

## GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL REPORT 2018/19

Summary:	This report arises from the CIPFA self-assessment of good practice undertaken in March 2018. CIPFA (The Chartered Institute of Public Finance and Accountancy) is the professional body for people in public finance. The report aims to give all Members a better understanding of the role of the Governance, Risk and Audit Committee, to provide insight into the work of the Committee in the year 2018/19 and to highlight some of the key issues it has considered.
Conclusions:	The Committee has fulfilled its remit and had a very active year. There have been some changes in membership but attendance has been good. 2019/20 will bring new challenges as the Council undertakes multiple projects and welcomes new Members following the May 2019 election, that could see Members appointed to stand on the Committee for the first time.
Recommendations:	It is recommended that Council notes the report and affirms the work of the Governance, Risk and Audit Committee.
Reasons for Recommendations:	To inform Council of the work of the Governance, Risk and Audit Committee in 2018/19.
Cabinet member(s): All	Ward(s) affected: All
Contact Officer, telephone number, and e-mail:	Matt Stembrowicz, Democratic Services & Governance Officer, 01263 516047, Matthew.Stembrowicz@north-norfolk.gov.uk

## **1. Introduction**

The purpose of the Governance, Risk and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient. This is achieved through key regular items received by the Committee in relation to, but not limited to internal and external audit, key finance items, governance reviews and strategic risk management reporting.

- 1.1. In March 2018, Members of the Committee undertook a CIPFA self-assessment of good practice. CIPFA (The Chartered Institute of Public Finance and Accountancy) is the professional body for people that work in public finance. The self-assessment is a regular exercise against a checklist, undertaken to gain assurance that the Committee is performing effectively. The exercise highlighted the good performance of the Committee, but noted that there was still work to be done to increase Members awareness and understanding of the additional work the Committee undertakes in addition to reviewing the annual statement of accounts. This report has arisen from this observation and seeks to give all Members an improved understanding of the Committee's work.

## **2. Background**

- 2.1. The Committee was originally convened on 21 June 2006 as the Final Accounts Committee. It was established to allow a more robust Member scrutiny/discussion of the final accounts prior to their approval by Full Council. On 16 October 2006, the Committee met for the first time as the Audit Committee. Its remit was more far-reaching than accounts and included scrutiny of external and internal audit, risk management and internal control. On 6 September 2016 the Committee agreed to change its name to the Governance, Risk and Audit Committee to better reflect its function and the range of its oversight.
- 2.2. In 2018/2019 the Committee met in June, July, September, December and March. This allowed for an extra meeting to take place in July at which the Final Statement of Accounts was signed off in accordance with the new CIPFA deadline of 31 July.

## **3. Membership and Attendance of the Committee in 2018/19**

- 3.1. The Committee is composed of 6 Members. There were some Member changes in 2018/19 as a result of changes to the Council's political balance. Committee Membership this year has comprised of:
  - Mr D Baker (Until September 2018)
  - Mr V FitzPatrick
  - Ms V Gay
  - Mr M Knowles
  - Mr N Pearce (From November 2018)
  - Mr J Rest (Chairman)
  - Mr P Rice (From September 2018)
  - Mr D Young (Until November 2018)
- 3.2. Attendance has been good throughout the year with the 6 nominated Members achieving a total of 24 attendances out of a possible 30.

## **4. Purpose of the Committee**

The purpose of the Governance, Risk and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient. This is achieved through key regular items received by the Committee in relation to, but not limited to internal and external audit, key finance items, governance reviews and strategic risk management reporting.

4.1. The Terms of Reference (which have been updated to allow the Committee to sign off the Final Accounts) outline the purpose in more detail:

a) Internal Audit

- To consider and approve annually the Internal Audit plan of work, considering the scope and depth of the work in addressing the Council's significant risks and issues.
- To consider the outcomes of the internal audit plan of work and to monitor management's progress in implementing agreed audit recommendations.
- To consider and approve the Annual Report and Opinion of the Head of Internal Audit, ensuring that the systems of internal control, governance and risk management have been effective and efficient over the course of the year.
- To consider the performance of the internal auditors in relation to the adherence to the Public Sector Internal Audit Standards.

b) External Audit

- To consider annually the External Audit plan of work.
- To consider External Audit reports and letters.

c) Accounts / Finance

- To consider the extent of the Council's compliance with its own and other published financial statements and controls.
- To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.

d) Risk Management

- To review the strategic risks that the Council faces and ensure that these are being appropriately managed, monitored and mitigated.

e) Governance

- To review the Council's arrangements for governance, with particular regard to the Local Code of Corporate Governance and the Financial and Contracts Procedure Rules.
- To review the Council's arrangements to counter fraud and corruption, with particular regard to the policies on: Counter Fraud, Whistleblowing and Money Laundering.
- To hold periodic private discussion with the Head of Internal Audit and the External Auditors to review working relationships and discuss any pertinent issues.
- To commission ad-hoc work from internal and external audit.
- To assess the Committee's own effectiveness on an annual basis against best practice.

## **5. Work of the Committee in 2018/19**

- a) Internal Audit
  - Progress report on Internal Audit Activity (every meeting)
  - Follow-up on Internal Audit Recommendations (June, December 2018)
  - Annual report and opinion 2017/18 and review of the effectiveness of Internal Audit (June 2018)
  - Feedback on CIPFA Self-Assessment (June 2018)
  - Strategic and Annual Audit Plans (March 2019)
- b) External Audit
  - Letter of Representation (July 2018)
  - Ernst and Young Annual Audit Letter (September 2018)
  - Ernst and Young Audit Plan (with overview) (March 2019)
  - Annual Grant Certification Report from Ernst Young (March 2019)
- c) Accounts / Finance
  - 2017/18 Statement of Accounts (July 2018)
  - Accounts Closedown Technical Update (March 2019)
- d) Risk Management
  - Civil Contingencies Update (December 2018)
  - Corporate Risk Register (September 2018, March 2019)
  - Risk Management Framework (March 2019)
- e) Governance
  - Local Code of Corporate Governance and Annual Governance Statement 2016/17 (June 2018)
  - Monitoring Officer Annual Report 2017/2018 (June 2018)
  - Anti-Money Laundering Policy (December 2018)
  - CIPFA Self-Assessment (March 2019)
  - Report on the work of the Governance, Risk and Audit Committee (April 2019)

## **6. Key Issues reviewed during the year**

### **6.1. Feedback from Self-Assessment 2018**

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit Committees - practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice which included the regular completion of a self-assessment against the checklist.

The assessment in March 2018 highlighted the good performance of the Committee but noted that there was still work to do to improve recognition of the Committee amongst other Members of the Council and the general public. In addition, whilst Members were generally seen as holding the necessary skills and knowledge to sit on the Committee, it was suggested that a record of this knowledge could be established, in order to assist with identifying future training requirements. Members undertook a further Self-Assessment on 26<sup>th</sup> March 2019 with a summary to be brought to the Committee in June 2019.

Members agreed that, despite some changes in Membership, an effective Audit Committee had been selected and that the Chairman had the appropriate knowledge and skills. They also agreed that, now that the Committee was authorised to sign off the Final Accounts, it brought additional value to the organisation.

## 6.2. Follow-up on Internal Audit Recommendations and Historical Recommendations

The Committee is pro-active in monitoring outstanding and historical recommendations. When appropriate, relevant managers are invited to the Committee to answer Members' questions. In this respect, the Committee continues to receive updates in relation to section 106 agreements to ensure that they are regularly monitored. Progress on implementation of additional recommendations continues to be reviewed until the Committee is satisfied that issues have been resolved.

## 6.3. New deadline for Final Accounts

From 2018, because of changes in statutory regulations, the Final Accounts had to be signed off prior to the September meeting. In the past the Statement of Accounts has gone to Full Council with a recommendation from the Governance, Risk and Audit Committee, but this would not have met the new deadline. As a result, it was suggested that the Governance, Risk and Audit Committee's Terms of Reference should be amended so that the Committee could approve the accounts without reference to Full Council. This allowed for the accounts to be signed off by the new deadline, 31 July 2018. To meet this new deadline, many councils were scheduling a dedicated meeting with only the Statement of Accounts, the Audit Results report, and the Letter of Representation on the agenda. Members agreed this in September 2017 and as a result, the meeting took place on 24<sup>th</sup> July 2018.

The Committee's Terms of Reference were reviewed by the Head of Internal Audit and approved at the December meeting. The amended Terms were approved by Full Council on 21 February 2018.

## 7. Conclusion

The Committee has fulfilled its remit and had a very active year as demonstrated by the volume of work it has processed and the additional meeting in July. There have been changes in membership but attendance has been good and consistent. The 2018 Self-Assessment demonstrated that the Committee has increased its effectiveness in the last year and remains focused. 2019/20 has brought many new Members with a renewed enthusiasm for the work of the Committee in the year ahead.