

# **Cherwell District Council**

## **Council**

**21 July 2014**

<p><b>Accounts, Audit and Risk Committee Annual Report 2013-14</b></p>
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### **Report of Interim Head of Finance and Procurement**

This report is public

#### **Purpose of report**

This report summarises the work of the Accounts, Audit and Risk Committee during 2013-14.

#### **1.0 Recommendations**

The meeting is recommended

- 1.1 To note the Accounts, Audit and Risk Committee Annual Report 2013/14.

#### **2.0 Introduction**

- 2.1 The Annual Report contains information relating to the work of the Accounts, Audit and Risk Committee during 2013-14. There is a constitutional obligation for the Committee to produce an annual report on its the activities of the Committee, as set out in the Committee's Terms of Reference.
- 2.2 The Annual Report 2013-14 was approved by the Accounts, Audit and Risk Committee on 25 June 2014.

#### **3.0 Report Details**

##### **Role of the Committee**

- 3.1 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.
- 3.2 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.”

3.3 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.

3.4 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.

### **Membership**

3.5 The Audit Committee comprised of eight elected members during 2013-14 representing all political parties:

Councillor Trevor Stevens (Chairman)	80% attendance
Councillor Mike Kerford-Brynes (Vice-Chairman)	100% attendance
Councillor Andrew Beere	100% attendance
Councillor Ray Jelf	80% attendance
Councillor Nicholas Mawer	80% attendance
Councillor Lawrie Stratford	100% attendance
Councillor Rose Stratford	40% attendance
Councillor Barry Wood	80% attendance

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 Lead Member for Financial Management – Councillor Ken Attack.

#### **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 – Director of Resources / Section 151 Officer

Karen Curtin – Head of Finance and Procurement (until July 2013)

Tim Madden – Interim Head of Finance and Procurement (from Sept 2013)

Nicola Jackson – Corporate Finance Manager

Denise Taylor – Corporate Finance Accountant

Karen Muir - Technical and Project Accountant

Claire Taylor - Corporate Performance Manager

Louise Tustian - Senior Performance and Improvement Officer

Jeff Brawley – Investigations Manager

Natasha Clark - Democratic and Elections Team Leader

Gavin Lane - Democratic and Elections Officer

Sharon Hickson – Assistant Democratic and Elections Officer

Lesley Farrell – Assistant Democratic and Elections Officer

Chris Dickens – Chief Internal Auditor (PwC)

Ed Cooke – Audit Manager (PwC)

#### **External Audit**

- 3.8 The External Auditors, Ernst Young, routinely attend all the Committee meetings making a welcome contribution to governance processes within the Council and the development of committee members.

#### **Work Programme**

- 3.9 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:**

- 3.10 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, and
- 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**

3.11 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 2012-13
- Internal Audit Annual Report for 2012-13
- Internal Audit Progress Reports for 2013-14
- Corporate Risk Register 2013-14
- Treasury Management quarterly monitoring 2013-14
- Treasury Management Strategy 2014-15
- Risk Management Quarterly Reviews 2013-14
- Fraud Updates

### **External Audit Annual Audit Letter 2012-13**

3.12 The Annual Audit Letter 2012-13 from Ernst Young contained three elements:

- an unqualified opinion of the Council's 2012-13 financial statements on 20 September 2013
- concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources on 20 September 2013
- certified completion of the audit.

### **Internal Audit Annual Report for 2012-13**

3.13 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."

3.14 The report was received annually from the Internal Audit Manager and the final version was presented to AARC on 26 June 2013.

3.15 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.

### **Financial Statements & Annual Governance Statement Approval 2012-13**

3.16 Comprehensive review of statements - the Committee members met with the Head of Finance and Procurement and finance officers to undertake a comprehensive review of the financial statements and Annual Governance Statement 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.

3.17 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**

3.18 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.

## 4.0 Conclusion and Reasons for Recommendations

- 4.1 There is a constitutional obligation for the Committee to produce an annual report on its the activities of the Committee, as set out in the Committee's Terms of Reference.

## 5.0 Consultation

**Consultee Name:**  
Accounts, Audit and Risk  
Committee

**Consultee Response:**  
Agreed, subject to the inclusion of any  
further comments from members of the  
Committee.

## 6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not accept the report. This has been rejected, as the report seeks to inform the Council of the activities of the Accounts, Audit and Risk Committee.

## 7.0 Implications

### Financial and Resource Implications

- 7.1 There are no financial implications arising directly from this report.

Comments checked by: Tim Madden, Interim Head of Finance & Procurement 0300 0030106

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### Legal Implications

- 7.2. There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law and Governance, 0300 0030107

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### Risk Implications

- 7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by:

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## 8.0 Document Information

### Wards Affected

All wards are affected

### Links to Corporate Plan and Policy Framework

All corporate plan themes.

### Lead Councillor

Councillor Trevor Stevens, Chairman of Accounts, Audit and Risk Committee  
2013/14

Annex No	Title
None	
Background Papers	
None	
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