

## REPORT TO CABINET

Open		Would any decisions proposed :		
Any especially affected Wards	Mandatory/	Be entirely within Cabinet’s powers to decide	YES	
		Need to be recommendations to Council	NO	
		Is it a Key Decision	NO	
Lead Member: Cllr Nick Daubney E-mail: <a href="mailto:cllr.Nick.Daubney@west-norfolk.gov.uk">cllr.Nick.Daubney@west-norfolk.gov.uk</a> Cllr David Pope E-mail:		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Kate Littlewood E-mail: <a href="mailto:kate.littlewood@west-norfolk.gov.uk">kate.littlewood@west-norfolk.gov.uk</a> Direct Dial: 01553 616252		Other Officers consulted: Assistant Director, Resources Democratic Services Manager Democratic Services Officer		
Financial Implications NO	Policy/Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment NO	Risk Management Implications YES

Date of meeting: 7<sup>th</sup> September 2016

### Review of the Effectiveness of the Audit and Risk Committee

#### Summary

This report provides Cabinet with the results of the 'Review of the Effectiveness of the Audit and Risk Committee' for 2015/16 and confirms that the Committee is fulfilling its stated purpose which is 'to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process'.

#### Recommendation

To note the contents of the report.

#### Reason for Decision

To ensure the Council continues to meet its obligations under the Accounts and Audit Regulations 2015.

## 1.0 BACKGROUND

1.1 The Audit and Risk Committee was set up in 2006, with Terms of Reference drawn up in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). These were reviewed during 2013-14 and approved by Council 26<sup>th</sup> September 2013.

- 1.2 Under the Accounts and Audit Regulations 2015, a council is required to *'ensure that it has a sound system of internal control which:*  
*(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*  
*(b) ensures that the financial and operational management of the authority is effective; and*  
*(c) includes effective arrangements for the management of risk.'*
- 1.3 Good corporate governance requires independent, effective assurance about the adequacy of financial and operational management and reporting. This assurance is best delivered by a committee that is independent from the executive and scrutiny functions. This was provided by the Audit and Risk Committee during 2015/16.
- 1.4 In order to ensure that this monitoring of governance is carried out effectively, a regular review of the role and activities of the Audit and Risk Committee is necessary.
- 1.5 The previous review indicated that the Committee was providing an effective service. However it was noted that a review of Scrutiny arrangements was being undertaken during 2015/16. This has now been completed, with the new structure being introduced from May 2016.

It was also noted that the Risk Management Strategy was due to be reviewed and updated during 2015/16. This was completed and the new Risk Management Policy and Strategy was presented to the Audit and Risk Committee on 23<sup>rd</sup> February 2016. The Committee also received training on Risk Management at the same meeting.

## **2.0 REVIEW DETAILS**

- 2.1 The review was completed by the Audit Manager using a checklist compiled by CIPFA. The completed checklist is attached as **Appendix 1** of this report. In addition information has been compiled on the reports considered by the Committee. The resulting draft report was then considered by the Chair and Vice Chair of the Audit and Risk Committee.
- 2.2 The responses in the checklist are ticked as:
- 'Y' – Yes. The criteria have been met and no action is required.
  - 'P' – Partial. The criteria have only been met in part, some action may be required.
  - 'N' – No. The criteria have not been met and action may be required.

## **3.0 ITEMS CONSIDERED DURING 2015-16**

- 3.1 Throughout 2015/16 the Audit and Risk Committee held 7 meetings and received a total of 24 reports on a number of issues, including:

### **Internal Audit and Fraud**

- Internal Audit Annual Report 2014/15.
- Annual Report of the Investigations Unit 2014/15
- Internal Audit Strategic Plan 2015/16
- Progress Reports (2)
- Internal Audit Strategic Plan 2016/17

#### **External Audit**

- Statement of Accounts 2014/15 Report to those charged with Governance (ISA 260).
- Annual Audit Letter
- 2015/16 External Audit Plan
- Annual Certification of Claims and Returns 2014/15 report

#### **Finance**

- Revenue Outturn 2014/15.
- Capital Programme and Resources 2014/18
- Annual Treasury Report 2013/14.
- Mid-year review Treasury Report 2014/15.
- Treasury Management Strategy 2016/17

#### **Corporate Governance and Risk**

- Corporate Risk Monitoring Report – 6-monthly report (2 reports).
- Annual Governance Statement 2014/15.
- Review of the Effectiveness of the Audit and Risk Committee.
- Business Continuity update.
- Business Continuity Management Policy Statement and Strategy
- Monitoring Officer Annual Report
- Local Government Audit Committee Briefing
- Risk Management Policy and Strategy Review

A summary of the content of each report and the subsequent discussion has been compiled by Democratic Services and is attached as a background document.

- 3.2 The Committee received 4 training sessions during the year on the Annual Governance Statement, Closing of Accounts, How an Audit is Undertaken, and Risk Assessment.

## **4.0 OUTCOMES**

- 4.1 The outcome of this report will be to:
- Show evidence that the Audit and Risk Committee is effective in its role.
  - Satisfy the requirement of an annual review of the effectiveness of the Audit and Risk Committee.

## **5.0 CONCLUSIONS**

- 5.1 During 2015-16 the Audit and Risk Committee received and commented on all relevant reports and actively monitored risk and internal controls. As a result it is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.

### **Policy Implications**

There are no policy implications.

### **Financial Implications**

There are no financial implications.

### **Personnel Implications**

There are no personnel implications

### **Statutory Considerations**

The Council can demonstrate that it is meeting the requirements under the Accounts and Audit Regulations 2015.

### **Equality Impact Assessment (EIA)**

There are no equality implications.

### **Risk Management Implications**

Having an effective Audit and Risk Committee is an important element in the Council's risk management framework.

### **Declarations of Interest / Dispensations Granted**

None required.

### **Background Papers**

Work of the audit committee.

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
<b>1. ESTABLISHMENT, OPERATION AND DUTIES</b>						
<b>Role and Remit</b>						
1.1	Does the audit committee have written Terms of Reference?	Y			The Terms of Reference were reviewed and approved by Council on 26 <sup>th</sup> September 2013.	
1.2	Do the Terms of Reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y				
1.3	Are the Terms of Reference approved by the council and reviewed periodically?	Y			Review has been completed during the recent restructure of the scrutiny function. The next review is due in May 2019.	
1.4	Can the audit committee access other committees and full council as necessary?	Y			All Members attend Full Council and can attend any other Panel or Committee meeting under Standing Order 34.	
1.5	Does the authority's Annual Governance Statement include a description of the audit committee's establishment and activities?	Y			Section 4 'Review of Effectiveness' includes a description of the Audit and Risk Committee's function.	
1.6	Does the audit committee periodically assess its own effectiveness?	Y			An annual review is carried out.	
<b>Membership, Induction and Training</b>						
1.9	Has the membership of the audit committee been formally agreed and a quorum set?	Y			Formally appointed by Council. Quorum set through Standing Orders.	
1.10	Is the chair independent of the executive function?	Y				
1.11	Has the audit committee chair previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y			The Chair during 2015-16 had been a previous member of the Audit and Risk Committee and attended all training offered to the Committee, which included Financial training. Chair is also a County Councillor.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
1.12	Are new audit committee members provided with appropriate induction?	Y			Training is offered to all Members by Democratic Services. The training is carried out prior to the start of a meeting to maximise participation.	
1.13	Have all member's skills and experiences been assessed and training given for identified gaps?		P		An analysis of skills and experiences is not carried out. However, a training programme has been designed to cover all previously identified training needs and Members can request specific training if necessary.	
1.14	Has each member declared his or her business interests?	Y			Records of interests are kept by Democratic Services. A standing item of each agenda requires Members to declare any relevant interests.	
1.15	Are members sufficiently independent of other key committees of the council?		P		Independent of the Cabinet, but all members of the Audit and Risk Committee also sit as the Resources and Performance Panel.	Under the new Scrutiny arrangements the Audit Committee becomes an independent Committee from June 2016.
<b>Meetings</b>						
1.16	Does the committee meet regularly?	Y			7 meetings held in 2015-16. The programme for 2016-17 includes 6 planned meetings, but this may increase if the Committee needs to consider urgent reports in the intervening time.	
1.17	Do the Terms of Reference set out the frequency of meetings?	Y			Minimum of 4 meetings a year, but this can be increased if necessary.	
1.18	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			A calendar of meetings is published for each year and dates are co-ordinated with Cabinet and specific key events.	
1.19	Are members attending meetings on a regular basis and if not, is appropriate action taken?	Y			A record of attendance is kept by Democratic Services. Any persistent non-attendance is brought to the attention of the relevant party leader.	
1.20	Are members free and open without political influences being displayed?	Y				

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
1.21	Does the authority's s151 officer or deputy attend all meetings?	Y			All meetings are attended by the Assistant Director (s151 Officer).	
1.22	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			Relevant officers attend to present the reports and answer questions.	
1.23	Are decisions reached promptly?	Y			A decision is made at the end of each item on the agenda.	

**2. INTERNAL CONTROL**

2.1	Does the audit committee consider the findings of the annual review of effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Audit Manager's Annual Report for 2014-15 was presented on 21 <sup>st</sup> July 2015. An external assessment of the Internal Audit was carried out in 2014 and the results presented to the Committee on 28 <sup>th</sup> October 2014. Update on the actions required was included in the Annual report.	
2.2	Does the audit committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Y			Presented to a Special Meeting on 7 <sup>th</sup> September 2015 as a separate report from the Statement of Accounts 2014-15.	
2.3	Does the audit committee consider how meaningful the Annual Governance Statement is?	Y			The Committee received a training session on the relevance and content of the AGS in August 2013.	
2.4	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Various reports are presented to the Committee throughout the year relating to internal audit, external audit, finance, fraud, corporate governance and risk.	
2.5	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y			The Chair and Vice Chair attended joint sif meetings with their counterparts on the Regeneration, Environment and Community Panel to review the Cabinet Forward Decisions list.	
2.6	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			The report setting the Strategic Internal Audit Plan each year contains an explanation of the consideration of risk management in the planning process.	
2.7	Does the audit committee review the authority's strategic risk register at least annually?	Y			Update reports are presented twice a year in April/May and October/November.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
2.8	Does the audit committee monitor how the authority assesses risk?	Y			Included in the 6-monthly reports. The Risk Management Policy and Strategy was reviewed and presented to the Committee on 23 <sup>rd</sup> February 2016.	
2.9	Do the audit committee's Terms of Reference include oversight of the risk management processes?	Y			Terms of Reference Sec 4.1(a) and (b) refers.	
2.10	Does the audit committee take a role in overseeing anti-fraud and whistleblowing arrangements?	Y			Terms of Reference Sec 4.1(a) refers.	

**3. FINANCIAL REPORTING & REGULATORY MATTERS**

3.1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y			Terms of Reference Sec 3.1(a) and (c) refers. The timetable of meetings includes provision for Special Meetings in June and September each year to consider the Statement of Accounts.	
3.2	Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>▪ The suitability of accounting policies and treatments</li> <li>▪ Major judgements made</li> <li>▪ Large write-offs</li> <li>▪ Changes in accounting treatment</li> <li>▪ The reasonableness of accounting estimates</li> <li>▪ The narrative aspects of reporting?</li> </ul>	Y			The financial reports presented cover all the aspects stated.	
3.3	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			Special Meeting in September each year.	
3.4	Does the audit committee review management's letter of representation?	Y			Management responses are included in the covering report to the external auditors report. The responses are also discussed at the meeting.	
3.5	Does the audit committee annually review the accounting policies of the authority?	Y			Included in the Statement of Accounts report.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
3.6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			The Assistant Director (s151 Officer) and Principal Accountant attended the relevant meetings to present the report and answer questions relating to the preparation of accounts. Training on the Closedown of Accounts is also provided immediately prior to the September meeting.	
3.7	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			'Members Bulletin' is circulated to all Members, which contains general updates and circulars when they occur. For issues specifically relevant to the Committee, a report is presented.	

4. INTERNAL AUDIT						
4.1	Does the audit committee approve annually, and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			The Internal Audit Strategic Plan is presented in February each year for approval. Details of how the plan is compiled are included in the covering report. For the year 2015-16 the Plan was presented on 23 <sup>rd</sup> February 2016.	
4.2	Does internal audit have an appropriate reporting line to the audit committee?	Y			Direct access to the Chair is included in the revised Terms of Reference, along with the potential for Internal Audit to meet with the Committee, without Senior Management being present, if necessary.	
4.3	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Audit Manager?	Y			The Committee receives reports on progress against the Strategic Plan, and the Audit Manager presents the Annual Report in June/ July.	
4.4	Are follow-up audits by Internal Audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			Included in the progress reports. Officers can be asked to attend the meetings to answer questions if progress is not satisfactory.	
4.5	Does the audit committee hold periodic private discussions with the Audit Manager?	Y			The facility is available within the Terms of Reference if required. No meetings were required during 2015/16.	
4.6	Is there appropriate co-operation between the internal and external auditors?	Y				
4.7	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			Included in the Strategic Audit Plan report and the half-yearly progress reports.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
4.8	Has the audit committee evaluated whether its internal audit service complies with Public Sector Internal Audit Standards (PSIAS)?	Y			An external quality assessment was completed in 2014 by the Chartered Institute of Internal Auditors and the resulting report was presented to the Committee in October 2014. The next external review will be due in 2019. In intervening years an internal self-assessment is completed and made available to Members of the Audit and Risk Committee.	
4.9	Are internal audit performance measures monitored by the audit committee?	Y			Performance Indicators are set as part of the Strategic Plan and monitored in the progress reports.	
4.10	Has the audit committee considered the information it wishes to receive from internal audit?	Y			No requests for specific reports were made in 2015-16, although further information was provided in response to requests from Members. Training was requested on risk management and provided in February 2016.	

<b>5. EXTERNAL AUDIT</b>						
5.1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y			Ernst Young attend meetings to present their reports and answer questions.	
5.2	Does the audit committee hold periodic private discussions with the external auditor?	Y			The facility is available within the Terms of Reference if required. No meetings were required during 2015/16.	
5.3	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			Report is presented at the Special Meeting in September.	
5.4	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			Recommendations are taken into account when preparing the Internal Audit Strategic Plan.	
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit inspection letter?	Y			Report to those charged with governance (ISA260) – September 2015  Annual Audit Letter – November 2015 Audit Plan 2014/15 – February 2016 Certification of Claims and Returns Annual Report 2013/14 – February 2016.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
5.6	Does the audit committee assess the performance of external audit?	Y			Considered as reports are presented.	
<b>6. ADMINISTRATION</b>						
<b>Agenda Administration</b>						
6.1	Does the audit committee have a delegated secretary from Committee/Member Services?	Y			Wendy Vincent, Democratic Services.	
6.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			A timetable is set for the year detailing meeting dates and deadlines for reports to be submitted.	
6.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Included in the timetable for the year.	
6.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?			N	'Any Other Business' is not an agenda item. Only 'Urgent Business' is accepted under Standing Order 7.	No action required.
<b>Papers</b>						
6.5	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			The timetable is designed to ensure the timing and frequency of routine reports is appropriate. Ad hoc reports are presented as they arise and also in line with Cabinet requirements if necessary.	
6.6	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?			N	The format is a corporate template.	No action required.
<b>Actions Arising</b>						
6.7	Are minutes prepared and circulated promptly to the appropriate people?	Y			Minutes are produced within a week of the meeting.	
6.8	Do action points indicate who is to perform what and by when?	Y			If action is required.	

