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## **GOVERNANCE AND AUDIT COMMITTEE ANNUAL REPORT 2010/11**

To: **Governance and Audit Committee – 15 March 2011**  
By: **Chair of the Governance and Audit Committee**  
Classification: **Unrestricted**

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**Summary:** **This report summarises the achievements of the Governance and Audit Committee against its terms of reference for the period 1 April 2010 to 31 March 2011 and details the impact that it has made on the overall system of internal control in operation for that period.**

### **For Decision**

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#### **1.0 Introduction and Background**

- 1.1 The purpose of the council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 To comply with best practice the Committee determined that it would consider annually whether it meets its terms of reference and how it has impacted on the internal control environment. The purpose of this report is to consider the self assessment that has been undertaken and summarise any improvement opportunities for the forthcoming year.

#### **2.0 Reporting on Effectiveness**

- 2.1 The Governance and Audit Committee should ensure it has effective communication with the authority, to include the Executive, the Head of internal Audit, the External Auditor and other stakeholders. Consequently it is considered to be best practice for the Committee to be self aware and to submit an annual report to Council.
- 2.2 The Governance and Audit Committee has previously used the CIPFA Guidance and National Audit Office self assessment checklist to consider whether it has met its terms of reference. This year, a meeting was held with the Chairman, Councillor Jason Savage; the Head of the Audit Partnership, Christine Parker and the Corporate Governance and Risk Officer, Nikki Morris to review the Committees terms of reference to specifically evidence how the Committee achieved against them.
- 2.3 This report summarises the work of the Committee for the year and concludes that it has received clear, concise and relevant information, regular training events on topics specific to the business of the Committee, and has done all that it can to meet the aims and objectives for the Committee in the best way that it can.

#### **3.0 Annual Report**

- 3.1 The Governance and Audit Committee is assured on the integrity and reliability of data held in the financial statement. It receives clear, concise reports and actions are dealt with in an appropriate timescale. The members of the Committee receive specific training in order to assist them with their role in receiving comprehensive assurance from the accounting officer. During 2010/11 the Committee has received training on the following areas:

- Anti-fraud and Corruption Policy
- Statement of Accounts
- Effective Audit Committees
- Risk Management
- National Fraud Initiative

- 3.2 The work of internal and external audit provides detailed assurance on the reliability and integrity of the information held in the financial statements as well as on the key control framework in operation across the council.
- 3.3 The assurances from the accounting officer, the work of internal and external audit together support the Committee in forming their opinion of the financial statements, enabling them to agree to sign them off in accordance with regulations.
- 3.4 The Committee receives a regular report on agreed actions from the Annual Governance Statement process which is completed as part of the preparation of accounts. It also reviews the Councils Governance Framework and Local Code of Corporate Governance.
- 3.5 The Committee reviews the Risk Management Strategy on a regular basis and considers the effectiveness of the risk management process both through the work of internal audit and through receiving quarterly risk management reports.
- 3.6 The Committee considers the effectiveness of the internal audit arrangements by reviewing the annual assessment of the Section 151 Officer, the view of external audit and the quality of reports, actions and follow up through the quarterly reports submitted throughout the year to Committee.
- 3.7 The Committee is able to request service managers and, where necessary, the relevant portfolio holder to attend the Committee to give an update on progress against agreed actions to reduce risk and/or improve governance.
- 3.8 The Chairman and Officers considered the effectiveness of the Committee against the terms of reference at a meeting on the 23 February 2011 and 4 actions were identified which are recommended that will improve performance against best practice for the forthcoming year. The evidence demonstrating achievement of the Committees terms of reference is attached at Annex 1.
- 3.9 The recommended actions are listed in annex 2 attached to this report. They will be incorporated into the councils Annual Governance Statement (AGS) for 2010/11 and then reviewed on a quarterly basis through the AGS action plan.
- 3.10 Annex 3 details the status of the action plans for 2008/09 and 2009/10 to ensure Members are confident that these actions have been completed.
- 3.11 The terms of reference for the Committee were also reviewed and changes recommended which the Governance and Audit Committee considered at its meeting on the 15 March 2011.

#### **4.0 Options**

- 4.1 That Members agree the content of this report and the recommended actions within the action plan, and that Members recommend that the Annual Report be forwarded to Full Council.
- 4.2 That Members do not agree the content of this report and the recommended actions within the action plan, and Members do not recommend that the Annual Report be forwarded to Full Council.

## 5.0 Corporate Implications

### 5.1 Financial

5.1.1 There are no financial implications arising directly from this report.

### 5.2 Legal

5.2.1 The Council is meeting best practice by having in place an audit committee, as this is not a mandatory or statutory function. In adopting the CIPFA guidance for the terms of reference for the Committee the Council is meeting the standards set out for the public sector.

### 5.3 Corporate

5.3.1 Under the Local Code of Corporate Governance accepted by Governance and Audit Committee on the 13 January 2011, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit. The functions of the Governance and Audit Committee contribute to the overall internal control environment for the Council and feed into the Annual Governance Statement process.

### 5.4 Equity and Equalities

5.4.1 There are no equity or equalities issues arising from this report.

### 5.5 Risks

5.5.1 Failure to undertake this process will negate the council's approach to corporate governance.

## 6.0 Recommendation(s)

**6.1 That Members agree the content of this report and the recommended actions within the action plan, and that Members recommend that the Annual Report be forwarded to Full Council.**

## 7.0 Decision Making Process

7.1 This recommendation does not involve the making of a key decision and may be taken by the Governance and Audit Committee.

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### **Annex List**

Annex 1	Evidence from 23 February 2011 meeting
Annex 2	Action Plan 2010/11
Annex 3	Action Plans for 2008/09 and 2009/10

### **Background Papers**

<b>Title</b>	<b>Details of where to access copy</b>
Governance and Audit Committee papers	Formal meetings agenda and minutes held electronically on the Council's website