

**TITLE OF REPORT: THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE**

REPORT OF THE HEAD OF ASSURANCE SERVICES – SHARED INTERNAL AUDIT SERVICES

**1. SUMMARY**

- 1.1 This purpose of this report is to provide an opportunity for Members to consider the effectiveness of the Finance, Audit and Risk Committee (the Committee), utilising CIPFA best practice guidelines and feedback provided during Committee meetings in the 2012/13 civic year.

**2. RECOMMENDATIONS**

It is recommended that:

- 2.1 Members endorse the view that the Finance, Audit & Risk Committee is operating effectively.
- 2.2 The Action Plan attached at Appendix A is agreed for implementation during the Civic Year 2013-14.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 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.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options available for consideration.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 The views of the Chair of the Finance, Audit and Risk Committee were sought in relation to the use of the self-assessment questionnaire referred to in 8.4 (below).

## 6 FORWARD PLAN

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

## 7. BACKGROUND

- 7.1 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.' For the 2012/13 review this function has been discharged by the Audit Manager within the Shared Internal Audit Service who has responsibility for the provision of the Internal Audit Service at North Herts District Council.
- 7.2 To be most effective, the review should form part of the Annual Governance Statement (AGS) process and it is for this reason that this 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.

## 8. ISSUES

- 8.1 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.
- 8.2 In conducting this review certain duties listed within the Committee's Terms of Reference were considered especially relevant and Table 1 (below) lists these duties and details how the duties are discharged.

**Table 1 – Duties of FAR Committee – Mechanism for Discharging Duty**

Duty	How Discharged in 12/13
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	Via the presentation by the SIAS Head of Assurance of the SIAS Annual Report (to be presented to this meeting of the Committee).  Through receipt of regular SIAS update reports detailing the level of assurance for individual audit reviews (and which also inform the AGS).
To consider reports from SIAS on agreed recommendations not implemented within a reasonable timescale	Through regular SIAS update reports which list progress against the implementation of high priority recommendations (with the ability of the Committee to call in any Senior Manager to provide an update if they are dissatisfied with progress).
To commission work from internal (SIAS) and external audit	Through agreement of the respective audit plans (including any amendments).

<p>To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance</p>	<p>Through consideration of the following reports presented to the Committee:</p> <ul style="list-style-type: none"> <li>• June 2012 - Accounts Audit Approach Memorandum</li> <li>• September 2012 - Annual Report to those Charged with Governance</li> <li>• December 2012 - Value for Money - Financial Resilience &amp; NHDC Annual Audit Letter 2011/12</li> <li>• January 2013 - Certification work report 2011/12 (Claims)</li> <li>• March 2013 - The Audit Plan 2012-13</li> </ul>
<p>To monitor the effective development and operation of risk management and corporate governance within the Council;</p>	<p>Through regular updates on risk management presented to the Committee and, where necessary, recommendations for changes to the Council's Top Risks.</p>
<p>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.</p>	<p>Via the approval by the Committee of the annual statement of accounts for 2011/12.</p>

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

- a) Seeking clarification on the levels of assurance used within SIAS audit reports
- b) Requesting regular reports on the AGS action plan

8.4 Whilst actions have been taken previously around training for Members, it is felt there is merit in carrying out a self-assessment exercise to allow Members to highlight where they feel they may require support in maintaining / obtaining the skills required to discharge their duties as a Member of the Committee. The outcomes from this exercise will allow future training sessions for Members of the Committee to be focussed in those specific areas where most value can be obtained. A copy of the self-assessment questionnaire is shown at Appendix B

8.5 The CIPFA guidance on Audit Committees for Local Authorities contains an expectation that the Committee have oversight of a number of relevant strategies. All the suggested strategies are presented to FAR with the exception of the Whistleblowing Strategy which is dealt with by the NHDC Standards Committee. Whilst current arrangements ensure Member oversight in this area, the absence of any input from the FAR Committee may reduce its ability to meet the CIPFA requirement of being in 'a position to monitor the action recommended by auditors

*and inspectors and agreed and implemented by officers to improve the situation' and 'be able to monitor changes to the risk environment and guide any associated actions'. We recommend that, for future reviews of the policy, the FAR Committee be given the opportunity to input to the process.*

- 8.6 Based on the fact that compliance with the CIPFA best practice approach has been evidenced it is the view of the Audit Manager (Shared Internal Audit Service) that the Finance, Audit & Risk Committee is an effective scrutiny body overall for financial, audit, risk and internal control matters.
- 8.7 A suggested action plan is provided in Appendix A to develop, support and continue the positive actions taken in previous years to ensure continued effectiveness from this Committee.

## **9. LEGAL IMPLICATIONS**

- 9.1 There are no legal implications arising directly from this report.

## **10. FINANCIAL AND RISK IMPLICATIONS**

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

## **11. RISK IMPLICATIONS**

- 11.1 There are no risk implications arising from this report.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 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.
- 12.2 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.
- 12.3 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.

**13. SOCIAL VALUE IMPLICATIONS**

13.1 There are no social value implications arising from this report.

**14. HUMAN RESOURCE IMPLICATIONS**

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

**15. APPENDICES**

15.1 Appendix A – Action Plan for implementation in 2013/14

Appendix B – Members Skills Analysis Questionnaire.

**16. CONTACT OFFICERS**

Terry Barnett – Audit Manager Shared Internal Audit Service, Tel: 01438 845501  
Email: [terry.barnett@hertfordshire.gov.uk](mailto:terry.barnett@hertfordshire.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)

**17. BACKGROUND PAPERS**

17.1 CIPFA: Audit Committees : Practical Guidance for Local Authorities.

## FINANCE, AUDIT AND RISK COMMITTEE ACTION PLAN 2013-14

Ref	Action	Responsible Officer(s)	Due Date	Comments
1.	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	June 2013	Session rescheduled from 2012
2.	Via completion of a self-assessment questionnaire, consider those areas where support to maintain / obtain the skill required to discharge the duties of Member of the Committee is required. The outcomes from this exercise to inform future training sessions for Members of the Committee.	Performance & Risk Manager	September 2013	
3.	To explore the mechanisms for allowing the FAR Committee to input to all subsequent reviews of the NHDC Whistleblowing Strategy.	Performance & Risk Manager	As required	



# NHDC FAR Committee Members Skills Analysis Questionnaire – May 2013

APPENDIX B

<p>Please score each skill area 1-5</p>	<p>1 – Limited knowledge          2 – Gaps in basic understanding          3 – Understand the basic requirements          4 – Sound understanding and have own mechanism to keep knowledge up-to-date          5 – Your area of expertise</p>
---	---

Skill Area / Understanding	Score	Comments
Risk Management – risk identification		
Risk Management – risk assessment		
Risk Management – mitigation		
Risk Management – reporting		
Risk Management – Covalent as a risk recording & monitoring system		
Interpreting of Financial Information		



# NHDC FAR Committee Members Skills Analysis Questionnaire – May 2013

APPENDIX B

<b>Formal Accounting Issues</b>		
<b>Governance – the Council’s anti-fraud policies</b>		
<b>Governance – the Annual Governance Statement</b>		
<b>Audit Methodology &amp; Reporting Terminology</b>		
<b>Performance Management</b>		
Please comment below on what you feel would be helpful in helping you discharge your responsibilities as a member of FAR		