should include a session on the Statement of Accounts, access to CIPFA training and any other suitable training during the year.	A suitable training programme should be developed, to include meeting the training requirements of new members.	A training session covering the 2018/19 Statement of Accounts was provided prior to the meeting of the Governance and Audit Committee on 24 th July 2019. All members of the Committee, including new members, were provided with online access to the CIPFA Good Governance E-Learning Programme.
2	Heads of Service to report directly to the Committee on the systems of internal control and management of risks within the different service areas.	Annual senior management assurance statements are completed by Heads of Service prior to the completion of the Statement of Accounts. These statements provide assurance that there is an effective framework in place to give sufficient and reliable assurance on the council's stewardship and the management of the major risks to deliver an improved, cost-effective public service. The assurance statements are referenced in the Annual Governance Statement, which forms part of the Statement of Accounts.	There should be earlier engagement with the Governance and Audit Committee regarding the Annual Governance Statement and draft Statement of Accounts.	The draft 2019/20 Statement of Accounts and Annual Governance Statement is not yet available as the statutory timetable for the preparation of draft accounts for publishing was extended as a result of the COVID-19 pandemic. A training session will be provided to members once the draft Statement of Accounts and Annual Governance Statement are available.
3	Additional information is required on the council's overall control environment and risk management strategies and implementation,	A report on risks is provided to the committee at each meeting, however more detail would help the committee to more effectively provide assurance on the adequacy of the council's risk	A 'deep dive' into one or two critical risks could be undertaken at each meeting, for the Committee to get a broader understanding of how the Risk Management	A cycle of critical risk 'Deep Dives' by service area has been established. Reports are received from Heads of Service or senior officers regarding service specific critical risks at each Committee

	given the upcoming local government reorganisation.	management framework by ensuring that the council is appropriately responding to identified risks.	Strategy is being implemented.	meeting.
4	Given the upcoming local government reorganisation, the Committee needs to give additional and timely attention to financial management and reporting issues.	Training should cover the key accounting policies, estimates and judgements made in the accounts.	Earlier engagement with the Governance and Audit Committee regarding the Statement of Accounts would enable the committee to give more timely attention to financial management and reporting issues.	A training session will be provided to members once the draft Statement of Accounts and Annual Governance Statement for 2019/20 are available.

7. Conclusion

The Committee is able to confirm:

- That the system of internal control, governance and risk management in the authority in the 2019/20 municipal year 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 arising from audit and other reports 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.