

Annual
Report of the
Audit
Committee
2011/12

1. Background

The Audit Committee was established by the Authority in January 2008. Its purpose is to provide:

- independent assurance on 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.

The key benefits of the Committee can be seen as:

- Increasing public confidence in the objectivity and fairness of financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through a process of independent review.
- Raising awareness of the need for internal control and the implementation of audit recommendations.

The Terms of Reference for the Committee can be found at Appendix A of this report.

Audit Committee Self Assessment/Review of Effectiveness

In order to review its effectiveness the committee undertook a self assessment exercise during the year. This was based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees and highlighted that the Committee was operating within a recognised best practice framework.

Audit Committee Members' Skills Set

Each member of the Committee completed a skills audit form, giving them the opportunity to record details of their relevant experience and knowledge, and to identify areas where they felt they would benefit from additional training.

2. Meetings

During 2011/12 the Committee met on the following dates:

• 13 June 2011
• 5 September 2011
• 10 October 2011
• 28 November 2011
• 9 January 2012
• 26 March 2012

3. Membership and Attendance Record

	13/06/11	5/09/11	10/10/11	28/11/11	09/01/12	26/03/12
Cllr Turner (Chair)	√	√	√	√	√	√
Cllr Clinton	X					
Cllr Docker	√	√	X	√	√	√
Cllr Eustace	X					
Mike Ager (independent)	√	√	√	√	√	√
Cllr Delaney		X	X	√	X	X
Cllr Griffiths		√	√	√	√	√
Cllr Singh		√	√	√	√	√
Cllr Tranter		√	√	√	√	X

Senior Officers from the Authority and the Internal Auditors are also present, and where appropriate the External Auditor (Audit Commission) will attend.

The Committee also meets in private with the Internal and External Auditors on a regular basis.

4. The business of the Committee

During the year the Committee conducted the following business:

- Audit Commission Audit Opinion Plan
- Audit Commission Annual Audit Letter
- Consultation on External Audit Work Programme and Scale of Fees 2012/13.
- Internal Audit Annual Report
- Review of the Effectiveness of Internal Audit
- Internal Audit Quarterly Progress Reports
- Internal Audit Terms of Reference
- Strategy for Internal Audit and Periodic Audit Plan
- Benchmarking against CIPFA's Red Book 2 – Managing the Risk of Fraud
- CIPFA Audit Committee Updates
- Audit Committee Skills Audit
- Annual Report of the Audit Committee
- Work Programme
- Analysis of Progress of Corporate Performance against “The Plan” – Quarterly Reports
- Annual Governance Report
- Risk Management Report
- Future of Local Public Audit Consultation
- Statement of Accounts 2010/11
- Review of Organisational Assurance
- Treasury Management Update
- Monitoring Policies on Raising Concerns at Work - Whistleblowing

5. Conclusion

The Committee was able to confirm:

That the system of internal control, governance and risk management in the authority was adequate in identifying risks and allowing the authority to understand the appropriate management of these risks.

That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention, and had not been adequately resolved.

6. Sources of Assurance

The Committee gained assurance in order to produce the above conclusion, from the following sources:

The work of Internal Audit

The Council's Internal Auditors gave the following opinion in their Annual Report for 2011/12:

*Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide *reasonable assurance that the Fire Authority has adequate and effective governance, risk management and internal control processes.*

**We are pleased to report that this is an unqualified opinion and the highest level of assurance available to Audit Services. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes".*

The work of the Audit Commission/External Auditor

In order to produce this report in a timely manner, the Committee has placed reliance upon the work undertaken by the Audit Commission in their 2010/11 Annual Audit Letter, at which time their opinion was as follows:

"The Authority has sound arrangements for production of its financial statements. I issued an unqualified opinion on the Authority's account" and "I issued an unqualified value for money conclusion. I concluded that the Authority had adequate arrangements for securing economy, efficiency and effectiveness".

The Compilation of the Governance Statement

The Governance Statement operated throughout the year ended 31 March 2012 and up to the date of the approval of the annual report and accounts. The systems to ensure the management of the risks have been shown to be sound. A limited number of issues have been identified during the year in reports presented by the Internal and External Auditors.

Risk Management

Regular review of the Authority's Risk Register and ongoing involvement in the development of an organisational assurance framework.

7. The Committee's main achievements

The Committee believes its key achievements during the year were:-

- Providing additional assurance through a process of independent review.
- Raising the profile of internal control issues across the Authority and of the need to ensure that audit recommendations are implemented.
- Maintaining an ongoing awareness of the future of local public audit following the abolition of the Audit Commission.
- Involvement in the development of an organisational assurance framework.
- Undertaking a self assessment exercise based on the CIPFA model for an adequate and effective Audit Committee.
- Building the skills and knowledge of Committee members through the running of focussed training sessions and consideration of related guidance issued by CIPFA.
- The continued presence of an independent member in order to continue to broaden the Committee's experience and independent view point.

Appendix A

Terms of Reference for the Audit Committee

Audit Activity

- To approve the internal audit strategy.
- To consider the Audit Services annual report and opinion, and a summary of internal audit activity and the level of assurance it gives over the Authority's governance, risk management and internal control arrangements.
- To consider any summaries of internal audit activity and specific internal audit reports requested by the Committee.
- To consider reports dealing with the management and performance of Audit Services where necessary.
- To consider reports from Audit Services on the timeliness of management responses to internal audit reports and on agreed recommendations not implemented within a reasonable timescale where necessary.
- To consider specific reports as agreed with the external auditor and the report to those charged with governance where necessary.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To liaise with the Audit Commission over the appointment of the Authority's external auditor.
- To consider specific reports in terms of data quality including assessments by the external auditors.

Regulatory Framework

- To maintain an overview of contract procedure rules and financial regulations.
- To monitor the effective development and operation of risk management and corporate governance in the Authority.
- To consider the Authority's arrangements for corporate governance and recommending necessary actions to ensure compliance with best practice.
- To oversee the production of the Authority's Governance Statement and to recommend its adoption.
- To monitor Authority policies on 'Raising Concerns at Work', the anti-fraud and anti-corruption strategy and the Authority's complaints process.
- To consider the Authority's compliance with its own and other published standards and controls.

Accounts

- To review the annual statement of accounts, and specifically, 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 Authority.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To scrutinise and review treasury management arrangements.

Generally

- To review any issue referred to it by the Chief Fire Officer, Clerk or Treasurer, or any Authority body.
- To refer matters for consideration by the Authority, another Committee or an officer where considered appropriate.
- To deal with any other matters referred to it by the Authority.
- To meet at least quarterly.
- To submit its minutes and Annual Report to the Authority.