

Agenda Item No:	6	
Committee:	Audit and Risk Management	
Date:	19 July 2021	
Report Title:	Corporate Governance Committee / Audit and Risk Management Annual Report 2020/21	

1 Purpose / Summary

To report to Full Council the commitment and effectiveness of the Corporate Governance and Audit and Risk Management Committee's work from April 2020 to March 2021.

2 Key issues

- 2.1 The Corporate Governance Committee was decommissioned during the year 2020/21 and a new Audit and Risk Management Committee was formed in December 2020.
- 2.2 The new committee also has a Sub-Committee – the Audit and Risk Management Determination Sub-Committee, which has decision-making powers in relation to specific delegated functions that were previously undertaken by the Staff Committee.
- 2.3 This annual report does not provide a review of the effectiveness of the Sub-Committee's work as this falls outside of the remit of the self-assessment review.
- 2.4 A good Corporate Governance framework helps the Council to deliver its Corporate Priorities.

The role of the Corporate Governance Committee and newly formed Audit and Risk Management Committee includes:

- providing independent assurance of the adequacy of the risk management framework and the control environment, plus
 - independently scrutinising the Authority's financial and non-financial performance, and overseeing the financial reporting process.
- 2.5 The Committee has taken action to ensure that its members are adequately informed on key themes of the Governance Framework via regular reports including:
 - Governance;
 - Internal control;
 - Risk management;
 - Anti-fraud & corruption;
 - Accounts and policies;
 - Treasury management;

- 2.6 Reports from the External Auditors affirmed continued maintenance of high financial management and control standards. The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given. The Committee supported a press release to reflect this achievement.
- 2.7 The Committee has been fundamental in the review and maintenance of the Council's Governance Framework.
- 2.8 In addition to the report attached the Internal Audit Manager has completed a review of the committee's effectiveness using a checklist compiled by CIPFA. This was a recommendation made by the external assessment and endorsed by Corporate Governance Committee in February 2018. The completed checklist is attached as Appendix A.

3 Recommendations

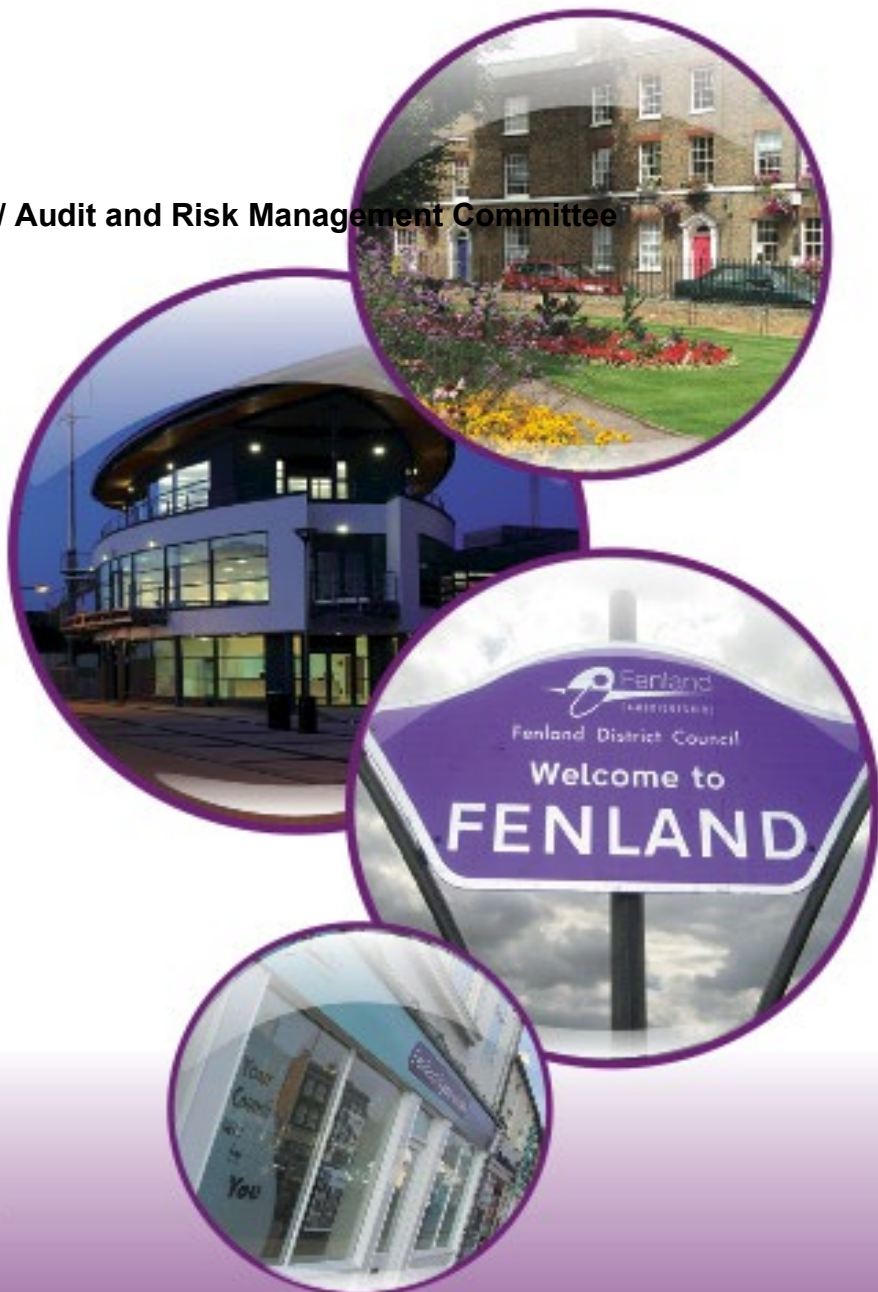
It is recommended that Committee agree the Corporate Governance Committee / Audit and Risk Management Committee Annual Report for 2020/21 to be forwarded to Full Council.

Wards Affected	All
Forward Plan Ref	Not applicable
Portfolio Holder(s)	
Report Originator(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward – Internal Audit Manager
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward– Internal Audit Manager Mark Saunders - Chief Accountant Anna Goodall – Head of Governance & Legal Services
Background Paper(s)	Corporate Governance Committee minutes Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2018)

Appendix: Annual report

Report of the Corporate Governance / Audit and Risk Management Committee

April 2020 - March 2021



1 What is corporate governance?

- 1.1 Corporate Governance in Fenland District Council is an essential part of the Council's standards for transparent and informed management and decision-making. It provides assurance of the adequacy of the risk management framework and the control environment, independent scrutiny of the Authority's financial and non-financial performance and to oversee the financial reporting process.

2 Responsibilities of the Committee

- 2.1 Following the creation of the Audit and Risk Management Committee a review of the committee's rules, as listed in Part 2 (rule 10) of the constitution were updated in line with best practice guidance. The new terms of reference encompass all previous aspects of the role of the Corporate Governance Committee, whilst incorporating a new format and layout consistent with best practice guidance and also includes a statement of purpose.
- 2.2 The Committee's purpose identified in the terms of reference states:
The purpose of our Audit and Risk Management Committee is to provide independent assurance to the members and other parties of the adequacy of the risk management framework and the internal control environment. It provides independent review of Fenland District Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also ensures the Council is managing the risk of ensuring services have the resources to deliver on the Council's statutory responsibilities and corporate priorities whilst recognising the Council's financial position.

3 Members commitment to corporate governance in 2020/21

- 3.1 As a result of the Coronavirus pandemic a number of meetings of the committee were postponed or cancelled due to pressures facing the organisations. All meetings were held virtually in line with national guidance.
- 3.2 However the committee was still committed to delivering governance oversight for the Council and meetings included development briefings, and items of topical interest, to maintain knowledge and awareness of the Council's Governance Framework. Examples were:
- the role of Corporate Governance, Officers and the annual work plan;
 - interpretation of Annual Financial Statements;
 - the role of internal audit in Local Government. Update report on audits completed is provided which includes the number of and theme of recommendations;
 - risk management;
 - updates on the impact of Covid-19 on delivery of the Internal Audit Plan and Annual Audit Opinion
 - Data Protection updates
- 3.3 The Chairman and Vice Chairman of Audit and Risk Management Committee also attended external training sessions on the role of the Audit Committee in Local Government.

- 3.4 Members of the Corporate Governance Committee also received a briefing document during the period that meetings were postponed or cancelled, detailing the Council's response to the pandemic and how areas of risk, governance and control were being managed and maintained throughout the period.

4 Work programme and outcomes

4.1 The Committee considered the matters in the table below as part of its work programme for 2019/20

Programme	Outcome
Annual Governance Statement 2019/20	<p>The Authority has a statutory duty to publish a statement as to the level of effectiveness its governance and internal control framework.</p> <p>The Corporate Governance Committee was able to consider the sources of assurance and approve the content of the Statement prior to its publication with the Financial Accounts.</p> <p>The statement included an action plan which was reviewed during the year to ensure that governance and control framework weaknesses were addressed.</p> <p>This has helped the Council to proactively identify and manage governance and control risks that could affect Corporate Priorities. Examples include changes in legislation, finance and Government policy.</p>
Accounting Policies	<p>The Committee considered the accounting policies for use in producing the 2019/20 accounts. This helped ensure that the Council demonstrated compliance with the International Financial Reporting Standards (IFRS).</p> <p>The Committee endorsed the approach proposed to meet the revised Accounts and Audit regulations 2015. This included managing a condensed timetable for preparation, approval and publication of financial performance information in preparation for the imposed earlier statutory deadline.</p>
Statement of Accounts	<p>The Committee were able to approve the Council's Statement of Accounts for 2019/20, assisting the Council in achieving its publication deadline.</p>

Programme	Outcome
Internal Audit work programme	<p>The Committee received reports, from the Internal Audit Manager, for review of the:</p> <ul style="list-style-type: none"> • Risk based annual plan and strategy, • Performance Outturn 2019/20, • Internal Audit Manager’s opinion on the overall adequacy and effectiveness of the Council’s control environment, and • Progress updates on delivery of the annual plan • The impact of Covid-19 on delivery of the Internal Audit Plan and Annual Audit Opinion <p>These reports demonstrate that the Council has arrangements in place to comply with the Accounts and Audit Regulations, to maintain an adequate and effective internal audit and system of Internal Control.</p>
Review of effectiveness of Internal Audit	<p>The Committee received assurances from the Corporate Director & Chief Finance Officer, following a review of Internal Audit effectiveness for 2019/20</p> <p>.</p> <p>This confirmed that the Internal Audit Team is effective and follows professional quality standards such as the CIPFA “Local Government Application Note” for "Public Sector Internal Audit Standards" and the CIPFA “Statement on the role of the Head of Internal Audit”.</p>
Risk Management Framework	<p>The Committee received regular updates on the Corporate Risk Register, discussed emerging risks, and completed an annual review of the Risk Management Strategy.</p> <p>This provided assurance that significant risks are identified and managed for the Council.</p> <p>In addition, Members requested additional items to be considered which led to some changes to the risk register which have been implemented.</p>
Treasury Management	<p>The Committee received reports throughout the year on the Treasury Management Strategy, Capital Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy and financial performance.</p> <p>This provided assurance that the Council's assets are managed in accordance with the CIPFA Code of Practice on Treasury Management.</p>

Programme	Outcome
<p>External Audit Assurance</p>	<p>The Committee received reports from the appointed external auditor, Ernst and Young. These included:</p> <ul style="list-style-type: none"> • Annual work plan; • Annual report to those charged with governance (ISA 260) summarising the work of the external audits completed; • Annual Audit and Inspection letter <p>The reports affirmed continued maintenance of high financial management and control standards.</p> <p>The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given.</p> <p>The Committee also received updates on the future arrangements for appointing the Council's External Auditors</p>

Fenland District Council
Audit and Risk Management Committee Self-Assessment Exercise

For the year 2020-21

No	Issue	Y	P	N	Evidence/ Comment	Action Required
AUDIT COMMITTEE PURPOSE AND GOVERNANCE						
1	Does the authority have a dedicated audit committee?	Y			Referred to as the Audit and Risk Management Committee	
2	Does the audit committee report directly to full council? (applicable to local government only)	Y				
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			The Audit and Risk Management Committee was newly formed in December 2020 and has a Terms of reference that follow CIPFA's guidance on Audit Committees	
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y			The committee's Terms of Reference are documented on the council's website where officers and members can access relevant documentation.	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y			The committee supports the authority by following the Nolan Principles adopted by the authority and ensuring to the best of their ability that the corporate plan and strategic goals of the authority are adhered to.	
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			The Audit and Risk Management Committee report to Council and provide an annual report to Council. Throughout the year other members of the Council may request to attend meetings.	
FUNCTIONS OF THE COMMITTEE						
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	Y			The Committee's Terms of Reference were updated in 2019/20 and now cover all areas identified in CIPFA's Position Statement	
	good governance	Y				
	assurance framework, including partnerships and collaboration arrangements	Y				

	internal audit	Y				
	external audit	Y				
	financial reporting	Y				
	risk management	Y				
	value for money or best value	Y				
	counter fraud and corruption	Y				
	supporting the ethical framework	Y				
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			The Audit and Risk Management Committee completes an annual report, which encompasses this review. The committee also considers as part of its annual work the Annual Governance Statement and Risk Register. The committee regularly receives reports from Internal Audit, External Audit and reviews the financial statements.	
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee reviews treasury management reports and has oversight of the annual report.	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y			A review of the Terms of Reference has been completed.	
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?		P		The Audit and Risk Management Committee has a sub-committee with delegated decision making powers for staffing arrangements and policies.	
MEMBERSHIP AND SUPPORT						
12	Has an effective audit committee structure and composition of the committee been selected? This should include:	Y			The current committee is separate from the executive, the current membership has an appropriate mix of knowledge and skills, and the size is not unwieldy. The mix of members from each political party is in line with	Consider whether an independent member should be included on the committee.

	<ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 				<p>current policies.</p> <p>The Committee gave due consideration to appointing and independent member and requested that the item be included on the Committee's action plan to review the need and requirement on an annual basis.</p>	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?				Not applicable	See 12 above
14	Does the chair of the committee have appropriate knowledge and skills?	Y			<p>The current chair of the committee has the appropriate subject knowledge for the position. Members of the committee are given opportunity to freely discuss matters with fellow members of the committee. Officers attending the meetings are always available for advice to the chair if required.</p> <p>Training is given to all members of the Audit and Risk Management Committee to ensure appropriate skills are up to date and relevant.</p>	
15	Are arrangements in place to support the committee with briefings and training?	Y			Training for members of the committee is given to members on specific subjects (mainly technical areas – AGS, Statement of Accounts etc) prior to the official meetings taking place when requested.	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y			<p>The committee membership is formed from members with financial backgrounds, historical knowledge of the authority, knowledge from other authorities resulting in a varied mix of experience and knowledge.</p> <p>A formal assessment has not taken place, but could be considered.</p>	Consider undertaking as assessment of current members against the core knowledge and skills framework.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y			All meetings are attended by a mixture of officers, including the Corporate Director / S151 officer, external audit, Chief Accountant, Head of Governance and Internal Audit Manager	
18	Is adequate secretariat and administrative support to the committee provided?	Y			Relevant officers attend meeting to facilitate secretarial and administrative support to the committee.	

EFFECTIVENESS OF THE COMMITTEE						
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y			The Chairman of the Audit Committee presents an annual report to the Council and receives feedback from the executive.	
20	Are meetings effective with a good level of discussion and engagement from all the members?	Y			All members are encouraged to be involved fully at all meetings. Relevant officers are invited to attend meetings to provide greater detail to help discussions and engagement.	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y			The committee engages with the relevant responsible officers when discussing risks and action plans. Examples of this are the AGS, Corporate Risk Register, Treasury Reports and RIPA policies.	
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y			All reports presented to the committee for approval are discussed and actions minuted on suggested improvements. These actions are reviewed by the officers to ensure they are followed up on and discussed at the following meeting.	
23	Has the committee evaluated whether and how it is adding value to the organisation?		P		No formal evaluation has taken place, but the annual audit committee effectiveness report considers this to some degree.	Consider whether the committee is adding value using the information provided in CIPFA 2018 guidance.
24	Does the committee have an action plan to improve any areas of weakness?	Y			An action plan for the Committee was introduced this year to monitor actions and is included as part of the workplan	Continue to monitor the action plan and how it adds value to the organisation
25	Does the committee publish an annual report to account for its performance and explain its work?	Y			Audit and Risk Management Committee Annual Report.	