

Audit Committee

Item No.....

Report title:	Yearly Update of the Audit Committee
Date of meeting:	31st July 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.	

Executive summary

This report, which summarises the work of the Audit Committee from the 1 April 2017 to 31 March 2018, confirms that during 2017-18 its function has been consistent with best practice, demonstrates the impact of its work and explains how it adds value. Its work is reported to full Council. The Committee has demonstrated its effectiveness through:

- considering and approving the Annual Statement of Accounts and Annual Governance Statement 2016-17, at its September 2017 meeting, and
- over the year has added value through considering and if appropriate challenging;
 - the External Auditor's reports
 - internal audit and strategic risk management reports, performance and effectiveness during the year
 - the corporate risk register activity
 - the Council's progress with managing corporate high priority findings
 - plans and action to prevent, detect and investigate fraud

Recommendation:

The Audit Committee should consider that the arrangements are satisfactory and note that the Committee

- is independent of the executive function, reports directly to full Council and has terms of reference that are consistent with CIPFA's 2016 guidance and best practice,
- provides effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public; and
- can demonstrate the impact and value of its work

1. Proposal (or options)

- 1.1 The proposal is shown at the Executive summary above.

2. Evidence

- 2.1 The last such report was presented at the Audit Committee meeting in January 2017. This report covers the period 1 April 2017 to 31 March 2018. This report also confirms that the Committee's Terms of Reference, purpose and core functions are consistent with best practice, demonstrates the impact of its work and how it adds value.
- 2.2 The Committee's work adds value by:
- Supporting the Council's objectives in achieving a reputation for good governance, sound internal control and good value for money; and
 - Reducing the potential cost burden and operational disruption when risks, internal control weaknesses, frauds or corruption are avoided or mitigated.
- 2.3 Reports have been received from the Executive Director of Finance and Commercial Services, the then Chief Legal Officer, the External Auditors or were commissioned by the Committee covering a wide range of topics, listed at **Appendix A**. The list comprises all reports received by the Committee during 2017-18, for information.
- 2.4 The Committee has received and considered the reports of the External Auditor. These include their plans and reporting on their audit of the annual accounts. There have been no additional (public interest) reports during the year.
- 2.5 The Committee has received and considered the reports of the Internal Audit Team (Norfolk Audit Services) from the Executive Director of Finance and Commercial Services. These include the plans and reporting on their audits/work and opinions during the year, progress with Corporate High Priority Findings and Anti-Fraud Activity.
- 2.6 A recent Self-Assessment using CIPFA's 'A Good Practice Self Evaluation Tool for the Audit Committee', written for the Education sector but relevant to Local Government, indicates the Audit Committee meets the good practice principles. This tool, containing 95 questions, offers a fresh and comprehensive benchmark. Only two areas were noted where improvements can be made to better demonstrate the effectiveness of the Audit Committee, as described in Table 1 below.

Table 1 – Potential Improvements to better demonstrate the effectiveness of the Audit Committee

Ref.	Improvement
1	<p>Is the Audit Committee's role defined in respect of 'value for money'?</p> <p>Value for Money is an expectation for sound financial management and runs through the Council's Financial Regulations. A specific reference will be included in the Audit Committee's Terms of Reference when it is next updated.</p>
2	<p>Does the Committee consider the adequacy of implementation of internal audit recommendations?</p> <p>The regular reporting to the Committee comments on the progress with the Corporate High Priority Findings. No issues have been identified to date. A specific assurance on the adequacy of implementation of internal audit recommendations will be noted in future regular reports.</p>

2.7 The Committee promotes the principles of good governance and their application to decision making. It has challenged, scrutinised, championed its functions and provided oversight in accordance with its Terms of Reference. Examples of where the Committee has added value during the period are that:

- In light of the tragic events of the fire at the Grenfell Tower in London, the Chairman proposed that the Committee commission a short report on related matters. That report was given at the 21 September 2017 meeting
- The Committee invited the Director of CES to update them on the Northern Distributor Route Project and the Third River Crossing project
- The Managing Director of Norsecare was invited to speak about the risks and pressures on delivering social care in the current operating structure

2.8 The Committee has continued to champion and encourage sound risk management in the Council, including how it is reported to members, and to provide member challenge and review for the Corporate Risk Register. The Committee has encouraged discussion of risk at the service committees and the Policy and Resources Committee.

2.9 The Committee helps the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. The Committee has received updates on work to counter fraud and corruption and supports the promotion of the Council's zero tolerance to fraud and corruption. The Committee has recommended that fraud awareness online training is mandated for staff.

- 2.10 The Committee is keen to ensure that business resilience, business continuity and emergency planning, including ICT, are well managed.
- 2.11 The Committee has considered reports on the governance of the Norfolk Pension Fund to inform its consideration where they are included in the Council's Annual Statement of Accounts.
- 2.12 The Committee considered the effectiveness of the governance, control and risk management for Treasury Management. The Committee recommended the Treasury Management panel be returned and that panel has been meeting.
- 2.13 The Committee continues to develop its role and impact through on-going member training and the development of the Committee's work programme.
- 2.14 Further technical details of the Committee's work appear in **Appendix B** for information.

3. Financial Implications

- 3.1 The Committee's work covers the Council's and Pension Fund's Revenue and Capital Expenditure and their Assets & Liabilities.

4. Issues, risks and innovation

- 4.1. The Committee fully meets and demonstrates best practice for an Audit Committee as promoted by CIPFA in its publication, Audit Committees\Practical Guidance for Local Authorities and Police – 2016 A 2018 edition was published in June 2018 and will be considered for future reporting.

4.2. Risk implications

This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

- 4.3. The Committee fully supports innovative practice within the overall priorities for robust and efficient internal control, risk management and good governance. The Committee receives and considers reports where new practices are proposed.
- 4.4. There are no implications with respect to:
 - Resource
 - Legal
 - Equality
 - Human Rights
 - Environmental
 - Health and Safety.

5. Background

- 5.1. The Council is required under the Accounts and Audit Regulations (England) 2015 to make provision for internal audit in accordance with “proper practices in relation to internal control”. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards 2017 (the Standards) which originally came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in March 2016 the revised Local Authority Guidance Note (LAGN) for the Standards.
- 5.2. The Audit Committee was established in 2005; it
- reports directly to full Council and
 - has seven members.
- 5.3. As part of good practice and in accordance with its Terms of Reference (part I3), this report summarises the work of the Committee for the period ended March 2018. This report also confirms that the Committee’s function is consistent with best practice, demonstrates the impact of its work and how it adds value.
- 5.4. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 5.5. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.
- 5.6. **Background papers**
- There are no specific background papers, other than documents referenced in this report.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

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Appendix A

Audit Committee Reports

Reports received by the Audit Committee during the period to 1 April 2017 to 31 March 2018.

Report Title	Report By	Meeting date
Monitoring Officer Annual Report 2016-17	Chief Legal Officer	June 2017
External Auditor's Audit Plan 2016-17	Executive Director of Finance & Commercial Services	June 2017
Risk Management and Annual Report 2016-17	Executive Director of Finance & Commercial Services	June 2017
Risk Management Report	Executive Director of Finance & Commercial Services	June 2017
Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme audit Authority)	Executive Director of Finance & Commercial Services	June 2017
Norfolk Audit Services Report for the six months ending 31 March 2017	Executive Director of Finance & Commercial Services	June 2017
Norfolk Audit Services Annual Internal Audit Report 2016-17	Executive Director of Finance & Commercial Services	June 2017
Risk Management Report	Executive Director of Finance & Commercial Services	September 2017
Anti-Fraud and Corruption Strategy Update	Executive Director of Finance & Commercial Services	September 2017
Annual Update of the Audit Committee	Executive Director of Finance & Commercial Services	September 2017
Annual Governance Statement	Executive Director of Finance & Commercial Services	September 2017
Statement of Accounts	Executive Director of Finance & Commercial Services	September 2017
Letter of Representation	Executive Director of Finance & Commercial Services	September 2017
Internal Audit Plan for second half 17-18	Executive Director of Finance & Commercial Services	September 2017
Risk Management Report	Executive Director of Finance & Commercial Services	January 2018
Norfolk Audit Services Report for the	Executive Director of	January 2018

quarter ending 30 September 2017	Finance & Commercial Services	
External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing	Executive Director of Finance & Commercial Services	January 2018
Internal Audit Strategy, Approach, Strategic Plan 2018-21 and Internal Audit Plan for the first half of the year 2018-19	Executive Director of Finance & Commercial Services	January 2018
Counter Fraud, Bribery and Corruption Audit Committee Progress Report	Executive Director of Finance & Commercial Services	January 2018
Norfolk County Council's Insurance Cover	Executive Director of Finance & Commercial Services	January 2018

Appendix B

Technical Details

Section 1 details

- 1.1 The Audit Committee membership is set out in the Council's Constitution:

"7 Members of the Council, on a politically balanced basis."
- 1.2 The Committee considered and approved the Council's Accounts and Annual Governance Statement. In accordance with regulations covering the reporting of the Statement of Accounts, the September 2017 meeting received and approved the Council's Annual Governance Statement 2016-17, the Letter of Representation, the Annual Statement of Accounts 2016-17, and the Internal Audit Plan for second half of 2017-18. The Committee advises on the adequacy of the assurance framework and that it is deployed efficiently and effectively. It also promotes effective public reporting to the Council's stakeholders, the community and measures to improve transparency and accountability. The Committee noted, at its September 2017 meeting, the contents of the Audit Results Report of the External Auditor concerning the external audit of the Council's Annual Financial Statements 2016-17.
- 1.3 The Committee is contributing to the development of an effective control environment. As an on-going project, the Committee has sought assurance that continued good governance, internal controls and risk management are present in services that are the subject of organisational change.
- 1.4 The Committee supports the quality of the internal audit activity and underpins its independence when it considers the Annual Internal Audit Report. That annual report demonstrates how the Committee, through the functions of internal audit and risk management contributes to the Council's goals and objectives by helping ensure appropriate governance, risk, control and other assurance arrangements. It also

supports the development of robust controls for ensuring value for money.

- 1.5 The Committee understands the Council's framework for risk assessment, management and the assignment of responsibilities and as well as championing best practice it critically challenges and reviews the corporate risk register to provide assurance that the arrangements are actively working in the Council.
- 1.6 The Committee benefits from some members with an audit and finance background. The Committee is also able to draw on expert advice when required. Members received a full induction in their role in particular that relating to risk management and reviewed ongoing training needs.
- 1.7 The Finance function (including Internal Audit, Strategic Risk and Insurance), the Monitoring Officer, External Audit and the Audit Committee work in partnership to provide a sound base for good governance. The Chairman meets with the Executive Director of Finance and Commercial Services and the Chief Internal Auditor.
- 1.8 The Committee fully meets best practice (from CIPFA) for good governance and the Council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance and its Terms of Reference.