

APPENDIX 1:

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

**Report of the work of the Accounts, Audit &
Risk Committee during 2021-22**

Contents

Section	Page
Chairman's Introduction	3
Role of the Accounts, Audit & Risk Committee	4
Key Activities	5

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 2021/22.

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, and Internal 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, despite the challenges presented by the COVID pandemic to the administration and operation of the department.

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 2021/22

Key AARC Activities	June 21	July 21	Sept 21	Nov 21	Jan 22	March 22
Financial Reporting						
Considered monthly performance, risk & finance monthly report						
2020/21 Annual Statement of Accounts up-date						
Review of Treasury Management Outturn 2020/21						
Treasury Management 2021/22 update						
Capital and Investment Strategy 2022/23						
Treasury Management Strategy 2022/23						
Treasury Management Training						
Housing Benefit Subsidy Audit						
Housing Benefit Risk Based Verification Policy						
Review of Support to Subsidiaries						
Internal Audit						
Annual Report of the Chief Internal Auditor 2020/21						
Internal Audit Strategy and Plan 2021/22						
Review of Internal Audit Reports and monitor of in-year progress						
Review of Internal Audit Charter and Quality Assurance Programme						
Update on implementation of management actions from audit of GDPR 2021/22						
External Audit						
External audit progress updates						
Review of those charged with governance – response to EY						
Annual Audit Opinion						
Appointment of External Auditors						
Governance & Risk Management						
As above under financial reporting - Considered monthly performance, risk & finance monthly report						
Approval of Annual Governance Statement (AGS) for 2020/21						
Annual Governance Statement – review of actions						
AARC – draft annual report						
Appointment of independent member						
Risk Management Training						
Local Code of Corporate Governance						
Counter-Fraud						
Approval of Counter-Fraud Strategy and plan for 2021/22						
Counter-Fraud Plan update						

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.

The Committee receives reports on Treasury Management throughout the year, exercising its stewardship role, including the Treasury Management Outturn Report for 2020/21 and quarterly Treasury Management monitoring reports for 2021/22. Additionally, the Committee considered the Capital and Investment Strategy and the Treasury Management Strategy 2022/23 and submitted recommendations for the adoption of all three to full Council. The Committee have provided effective scrutiny of the treasury management strategy and policies through 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 2021/22, including the annual audit plan.

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 internal audit 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 2021 meeting.

External Audit

The Council's external auditors, Ernst and Young, attended the committee meetings during 2021/22, 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.

The Committee endorses the nationally expressed criticisms of the intensity and timetables of External Audits. They are especially concerned about the knock-on effects of delays to the 2020/21 Audit on the start (and completion) of the 2021/22 Audit.

Governance & Risk Management

The Committee approved the Annual Governance Statement (AGS) for 2020/21 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.

The Committee have considered and agreed to the recruitment and appointment of an independent member in line with good practice guidelines for audit committees.

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.

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

Accounts, Audit and Risk Committee Terms of Reference

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.