

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b> <b>15</b>
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**TITLE OF REPORT: THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT**

**1. SUMMARY**

- 1.1 This purpose of this report is to provide an opportunity for Members to consider the effectiveness for the Finance, Audit and Risk Committee (the Committee), utilising CIPFA best practice guidelines and feedback provided during Committee meetings in the 2011/12 civic year.

**2. FORWARD PLAN**

- 2.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

**3. BACKGROUND**

- 3.1 The Finance, Audit & Risk Committee (FAR Committee) was initiated for the 2011/12 civic year, replacing the former Audit & Risk Committee and taking on the Finance element of the Finance & Performance Sub-committee. The Terms of Reference for the FAR Committee are included in part 3 of the Constitution and are provided in Appendix A.
- 3.2 The Code of Practice of Internal Audit in Local Government 2006 states that the 'Head of Internal Audit should participate in the committee's review of its own remit and effectiveness.' This role was previously part of the Internal Audit action plan and has now been taken on by the Head of Finance, Performance & Asset Management, who is in turn also the NHDC lead officer for SIAS liaison.
- 3.3 To be most effective, the review should form part of the Annual Governance Statement (AGS) process and it is for this reason that the report is being presented to this meeting of the Committee as part of that process. The Committee should refer to the Chairman of the Finance Audit and Risk Committee's Assurance Statement which is attached to the AGS report.

**4. ISSUES**

- 4.1 The Council's Constitution states that the FAR Committee was established to consider audit and internal control matters and to provide effective scrutiny and

overview of financial matters. The work of this Committee provides assurance to Cabinet on the annual accounts, risk management and internal control.

4.2 Within the Terms of Reference the following are considered particularly relevant to this review:

- a) To consider the Shared Internal Audit Service (SIAS) annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements;
- b) To consider reports from SIAS on agreed recommendations not implemented within a reasonable timescale;
- c) To commission work from internal (SIAS) and external audit;
- d) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;
- e) To monitor the effective development and operation of risk management and corporate governance within the Council;
- f) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and to approve the annual statement of accounts where there are no concerns arising. Where there are concerns arising from the financial statements or from the audit, these will be brought to the attention of the council with a recommendation as to how these matters should be remedied.

4.3 During the course of the 2011/12 civic year the Committee received the following reports that can be linked to the key areas within the terms of reference that are identified in section 4.2:

4.3.1 The SIAS annual report will be presented to this meeting of the Committee. Throughout the year regular reports from SIAS were received on progress against the annual audit plan. Each audit report provides a level of assurance that informs the AGS.

4.3.2 The SIAS have been providing the Committee with the implementation status of high priority recommendations arising from completed audits. The Committee have the ability to call in any Senior Manager to provide an update if they are dissatisfied with progress.

4.3.3 No additional work from either SIAS or the external auditors has been commissioned by the Committee in this civic year. The Head of Finance Performance and Asset Management has however, provided reports to the Committee on the Use of Consultants and the Cost of Democracy.

4.3.4 The Committee considered a number of reports from the Council's external auditors, Grant Thornton:

June 2011	Accounts Audit Approach Memorandum
September 2011	Annual Report to those Charged with Governance
December 2011	Financial Resilience
December 2011	NHDC Annual Audit Letter 2010/11
January 2012	Certification work report 2010/11 (Claims)
January 2012	The Audit Plan 2011-12

4.3.5 Regular updates on risk management were considered by the Committee and where necessary recommendations for changes to the Council's Top Risks were

recommended to Cabinet. The Committee reviewed the Gifts and Hospitality and anti-bribery policies.

4.3.6 The Committee approved the annual statement of accounts for 2010/11. Unfortunately, due to the Committee meeting dates it was not always possible for the quarterly revenue and capital monitoring reports to be considered prior to them being presented to Cabinet.

4.4 It is suggested that the FAR Committee takes this opportunity to consider the Terms of Reference provided to ensure that they are still aligned with the business needs of the Council.

4.5 Issues identified during the year by the Committee for further improvement and development of effectiveness are listed below:

- a) Understanding of the terms of reference
- b) Induction for new Committee Members (and existing Members if required)
- c) On-going learning and development
- d) Benchmarking
- e) Role of the External Auditor
- f) Consideration of the appointment of a non-elected independent member to the Finance, Audit and Risk Committee

4.6 A suggested action plan is provided in Appendix B to develop, support and continue the positive actions taken in previous years to ensure continued effectiveness from this Committee.

4.7 However, it is the view of the Head of Finance, Performance & Asset Management that the Finance, Audit & Risk Committee is an effective scrutiny body overall for financial, audit and internal control matters. This view is based primarily on the work completed by the Committee in 2011/12 referred to in section 4.3 and the following factors:

- This control function has now been constituted as a full Committee, whereas previously the Finance and Performance aspects were considered by a sub-committee;
- The Committee is regularly attended by the SIAS Head of Assurance and the SIAS Audit Manager for NHDC and also the External Audit Manager and Partner;
- This facilitates the Committee's input into Internal and External Audit programmes, along with a constructive and meaningful dialogue;
- The Committee has a role in overseeing arrangements for anti-fraud and anti-corruption, including reviewing the appropriate strategies;
- The Committee considers the corporate governance arrangements and oversees the production of the Annual Governance Statement.

## **5. LEGAL IMPLICATIONS**

5.1 There are no legal implications arising directly from this report.

## **6. FINANCIAL AND RISK IMPLICATIONS**

- 6.1 There are no financial and risk implications arising specifically from this report. Budgetary requirements for learning and development will be met from existing budgets.

## **7. HUMAN RESOURCE IMPLICATIONS**

- 7.1 There are no human resource and equalities implications arising from this report.

## **8. EQUALITIES IMPLICATIONS**

- 8.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 8.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 8.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 8.3 This formal annual review of the effectiveness of the Finance, Audit and Risk Committee provides a means to monitor regularly whether the Committee is meeting the stated outcomes of its policies, ensures the Council provides accessible and appropriate services to the community, and is complying with the requirements placed on the Council under the Local Government Equality Duty. Financial decisions and larger projects are subject to individual equality analysis. As was noted by the Committee from the SIAS audit of equalities work in 2011/12 this returned a substantial level of assurance.

## **9. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 9.1 The views of the Chair of the Finance, Audit and Risk Committee were sought prior to submission of this report. The draft report was also provided to the SIAS Audit Manager and the External Auditor.

## **10. RECOMMENDATIONS**

It is recommended that:

- 10.1 Members endorse the view that the Finance, Audit & Risk Committee is operating effectively.
- 10.2 The Action Plan attached at Appendix B is agreed for implementation during the Civic Year 2012-13.

## **11. REASONS FOR RECOMMENDATIONS**

- 11.1 Recommendations are made in order that North Hertfordshire District Council complies with the requirement in the Code of Practice for Internal Audit in Local Government 2006 that an audit committee reviews its own remit and effectiveness.

## **12. ALTERNATIVE OPTIONS CONSIDERED**

- 12.1 There are no alternative options available for consideration.

## **13. APPENDICES**

- 13.1 Appendix A – Terms of Reference for Finance, Audit & Risk Committee  
13.2 Appendix B – Action Plan for implementation in 2012/13.

## **14. CONTACT OFFICER**

Andy Cavanagh – Head of Finance, Performance and Asset Management, Tel:  
01462 474243  
Email: [Andrew.cavanagh@north-herts.gov.uk](mailto:Andrew.cavanagh@north-herts.gov.uk)

## **15. CONTRIBUTORS**

Norma Atlay – Strategic Director of Finance, Policy and Governance, Tel:  
01462 474297  
Email: [norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk)

Margaret Mulkerrin – SIAS Audit Manager, Tel 01438 845504  
Email: [Margaret.mulkerrin@hcc.gov.uk](mailto:Margaret.mulkerrin@hcc.gov.uk)

Fiona Timms – Performance and Risk Manager, Tel: 01462 474251  
Email: [Fiona.timms@north-herts.gov.uk](mailto:Fiona.timms@north-herts.gov.uk)

Anthony Roche – Acting Corporate Legal Manager, Tel: 01462 474588,  
Email: [Anthony.roche@north-herts.gov.uk](mailto:Anthony.roche@north-herts.gov.uk)

Kerry Shorrocks – Corporate Human Resources Manager, Tel: 01462  
474224,  
Email: [kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)

## **16. BACKGROUND PAPERS**

Audit Committees – Practical guidance for Local Authorities (CIPFA, 2005)

Chairman of the FAR Committee's Assurance Statement.

**APPENDIX B**

**FINANCE, AUDIT AND RISK COMMITTEE ACTION PLAN 2012-13**

<b>Ref</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Due Date</b>	<b>Comments</b>
1.	Confirm the appropriateness of the Finance, Audit and Risk Committee's terms of reference	Andy Cavanagh	September 2012	Chair of FAR Committee to put forward views. Part of the 2012-13 Constitutional Review
2.	Refresh induction programme	Fiona Timms, Tim Neill	September 2012	To be in place for any Committee Members who request it.
3.	Review learning and development programme for members of the Finance, Audit and Risk Committee	Fiona Timms, Tim Neill	N/A	To be an on-going activity
5.	Explore opportunities for joint Member training, including consideration of good practice in the effectiveness of the operation of the Finance, Audit and Risk Committee	SIAS Head of Assurance	December 2012	To include as an action on the SIAS action plan.
6.	Acknowledge and support continued regular attendance by External Auditor to each Committee meeting	Andy Cavanagh	N/A	Already in place and ongoing
7.	Consider the appointment of an independent non-elected Member to the Committee	Andy Cavanagh Chairman of the FAR Committee	September 2012	If agreed by the Committee further consideration of such an appointment to be considered for implementation in 2013/14