

TITLE OF REPORT: THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE**REPORT OF THE SHARED INTERNAL AUDIT SERVICES AUDIT MANAGER****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 2014/15 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 2015/16.

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 review 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 Comments made by the Chair of the Finance, Audit and Risk Committee in relation to Members' interaction with Audit Service providers are reflected 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 2014/15 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 The findings of this review and the Chairman of the Finance Audit and Risk Committee's Assurance Statement will be included within the Annual Governance Statement that is presented to the September 2015 meeting of the Committee.

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 oversight 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 14/15
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 NHDC 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).
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance	Through consideration of the following reports presented to the Committee: <ul style="list-style-type: none"> • September 2014 - Annual Report to those Charged with Governance • December 2014 - Annual Audit Letter 2013/14 • January 2015 - Certification work report 2012/13 (Claims) • March 2015 - The Audit Plan 2015-16
To monitor the effective development and operation of risk management and corporate governance within the Council;	Through regular updates on risk management presented to the Committee and, where necessary, recommendations for changes to the Council's top risks.

<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 2013/14 (approved at the September 2014 meeting).</p>
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- 8.3 The FAR Committee's Annual Report provides details of its work programme and includes reference to its achievements for the period concerned.
- 8.4 Continuing on from 13/14 both the Chair of the Committee and its members have given positive responses to initiatives which seek to present practical solutions for developing the Committee's knowledge of the working practices of the Authority's Internal Audit Service (as delivered by SIAS). These initiatives have included one to one sessions with Members to explain the SIAS approach and going forward it is envisaged that this will include Members observing some aspects of the related audit methodology being carried out.
- 8.5 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 review body overall for financial, audit, risk and internal control matters.
- 8.6 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 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th 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 2015/16.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

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

FINANCE, AUDIT AND RISK COMMITTEE ACTION PLAN 2015-16

Ref	Action	Responsible Officer	Due Date	Comments
1.	Continue to explore opportunities for Members to gain a deeper understanding of the methodology used by the Shared Internal Audit Service in carrying out its work.	SIAS Audit Manager	December 2015	
2.	Consider further enquiry as to any specific training requirements that its members may have in respect of discharging their responsibilities.	NHDC Performance & Risk Manager	December 2015	