

**ANNUAL REPORT FROM THE CHAIRMAN OF
THE AUDIT COMMITTEE**

Corporate Director (Resources)

1 Purpose

- 1.1 To present the first annual report from the chairman of the Audit Committee about the activities undertaken by the committee during the last financial year.

2 Recommendation

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| 2.1 That the Annual Report from the Chairman of the Audit Committee attached at Appendix 1 be noted. |
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3 Supporting information

- 3.1 The Audit Committee has approved the publication of an annual report by the chairman to increase general awareness of its role and to outline its activities over the year. The publication of the report also promotes transparency in respect of the committees' actions and makes an important contribution to the Council's corporate governance arrangements.
- 3.2 As well as submitting the report to full Council for consideration, it will be published on the council's web site. The Chairman of the committee Councillor Neil Blake will formally present the report to members for discussion and noting.

Contact Officer
Background Documents

Val Hinkins 01296 585343
Local Government Act 2000, Audit Committee Work Programme 2008/09. Minutes of Audit Committee meetings 2008/09.

AYLESBURY VALE DISTRICT COUNCIL AUDIT COMMITTEE

ANNUAL REPORT FOR 2008 - 09

Introduction by the Chairman of the Committee

The Audit Committee was created in May 2007 following the District Council elections. Audit committees provide independent assurance on the risk management framework and associated control environment, including scrutiny of performance in so far as it affects exposure to risk. They also oversee the financial reporting process. AVDC's audit committee has delegated authority to approve the annual accounts.

This is the first Annual Report from the committee and gives a summary of the work it has carried out during the financial year 2008 – 09. The preparation of an annual report represents best practice in promoting good governance and cascading information.

The committee has accomplished a good deal during the year and I hope that this report provides a useful insight into the committee's work. In the forthcoming year the committee will have a number of important issues to address, including the management of risks associated with the major projects being conducted by AVDC, changes in the control environment following management restructuring within AVDC and the increase of partnership working and also challenges presented as a result of the economic downturn in the wider community.

Neil Blake
Chairman of Audit Committee

1. Role of the Audit Committee

1.1 The general functions of the committee are:

- To approve, but not direct, the Internal Audit Strategy and plan;
- To consider reports from Internal and External Audit or other inspection agencies;
- To consider the effectiveness of risk management, internal control and anti-fraud and anti-corruption arrangements;
- To be satisfied that the assurance statements properly reflect the risk environment and monitor actions taken to improve it;
- To promote the value of the audit process;
- To review and approve the financial statements.

1.2 The terms of reference for the committee include:

- Building a relationship with the External Auditors, who regularly attend Audit Committee Meetings, to ensure that their concerns are raised and dealt with appropriately;
- Review and support for the Internal Audit function, including monitoring the Council's response to issues raised;
- Review and support for Risk Management at the Council, ensuring that risks are managed and addressed;
- Review and support of the Council's arrangements for preventing, detecting and managing the risk of fraud and corruption.

2. Meetings

The committee held 5 scheduled formal meetings during the year and one informal meeting.

3. Membership

- 3.1 The committee currently has 9 elected members. It is chaired by Councillor Neil Blake and the Vice-Chairman is Councillor Derek Isham.
- 3.2 The committee reviewed its Terms of Reference in 2007-08 and recommended that they be amended to include the power to approve the financial accounts of the Council. This recommendation was approved by the Council in February 2008 and the Committee exercised this power for the first time in 2008-09.

4. Activities

- 4.1 The Committee adopted a work programme for the year which focussed on the review and assurance needed before the approval of the final accounts for the Council.
- 4.2 During the year the Committee agreed to the introduction of Briefing Notes to deal with the routine updating of Members on Internal Audit and Risk Management activity. These are circulated in advance of the formal committee meetings and allow Members' questions to be raised early and then responded to at the meeting. This has improved the information flow and ensured that timely action can be taken or explanations provided in response to Members concerns.
- 4.3 AVDC's external auditors have provided the committee with regular updates on their work and presented their reports to the committee for discussion. Concerns and recommendations made in formal reports from the external auditors are added to the audit recommendation tracker, which is circulated to members as part of the regular briefing notes. This ensures that they are followed up and management action is taken in a timely way.
- 4.4 A summary of all reports issued by Internal Audit is also provided to the committee on a quarterly basis. This ensures that risk areas are brought to the committee's attention. Recommendations from internal audit reports are also

added to the audit recommendations tracker to ensure that they are followed up and appropriate action is taken by management to address the issues raised.

- 4.5 An informal meeting of the audit committee was arranged so that the risks associated with the major projects being undertaken by AVDC could be discussed freely. Regular updates on these risks and how they are being managed have been provided to the audit committee. These have enabled Members to gain a fuller understanding of the projects.
- 4.6 The audit committee has received a summary report on the outcomes achieved by AVDC in following up the information provided by the Audit Commission's National Fraud Initiative (NFI) 2006. The first tranche of results from the NFI 2008 initiative has recently been received and the committee will be kept informed of the outcome of this exercise.

5. Training

- 5.1 In its first year the audit committee received training on the role of the audit committee, risk management, counter-fraud activity and debt management. In the current year an additional session was requested on debt management.
- 5.2 This year the delay in signing off the final accounts meant that additional committee time had to be spent on their review. This prevented any informal training sessions being held in the second half of the year.
- 5.3 Additional training in risk management and counter fraud activities is being considered for the year 2009/10.

6. Final Accounts

- 6.1 The audit committee considered and discussed AVDC's final accounts at its meetings in September, November and December 2008. They were approved at the meeting held in December 2008.

7. Recommendation

I recommend that the annual report for the year 1st April 2007 to 31st March 2008 be noted and approved.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

AUDIT COMMITTEE

Membership

9 Councillors

Terms of Reference

The purpose the Audit Committee is 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. In doing this the committee have responsibility for:-

External Audit Functions

- a. To consider the appointment of the Council's external auditor, as far as the Audit Commission rules permit.
- b. To discuss with the external auditor the nature and scope of audit coverage, including Value for Money (VFM), Use of Resources and Best Value work and to agree the level of fees chargeable.
- c. To receive the end of Audit report in relation to the Council's accounts and to formally adopt the accounts on behalf of the Council.
- d. To review external audit reports and annual audit letters, together with management response, make recommendations to the Cabinet and monitor management action in response to the issues raised.
- e. To discuss any difficulties, reservations or matters arising from the external auditors' audits (in the absence of officers where necessary)
- f. To respond to any other concerns of the external auditors.

Internal Audit Functions

- a. To monitor the progress and performance of Internal Audit.
- b. To review and approve the Internal Audit annual programme.
- c. To consider significant findings of Internal Audit reviews and investigations together with management responses and monitor implementation of agreed outcomes.
- d. To advise Council on the Internal Audit function, resourcing and standing within the Authority.
- e. To ensure that there are effective relationships between internal and external auditors.
- f. To consider the Chief Auditor's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council.

Other Functions

- a. To monitor the implementation and ongoing processes for identifying and managing key risks of the organisation on a regular basis, and take appropriate action to ensure that corporate risks are being actively managed, including reporting to full Council as appropriate.
- b. To be satisfied that the Council's assurance statements including the statement of Internal Control properly reflect the risk environment and any actions required to improve it.
- c. To seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- d. To monitor the Council's compliance with its own standards and controls and recommend any necessary changes to Financial and Contracts Procedure Rules.
- e. To keep under review corporate policies for preventing and detecting fraud.
- f. To review the adequacy of the management response to issues identified by audit activity and assurances relating to the Corporate Governance requirements for the organisation.
- g. To review any issue referred by the Chief Executive, Chief Finance Officer or any Council body.