

# Audit Committee

Item No.....

<b>Report title:</b>	<b>Yearly Update of the Audit Committee</b>
<b>Date of meeting:</b>	<b>18<sup>th</sup> April 2019</b>
<b>Responsible Chief Officer:</b>	<b>Executive Director of Finance and Commercial Services</b>
<b>Strategic impact</b>  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 2018 to 31 March 2019, confirms that during 2018-19 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 2017-18, at its July 2018 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
  - the Council's progress with managing corporate high priority findings
  - plans and action to prevent, detect and investigate any fraud, bribery or corruption

## Recommendation:

The Audit Committee are asked to consider and agree that the arrangements are satisfactory and note that the Committee has terms of reference that are consistent with guidance and best practice

## 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 July 2018. This report covers the period 1 April 2018 to 31 March 2019. 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 and the External Auditors. Other reports 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 2018-19, for information.
- 2.4 The Committee has received and considered the reports of the External Auditor. Those 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 considered and agreed reports on the work of the Internal Audit Team (Norfolk Audit Services). Those reports included 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 Self-Assessment in early 2018 using CIPFA's 'A Good Practice Self Evaluation Tool for the Audit Committee', written for the Education sector but relevant to Local Government, indicated the Audit Committee met those good practice principles. This tool, containing 95 questions, offered a fresh and comprehensive benchmark. Since then CIPFA has published Audit Committees – Practical Guidance for Local Authorities and Police (2018 Edition), which was issued to Committee members in August 2018. The guidance includes 'Self-assessment of good practice' and 'Evaluating the effectiveness of the Audit Committee' tools. These tools deployed in the first quarter of 2019-20 and the results will be reported to the Committee.

- 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 such value during the period are that:
- Norse Care Report, April 2018
  - LiquidLogic/ Social Care System Replacement Implementation Report, April and July 2018
  - Norfolk Pension Fund Governance Arrangements 2017-18, July 2018
  - Great Yarmouth Third River Crossing – Progress Update, July 2018
  - Governance, Control and Risk Management of Treasury Management, July 2018
  - Norfolk County Council's Insurance Cover, January 2019
- 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.
- 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.

### **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. Transition from a Committee to an Executive Leader and Cabinet system of Governance**

4.2. At the January 2019 meeting the Committee asked for a report about how the Audit Committee would fit into the new system of governance.

4.3. Policy and Resources Committee received a report on the transition at its meeting on 25 March 2019. That report presented a final working draft Constitution in readiness for Full Council on 15 April 2019 to adopt from 7 May 2019. The Final Working Draft Constitution is available to download via this link:

<https://www.norfolk.gov.uk/-/media/0D4F6AF7797447BF8F03E72AE64DE242>

4.4. Page 48 of the Final Working Draft sets out the proposed Terms of Reference for the Audit Committee, which are unchanged. Appendix 15 of the Constitution sets out the Financial Regulations and on page 183 Section 3 describes the Governance, Risk Management and Internal Control arrangements and the role of the Audit Committee specifically at 3.1.1. Other member-led bodies that also have a role in Governance and internal control include the County Council, the Corporate Select Committee in any review of the Constitution for approval by full Council and with respect to members, the Standards Committee.

4.5. The Terms of Reference for the Cabinet are set out at page 29 and the Corporate Board at page 177.

### **4.6. Risk implications**

4.7. This report has fully considered 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.

4.8. 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.

4.9. 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 2019. 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 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 2018 to 31 March 2019.

<b>Report Title</b>	<b>Report By</b>	<b>Meeting date</b>
Norse Care Report	Executive Director of Finance and Commercial Services	April 2018
LiquidLogic/ Social Care System Replacement Implementation Report	Executive Director of Adult Social Care	April 2018
Norfolk Audit Services Report for the Half Year- ended 31 March 2018	Executive Director of Finance & Commercial Services	April 2018
Norfolk audit Services Annual Internal Audit Report 2017-18	Executive Director of Finance & Commercial Services	April 2018
External Auditor's Audit Plan 2017-18	Executive Director of Finance & Commercial Services	April 2018
Risk Management	Executive Director of Finance & Commercial Services	April 2018
Risk Management Annual Report 2017-18	Executive Director of Finance & Commercial Services	April 2018
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	April 2018
Norfolk Pension Fund Governance Arrangements 2017-18	Executive Director of Finance & Commercial Services & Head of Pensions	July 2018
Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Summary for the year ended 31 March 2018	Executive Director of Finance & Commercial Services	July 2018
Annual Statement of Accounts and Annual Governance Statement 2017-18	Executive Director of Finance & Commercial Services	July 2018
Letters of Representation 2017-18	Executive Director of Finance & Commercial Services	July 2018
Counter Fraud, Bribery and Corruption Audit Committee Annual Report	Executive Director of Finance & Commercial Services	July 2018
Deputy Monitoring Officer's Annual Report 2017-18	Chief Legal Officer	July 2018
Risk Management Report	Executive Director of Finance & Commercial Services	July 2018

Great Yarmouth Third River Crossing – Progress Update	Executive Director of Community & Environmental Services	July 2018
Governance, Control and Risk Management of Treasury Management	Executive Director of Finance & Commercial Services	July 2018
LiquidLogic/ Social Care System Replacement Implementation	Executive Director of Adult Social Services	July 2018
Norfolk Audit Services Report for the Quarter ending 30 June 2018	Executive Director of Finance & Commercial Services	July 2018
Yearly Update of the Audit Committee	Executive Director of Finance & Commercial Services	July 2018
Norfolk Audit Services Report for the Quarter ending 30 September 2018	Executive Director of Finance and Commercial Services	September 2018
Risk Management Report	Executive Director of Finance and Commercial Services	September 2018
External Auditor's Annual Audit Letter 2017-18	Executive Director of Finance and Commercial Services	September 2018
Revised Internal Audit Plan 2018-19	Executive Director of Finance and Commercial Services	September 2018
Norfolk Audit Services Report for the Quarter ending 31 December 2018	Executive Director of Finance and Commercial Services	January 2019
External Auditors Plan of Work	Executive Director of Finance and Commercial Services	January 2019
Counter Fraud, Bribery & Corruption (and Whistleblowing) Audit Committee Progress Report	Chief Legal Officer	January 2019
Audit Committee Terms of Reference	Executive Director of Finance and Commercial Services	January 2019
Internal Audit Strategy, Our Approach and the Audit Plan 2019-20	Executive Director of Finance and Commercial Services	January 2019
Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)	Executive Director of Finance and Commercial Services	January 2019
Risk Management	Executive Director of Finance and Commercial Services	January 2019
Norfolk County Council's Insurance Cover	Executive Director of Finance and Commercial Services	January 2019