

## Accounts, Audit and Risk Committee Annual Report 2012-13

### 1. Purpose of Report

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- 1.1 The Accounts, Audit and Risk Committee is required by the Constitution to make an annual report to the Council. The Committee agreed that as well as being best practice, this would be a useful tool to document and communicate the AARC achievements.
- 1.2 The Head of Finance and Procurement has prepared the Annual Report to be considered at the next appropriate meeting of Full Council.

### 2. Role of the Committee

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- 2.1 The Accounts Audit and Risk Committee is a regulatory Committee. The purpose of the committee is to oversee the financial processes of the Council; the Audit Commission recommended that all local authorities establish a committee of this nature.
- 2.2 The Accounts, Audit and Risk Committee (AARC) operates in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2006. The Guidance defines the purpose of an Audit Committee as follows:
- "To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny 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."
- 2.3 The Council's Accounts, Audit and Risk Committee has an ongoing role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council.
- 2.4 The terms of reference of the AARC are defined within the Council's Constitution; the relevant extract is below;
- Ensuring that the Council's corporate governance arrangements are adequate and operating effectively in practice
  - Considering the Council's Code of Corporate Governance and the Annual Governance Statement before approval by the Executive
  - Monitoring the effectiveness of the Council's risk management procedures, the internal control environment and counter fraud and corruption arrangements and report any concerns to the Executive
  - Endorse the annual Risk Management Strategy and recommend it to the Executive for adoption
  - Approval of the Council's Statement of Account
  - Considering any reports of internal or external auditors and agreeing the action to be taken from those reports including any recommendations to the Council
  - To consider and make recommendations on the internal audit plan

- To consider a report on the effectiveness of the internal audit system at least annually
- To consider risks associated with significant partnerships entered into by the Council and to receive reports on the management of those risks
- To receive the External Auditor's annual audit letter and make recommendations arising from it
- To produce an annual report to Council on the activities of the committee.

### **3. Membership**

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3.2 The Audit Committee comprises of eight elected members representing all political parties:

- Councilor Trevor Stevens (Chairman)
- Councilor Mike Kerford-Brynes (Vice-Chairman)
- Councilor Andrew Beere
- Councilor Colin Clarke
- Councilor Andrew Fulljames
- Councilor Lawrie Stratford
- Councilor Rose Stratford
- Councilor Barry Wood

3.3 Having the right skills, knowledge and experience are key attributes for members of an audit committee to have in order for this key assurance function to be effective.

3.4 Specifically members should have the ability to question, probe and seek clarification about complex issues, and should have experience in some of the core functions of the Committee; financial awareness is essential, but a broad understanding of the financial, risk and control, and governance issues facing local authorities and the Council specifically is more important than having an accounting background or professional qualification.

#### **Other Members**

3.5 The Committee was also grateful for the attendance and contribution of the Portfolio Holder of Resources – Councilor Ken Atack.

#### **Officers**

3.6 The Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee.

3.7 During the year the following officers attended meetings;

- Martin Henry – 151 Officer
- Karen Curtin – Head of Finance and Procurement
- Nicola Jackson – Corporate Finance Manager
- Denise Taylor – Corporate Finance Accountant
- Claire Taylor - Corporate Performance Manager
- Jeff Brawley – Investigations Manager
- Gavin Lane - Democratic and Elections Officer
- Chris Dickens – Chief Internal Auditor (PwC)

## **External Audit**

- 3.8 Our External Auditors (initially the Audit Commission and then Ernst Young from November 2012), routinely attend all the Committee meetings making a welcome contribution to governance processes within the Council and the development of committee members.

## **4. Work Programme**

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- 4.1 The Committee reviewed a number of items in the course of the year in order to assure itself of the adequacy of the Council's internal control arrangements.

### Key Assurances Gained:

- 4.2 The Audit Committee can confirm that:

- the system of risk management in the Council is adequate in identifying risks and in allowing the authority to understand the appropriate management of those risks,
- there are no areas of significant duplication or omission in the systems of governance in the authority that have come to the Committee's attention and not been adequately resolved,

### Review of Internal Control Systems

- 4.3 The Committee reviewed a number of items in the course of the year in order to assure itself of the adequacy of the Council's internal control arrangements. These included:

- External Audit Annual Audit Letter 2011-12
- Internal Audit Annual Report for 2011-12
- Internal Audit Reports with High Rating Recommendations and a summary of the results of follow up of work
- Corporate Risk Register
- Treasury Management updates 2012-13 Strategy 2013-14
- Risk Management Quarterly Reviews 2012-13 and Review of Strategy 2013-14
- Fraud Updates
- Internal Audit Compliance Checklist.

### External Audit Annual Audit Letter 2011-12

- 4.4 The Annual Audit Letter 2011-12 from the Audit Commission: gave an unqualified opinion of the Council's 2011-12 financial statements on 28 September 2012; concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and certified completion of the audit.

### Internal Audit Annual Report for 2012-13

- 4.5 This report was directly linked to the core functions of the Committee and one of the Audit Committee's Terms of Reference was to "consider the annual report of the internal audit service and to consider a summary of actual and proposed

internal audit activity and the levels of assurance it could give over the Council's corporate governance arrangements."

- 4.6 The report was received annually from the Internal Audit Manager and a draft was provided to the Audit Committee for information on 27 March 2013. The final version will be presented on 26 June 2013.
- 4.7 In terms of the Authority's risk management framework, Internal Audit provided a satisfactory assurance rating, stating that our processes are sufficiently formalised and provide information on key risks and issues relating to the individual services and the Authority as a whole. They have raised recommendations to further enhance and embed risk management processes.

#### Internal Audit and External Audit Work Programmes for 2012-13

- 4.8 The Audit Committee reviewed the scope and depth of external and internal audit work to ensure that it gives the Council good value for money. The progress against the work plans were monitored at every Audit Committee meeting through the year and no problems were identified.

#### Financial Statement & Annual Governance Statement Approval

- 4.9 Comprehensive review of statements - the Committee members met with the Head of Finance & Procurement and finance officers to undertake a comprehensive review of the financial statements and Annual Governance Statement one week prior to adoption at the committee meeting, this resulted in a thorough understanding of the key statements and identification of some small amendments to the accounts.
- 4.10 Approval of the draft set of accounts – the Committee approved the draft statement of accounts, enabling the External Auditors to start their statutory audit of the Statement of Accounts.

#### Risk Management

- 4.11 The committee owns and regularly monitors the risk register as part of its terms of reference and recommends amendments where appropriate. Updates of the risk register are presented at meetings as a standard agenda item.

### **5. Conclusion**

- 5.1 For the year 2012-13 the Accounts Audit and Risk Committee have provided assurance that the Council's internal control environment and risk management framework are adequate.

#### **Document Information**

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<b>Report Author</b>	Karen Curtin, Head of Finance and Procurement
<b>Contact Information</b>	<a href="mailto:Karen.Curtin@Cherwellandsouthnorthants.gov.uk">Karen.Curtin@Cherwellandsouthnorthants.gov.uk</a>