

Annual Report of the Audit Committee 2009/10

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 an Audit 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 second self assessment exercise in 2009. 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 has 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. The results of this exercise have been assessed and a training plan prepared in order to address the gaps.

2. Meetings

During 2009/10 the Audit Committee met on the following dates:

• 8 th June, 2009
• 6 th July, 2009
• 12 th October, 2009
• 11 th January, 2010
• 29 th March, 2010

3. Members & Attendance Record

	8/6/09	6/07/09	12/10/09	11/01/10	29/03/10
Cllr Kenneth Turner (Chair)	√	√	√	√	√
Cllr Michael Robinson	√	√	√	√	√
Cllr David Skinner		√	√	√	√
Cllr Tony Ward	√				
Cllr Sybil Spence	√	√	X	√	√
Cllr Shaukat Ali Khan		X	X	X	X
Cllr Carol Jones	X				
Mike Ager (independent)	√	√	X	√	√

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

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

4. Business

During the year the Committee conducted the following business:

- Report of the Audit Committee 2008/09
- Governance Statement 2008/09
- Internal Audit – Annual Report 2008/09
- Governance Standards
- Benchmarking the Authority against CIPFA's 'Managing the Risk of Fraud'
- Internal Audit Report - Internet Usage
- Monitoring Policies on Raising Concerns at Work/Whistleblowing
- Audit Commission - Progress Report
- Audit Commission - External Opinion Plan
- Audit Commission – Annual Audit Letter 2009/09
- Audit Commission - Annual Audit Fee
- Responsibility for Preventing and Detecting Fraud
- Audit Commission – Annual Governance Report
- External Audit/Audit Commission Evaluation
- Internal Audit Progress Reports
- International Financial Reporting Standards Project Plan
- Internal Audit – Terms of Reference
- Audit Committee – Self Assessment
- Audit Committee - Skills Audit
- Corporate Risk Register
- Corporate Risk Management Strategy
- Use of Resources Assessment 2008/09
- Anti-Fraud and Corruption Policy
- Strategy for Internal Audit 2010/11 - 2012/13
- Work Programme

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 2009/10:

*"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 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. As stated in paragraph 1.3 "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's

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 2008/09 Annual Audit Letter, at which time the District Auditor's opinion was as follows:

"The FRA has sound arrangements for production of its annual accounts. I issued an unqualified opinion on the Authority's annual accounts in September 2009, before the local government deadline. There were a small number of errors in the accounts but none of such significance that

they impacted upon my opinion. I concluded that the accounts gave a true and fair view of the FRA's financial affairs".

The CAA/Use of Resources Scored Judgement for 2009

For 2008/09 the Authority continued to score well as part of the Use of Resources model, and the Audit Commission reported as follows:

Use of resources theme	Scored judgement[*]
Managing finances How effectively does the organisation manage its finances to deliver value for money?	2
Governing the business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	3
Managing resources How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?	3

The Authority has put an Action Plan in place in order to address the issues identified by the Audit Commission.

The Compilation of the Governance Statement

The Governance Statement operated throughout the year ended 31 March 2010 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.

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.
- undertaking and meeting the requirements of 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;

- the production of a work programme that aligns assurance that the Committee is required to give, with the inputs it receives during the year, and that sets out the future business of the Committee helping to manage the collation and issue of papers;
- The continued presence of an independent member in order to continue to broaden the Committee's experience and independent view point.

The Committee and the wider members of the Authority in general, were also pleased to scrutinise the following, in order to enhance the control framework:

- The Fraud and Corruption Policy - satisfying ourselves as to it's viability
- The Risk Register - clearly identifying and addressing any anticipated problems
- Whistleblowing - where reports were analysed and used to support any concerns of employees.

Also, being able to satisfy ourselves of the extent of strengths and concerns raised by External and Internal Audit, being able to structure future years possible avenues of delegation and examination, whilst identifying cost savings, engagement in self assessment that directed thoughts inwards of ourselves and using scrutiny results to formulate analysis of Precept requirements.

Appendix A**Terms of Reference for the Audit Committee****Audit Activity**

Approve the internal audit strategy.

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.

Consider any summaries of internal audit activity and specific internal audit reports requested by the Committee.

Consider reports dealing with the management and performance of Audit Services where necessary.

Consider a report from Audit Services on the timeliness of management responses to internal audit reports and on agreed recommendations not implemented within a reasonable timescale.

Consider specific reports as agreed with the external auditor and the report to those charged with governance where necessary.

Comment on the scope and depth of external audit work and to ensure it gives value for money.

Liase with the Audit Commission over the appointment of the Authority's external auditor.

Regulatory Framework

Maintain an overview of contract procedure rules and financial regulations.

Review any issue referred to it by the Chief Fire Officer, Clerk or Treasurer, or any Authority body.

Monitor the effective development and operation of risk management and corporate governance in the Authority.

Monitor Authority policies on 'Raising Concerns at Work', the anti-fraud and anti-corruption strategy and the Authority's complaints process.

Oversee the production of the Authority's Governance Statement and to recommend its adoption.

Consider the Authority's arrangements for corporate governance and recommending necessary actions to ensure compliance with best practice.

Consider the Authority's compliance with its own and other published standards and controls.

Accounts

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.

Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

To deal with any other matters referred to it by the Authority.

To submit its minutes to the Authority.