

**TITLE OF REPORT: THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE****REPORT OF THE AUDIT MANAGER – SHARED INTERNAL AUDIT SERVICE****1. SUMMARY**

- 1.1 This purpose of this report is to provide Members with an opportunity to consider the effectiveness of the Finance, Audit and Risk Committee (the FAR Committee) during the 2015/16 civic year.

**2. RECOMMENDATIONS**

It is recommended that:

- 2.1 Members endorse the view that the FAR Committee operated effectively during 2015/16.
- 2.2 Members agree the recommendations at 8.6 below, for implementation during the Civic Year 2016/17.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 Recommendations are made to ensure that North Hertfordshire District Council (NHDC) 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 Reference is made to the Chair of the FAR's Statement on Governance Arrangements for the year ended 31 March 2016 for the FAR Committee in Section 8 below as appropriate.

**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 2015/16 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 NHDC.

7.2 The findings of this review and the Chair's Assurance Statement will be included in the Annual Governance Statement that is to be presented to the September 2016 meeting of the Committee.

## 8. ISSUES

8.1 The role and functions of the FAR Committee are to consider risk, audit and internal control matters and provide effective scrutiny and overview of financial matters. This work provides assurance to Cabinet on the effectiveness of risk management and internal control arrangements and the processes in place to support the production of the annual accounts.

8.2 Detailed in the table below are FAR Committee responsibilities (as per the Terms of Reference) which are considered especially relevant to the effective discharge of the functions detailed in 8.1 above. Also shown is how these responsibilities were discharged in 2015/16.

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

Duty	How Discharged in 2015/16
To review and approve the Statement of Accounts.	The Statement of Annual Accounts received September 2015
To approve the Annual Governance Statement.	The Annual Governance Statement for 2014/15 was approved at the September 2015 meeting.  The June 2016 meeting is to receive the draft Annual Governance Statement for 2015/16.
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	SIAS Annual Report and Head of Internal Audit Assurance Statement to be presented to this meeting of the Committee. This report details all work undertaken by SIAS during 2015/16 and reports on the assurance level given at the conclusion of each audit and the number and priority of recommendations made.
To consider reports from SIAS on agreed recommendations not implemented within a reasonable timescale	SIAS presented four update reports during 2015/16. These showed progress against the agreed plan and the implementation status of high priority recommendations. Should it wish to, the Committee can call in any NHDC Senior Manager to give a more in-depth update on the progress of implementing recommendations should this be deemed necessary.
To review the Shared Anti-Fraud Service	Activity updates were provided by the SAFS Counter Fraud Manager throughout 2015/16.

	Other counter fraud activity included agreement of the NHDC Anti-Fraud and Corruption and Anti-Bribery Policies and review of the Reporting Code for Whistleblowing at the March 2016 meeting.
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"> <li>• June 2015 - Audit Committee Update for 14/15</li> <li>• September 2015 - NHDC Audit Findings Report 2014/15</li> <li>• December 2015 - NHDC Annual Audit Letter and Certification Letter 2014/15</li> <li>• January 2016 - External Audit Update</li> <li>• March 2016 - Audit Plan year ending 31 March 2016</li> </ul>
To monitor the effective development and operation of risk management and corporate governance within the Council.	Quarterly updates on the Council's top risks were made through 2015/16.  The Risk Management Strategy covers the period 2014 to 2017 and was reviewed by the Committee in December 2014. The Committee noted minor changes were made to this following an annual review at its meeting in December 2015.

- 8.4 In his assurance statement, the Chair of the FAR Committee states that 'Support has been available to members of the Committee from Officers of the Council, the Shared Internal Audit Service, Grant Thornton and from January; Ernst & Young to enable the Committee to confidently discharge its functions.' In particular training has been provided on the SIAS audit methodology and NHDC hosted training for audit committee members in September 2015. The offer to Members to observe aspects of the audit methodology being carried out was given but not taken up. This offer remains should a Member wish to take it up in 2016/17.
- 8.5 This review evidenced that the FAR Committee is substantially compliant with the the CIPFA best practice approach and consequently an effective scrutiny body for financial, audit, risk and internal control matters.
- 8.6 To ensure continuous improvement for the FAR Committee, it is recommended that:
- An induction programme is provided to all new members
  - All members are asked to complete the skills self-assessment to identify areas of strength and training needs
  - A training programme is delivered to satisfy any training needs identified.

## **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 implications arising from this report.

## **15. APPENDICES**

15.1 None.

## **16. CONTACT OFFICERS**

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## **17. BACKGROUND PAPERS**

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