

**Appendix 1:**

# **Accounts, Audit & Risk Committee Annual Report**

## **Report of the work of the Accounts, Audit & Risk Committee during 2020-21**

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## **Annex**

1. Accounts, Audit & Risk Committee Functions (terms of reference)

## **Chairman's Introduction**

As the Chairman I am very pleased to present this annual report which sets out the role of the Accounts, Audit & Risk Committee and summarises the work we have undertaken during the financial year 2020/21.

The Committee is a key component of the council's governance framework, providing independent support to ensure good governance and strong public financial management.

The Committee continues to be well supported by Officers, providing a high standard of reports and presentations. I would like to thank the Finance Team, Risk & Performance Team, Internal Audit and External Audit for their input.

I should like to take this opportunity to give my personal thanks to all the officers, my Vice Chairman Cllr Hugo Brown and without exception, all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year.

**COUNCILLOR MIKE KERFORD-BYRNES**  
Chairman, Accounts, Audit & Risk Committee

## Role of the Accounts, Audit & Risk Committee

The Accounts, Audit & Risk Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high -level resource to support good governance and strong public financial management.
2. The purpose of and Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The key functions of the Account’s Audit & Risk Committee are defined within its terms of reference; this is attached as Annex 1 to this report.

## How the Committee has discharged its responsibilities during 2020/21

NB: May and June 2020 meetings were cancelled due to COVID-19.

Key AARC Activities	July 20	Sept 20	Nov 20	Jan 21	March 21
<b>Financial Reporting</b>					
Considered monthly performance, risk & finance monthly report					
2019/20 Annual Statement of Accounts up-date					
Review of Treasury Management Outturn 2019/20					
Treasury Management 2020/21 update					
Capital and Investment Strategy 2021/22					
Treasury Management Strategy 2021/22					
Housing Benefit Subsidy Audit / Housing Benefit Subsidy Risk Based Verification					
Briefing on outcomes of Redmond Review into LG audit					
<b>Internal Audit</b>					
Annual Report of the Chief Internal Auditor 2019-20					
Internal Audit Strategy and Plan 2020-21					
Review of Internal Audit Reports and monitor of in-year progress					
Review of Internal Audit Charter and Quality Assurance Programme					
<b>External Audit</b>					
External audit progress updates					
Review of those charged with governance – response to EY					
Annual Audit Opinion 2019/20					
<b>Governance &amp; Risk Management</b>					
As above under financial reporting - Considered monthly performance, risk & finance monthly report					
Briefing on Cyber Security Arrangements					
Approval of Annual Governance Statement (AGS) for 2019/20					
AARC – terms of reference review					
AARC – draft annual report					
<b>Counter-Fraud</b>					
Approval of Counter-Fraud Strategy and plan for 2020-21					
Counter-Fraud Plan update					
Update on Counter-Fraud arrangements for 21/22					

## **Our work in 2020/21**

The key activities of the Committee are captured in the table above. In summary:

### **Financial Reporting**

The Committee reviewed and approved (subject to final external audit review) the annual statement of accounts on behalf of the Council and considered the external auditors report. The Committee reviewed the proposed accounting policies for the statement of accounts, including the enhancement of the accounting policy relating to the preparation of the accounts on a Going Concern basis in response to increased external audit focus on this area due to the financial impact of COVID-19.

The Committee Members attended a briefing on the Council's draft 2019/20 accounts in August 2020 to assist in their understanding of how the accounts are produced.

The Committee receives reports on Treasury Management throughout the year, exercising its stewardship role, including the Treasury Management Outturn Report for 2019/20 and quarterly Treasury Management monitoring reports for 2020/21. Additionally, the Committee considered the Capital and Investment Strategy and the Treasury Management Strategy 2021/22. The Committee have provided effective scrutiny of the treasury management strategy and policies, receiving regular reports of activity, reviewing the treasury risk profile and adequacy of treasury risk management.

### **Internal Audit**

The Committee approved the Internal Audit Strategy for 2020/21, including the annual audit plan, which provides members the opportunity to challenge and influence the plan where the Committee has identified areas of concern.

The Committee receives regular progress reports from the Chief Internal Auditor, including summaries of the outcomes from Internal Audit work.

The Committee has continued to review, and monitor material weaknesses identified from the internal audit reports with Senior Managers attending to provide assurance on how the issues were being addressed. This has supported the implementation of the actions plans to deliver the required improvements in key areas for the Council.

The completion of the Internal Audit Plan and the annual statement of the Chief Internal Auditor is produced for the Committee at the end of the financial year. Based on the evidence of the reports presented to the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

The Committee approves the Internal Audit Charter on an annual basis, this was approved at the July 2020 meeting.

### **External Audit**

The Council's external auditors, Ernst and Young, attended all the committee meetings during 2020/21, providing regular updates on their work plan and any matters arising.

The Committee is satisfied that the External Auditors are free to carry out their duties without restrictions. We are also assured that if identified they would bring any material issues to the attention of the Committee.

## **Governance & Risk Management**

The Committee approved the Annual Governance Statement (AGS) for 2019/20 in November 2020 as part of the Council's accounts.

The Committee receives regular updates on risk management, considering the Performance, Risk and Finance Monitoring Report which includes review of the Leadership Risk Register.

## **Counter-Fraud**

The Committee receives regular updates from the Counter Fraud Team on outcomes of investigations. The Committee plays a key role in monitoring the effectiveness of the Council's counter fraud arrangements. Working with the Finance Team & Internal Audit, the Counter Fraud team has had additional responsibilities during 2020 / 21 scrutinising applications relating to Government Grants designed to mitigate the financial impact of the Covid pandemic.

Overall, the Council has a strong system of internal control, so as expected, there is very little fraud identified; however nationally statistics show that fraud is on the increase, so it is important that the Council remains vigilant.

## **Annex 1 – Accounts, Audit & Risk Committee Terms of Reference**

### **Draft TOR – subject to approval**

The Accounts, Audit and Risk Committee shall comprise 8 members with unnamed substitutes, and every Committee member or appointed substitute shall undertake appropriate training before being permitted to serve on the Committee.

### **Statement of purpose**

1. The Accounts, Audit and Risk Committee is a key component of Cherwell District Council's corporate governance framework. It provides an independent and high-level focus on the adequacy of the risk management framework, the internal control environment, the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

### **Governance, risk and control**

- 2 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 3 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 4 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 5 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 6 To monitor the effective development and operation of risk management in the council.
- 7 To monitor progress in addressing risk-related issues reported to the committee.
- 8 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 9 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 10 To monitor the counter-fraud strategy, actions and resources.
- 11 To review the governance and assurance arrangements for significant partnerships or collaborations.

### **Internal audit**

- 12 To approve the internal audit charter.
- 13 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 14 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.



- 15 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 16 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 17 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 18 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - b) regular reports on the results of the QAIP (Quality Assurance Improvement Programme)
  - c) reports on instances where the internal audit function does not conform to the PSIAS (Public Sector Internal Audit Standards), considering whether the non-conformance is significant enough that it must be included in the AGS.
- 19 To consider the head of internal audit's annual report:
  - a) The statement of the level of conformance with the PSIAS and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- 20 To consider summaries of specific internal audit reports as requested.
- 21 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 22 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 23 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

## **External audit**

- 24 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.
- 25 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 26 To consider specific reports as agreed with the external auditor.
- 27 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 28 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## **Financial reporting**

- 29 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 30 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Accountability arrangements**

- 31 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 32 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee.
- 33 To publish an annual report on the work of the committee.

## **Treasury Management**

- 34 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Receiving regular reports of activity, reviewing the treasury risk profile and adequacy of treasury risk management processes.