

AUDIT COMMITTEE ANNUAL REPORT 2010



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Chairman's Introduction

This is now my sixth year as Chairman of the Audit Committee, and I am delighted to once again be reporting that the Council continues to demonstrate a strong and embedded culture of good governance underpinned by an effective corporate governance framework. The Audit Committee supported by Officers has worked hard to ensure that good governance is maintained despite the many challenges faced by the Council so that we as a Local Authority can continue to perform well in delivering good outcomes locally for the people of Oxfordshire. What is clear is that the hard work will need to continue throughout 2011 and beyond as our organisation undergoes fundamental change to infrastructure and in the delivery of services. We are undoubtedly facing very difficult times, so as the Council prepares for the major changes and challenges, the Audit Committee will continue to have a strong presence, ensuring that good governance is maintained with the appropriate controls and processes in place and operating effectively.

In 2010 there was only one change to the membership of the Committee; in March Tim Hallchurch MBE, left, and was replaced by Charles Shouler who having spent many years attending the Committee as Cabinet Member for Finance needed no induction into this new role. I would like to thank Tim, who sat on the Committee for several years for the excellent contribution he has made and for all the time and effort he put into the role.

An important part of being effective as an Audit Committee is the relationship with both our Internal and External Auditors. We have a strong working relationship with both, and in my role as Chairman I also regularly meet with the Head of Internal Audit and the External Auditors to discuss local and national issues to ensure the focus of the work programme is relevant.

The key purpose of this report is to detail the role of the Audit Committee, and to summarise the key activities and achievements in 2010 that demonstrate how we have fulfilled this role effectively; however, essential to an effective Committee is the membership itself and the support it receives from Officers and Cabinet Members. Committee members have both expertly supported and challenged officers and Cabinet Members to ensure our risk management, internal control and governance arrangements are effective and transparent, and during 2010 the Committee was grateful for the regular attendance and contribution by the Cabinet Member for Finance and Property, and the Chairman of the Strategy and Partnerships Scrutiny Committee. The final section of this report details the membership and meetings of both the Audit Committee and the Audit Working Group in 2010.

I should like to take this opportunity to give my personal thanks for their contribution and support to; all the committee members; particularly Dr. Geoff Jones, Chairman of the Audit Working Group and co-opted member of the Audit Committee; Sue Scane, Assistant Chief Executive & Chief Finance Officer; Peter Clark, County Solicitor and Monitoring Officer; Ian Dyson, Assistant Head of

Finance (Audit), and the Internal Audit Team; and Geoff Malcolm, Principal Committee Officer. On behalf of the Audit Committee I should also like to thank the Officers who have presented well prepared detailed reports, and have provided timely and comprehensive responses to our questions and challenges.

Cllr. David Wilmshurst
Chairman, Audit Committee

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Role of the Audit Committee

The Audit 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 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.”

The key functions of the Audit Committee are defined within the Council’s Constitution; the relevant extract is attached as Appendix 1 to this report. In discharging these functions the Committee is supported by the Audit Working Group, their terms of reference are attached as Appendix 2 to this report.

Key Activities

In this section the activities of the Committee in 2009, including the Audit Working Group, are summarised under the headings of the key functions. Achievements and improvements to which the Audit Committee has contributed are highlighted.

Internal Control

- Review and approval of the 2009/10 Annual Governance Statement, including identification of key weaknesses and action plans to address them.
- Quarterly monitoring of progress on actions identified in the 2008/09 and 2009/10 Annual Governance Statement.
- Review and revision of the Corporate Governance Assurance Framework.
- Monitoring the delivery of the Financial Management Action Plan resulting from the previous years assessment of the current financial management framework.
- Investigation of the ICT Overspend in 2009/10.
- Review of the Business Continuity arrangements including the effectiveness of the Major Incident Reporting System
- Supporting Internal Audit by closely monitoring the implementation and effectiveness of improvements resulting from issues raised.
- Monitoring the progress with improving the performance on the Fairer Charging System.
- Review of the Local Government Ombudsman Annual Review of the Council for 2009/10
- Scrutiny of the Treasury Management Function in accordance with best practice

Risk Management

- Review of the annual report from the Risk Manager, and monitoring of the risk management improvement plan.
- Review of Risk Management progress reports and the Strategic Risk Register to gain assurance over the process; and to determine whether further examination of the processes is required in any area.
- Review of the risk management process for Safeguarding Children services, as a follow up to the work undertaken in 2009, including a presentation by the new Director for CYPF
- In 2009 The Committee, through the Audit Working Group, and through the Chairman as Member Champion for Risk Management, were concerned on the effectiveness of the Risk Management overview across the Council, as resources available for this key role in 2009 were restricted due to staff absence. In 2010 the Committee extended the reporting requirements to the AWG to be every meeting rather than quarterly. This has enabled to AWG to press for improvements in the quality and detail of the reports they have been receiving, to get the assurance that risk management is being properly

applied. Stability in the resourcing of the risk management overview was achieved during the second half of 2010 and this has subsequently resulted in the AWG receiving the reports with the information and detail it has been requesting.

Internal Audit

- In accordance with the 2006 amendment to the 2003 Accounts and Audit Regulations, the Committee undertook a continuous review of the effectiveness of the system of internal audit. This comprised of:
 - o Approval of the process for undertaking the review;
 - o Approval of the Internal Audit Strategy, Annual Plan and set of performance indicators;
 - o Quarterly reports by the Assistant Head of Finance (Audit) detailing progress against the plan and performance targets;
 - o Annual report for 2009/10 by the Assistant Head of Finance (Audit)
 - o Feedback from the External Auditors on reliance placed on the work of Internal Audit;
 - o Review of compliance against the 2006 CIPFA Code of Practice for Internal Audit;
 - o Annual survey across Head of Service and Directors to feedback on performance and effectiveness of Internal Audit;
 - o Annual report by the Monitoring Officer collating the evidence, and conclusion on the effectiveness of the System of Internal Audit.
- The Committee has also supported the Assistant Head of Finance (Audit) on structure changes to ensure the function is properly resourced, and fit for purpose.
- The Committee, through the Audit Working Group has monitored the results of internal audit assignments and the implementation of agreed management actions.

External Audit

- The Council's External Auditors, the Audit Commission, have routinely attended committee meetings in 2010. This enabled the Committee to forge a good working relationship with the Auditors.
- The Committee has received the External Auditors Reports throughout the year, including their feedback on issues identified. The Committee has also been provided with the External Auditors plan to comment on.

Anti Fraud and Corruption

- The quarterly Internal Audit progress reports include an update on internal investigations being undertaken relating to matters of fraud and corruption;
- Approval and progress monitoring of the Counter-Fraud Plan

- The Monitoring Officer provides an annual report on cases of whistle blowing, from both internal and external sources.
- Review and approval of the whistle blowing process.
- Review of the implications of the Bribery Act

Annual Accounts Process

- Review and approval of the 2009/10 Annual Accounts, submitted to the Auditors, and the subsequent result of the audit
- As stated above, the Committee also reviewed and approved the 2009/10 Annual Governance Statement reported with the Annual Accounts.
- The Committee has also monitored the Councils readiness for implementing IFRS in preparation for the production of the 2010/11 Statement of Accounts.

Key Achievements

- Sustained high level of governance and system of internal control as demonstrated in the outcomes of the Annual Governance Review and the results of the Audit of the Statement of Accounts where no material issues were reported.
- Investigation into the ICT Overspend and assurance over the adequacy of the management actions taken to minimise the risk of further occurrence.
- Ensuring improvements in the corporate overview and reporting on risk and performance.

Key Areas of Focus Looking Forward to 2011

There is only one overarching key area for the Audit Committee to focus on:

- Maintaining effective governance and internal control whilst the Council undergoes fundamental changes in delivering its business strategy.
- The Council faces huge challenges over the next twelve months, and it will only be successful in meeting those challenges through having strong and effective governance. The role of the Audit Committee is therefore key to ensuring this is achieved.

Membership, Meetings & Attendance

Audit Committee

The Audit Committee comprises of nine elected members representing all political parties and a Co-opted Member, Dr. Geoff Jones, who continues to bring to the Committee a high level of knowledge and understanding of governance, public sector accounting and audit.

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. 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

The Committee was grateful for the regular attendance and contribution by the Cabinet Member for Finance and Property, and the Chairman of the Strategy and Partnerships Scrutiny Committee. The Committee was also grateful for the attendance at the January and March meetings of the Leader of the Council.

Officers

The Audit 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. Essentially the Committee is well supported by Senior Officers. In 2010 the Assistant Chief Executive & Chief Finance Officer (A member of the County Council Management Team), the County Solicitor & Monitoring Officer, and the Head of Internal Audit routinely attended the meetings. These same officers along with the Performance and Review Officer also routinely attend the Audit Working Group meeting.

External Audit

Our External Auditors, the Audit Commission, routinely attend all the Audit Committee meetings.

Meetings

The Audit Committee met six times in 2010. The Audit Working Group also met six times in 2010 including a special meeting on 14 June 2010 at the behest of the Audit Committee. The meetings of both were timetabled to ensure the agreed work programmes could be discharged in a timely manner with the regularity of monitoring and review maintained.

Work programmes are used by both the Audit Committee and the Audit Working Group to ensure requirements of the Committee are fulfilled. The programmes

are reviewed with officers at each meeting and added to when appropriate to ensure ad-hoc investigations instigated by the Committee are reported.

Summary of membership 1 January – 31 December 2009

Name	Audit Committee	Audit Working Group
Cllr. David Wilmshurst	Chairman	Member
Cllr. Ray Jelf	Deputy Chairman	Member
Cllr. Alan Armitage	Member	Member
Cllr. Sandy Lovatt	Member	Substitute / Observer
Cllr. Timothy Hallchurch MBE	Member – upto March 2010	
Cllr. Charles Shouler	Member – from April 2010	
Cllr. Charles Mathew	Member	Substitute / Observer
Cllr. Roy Darke	Member	Substitute / Observer
Cllr. Lawrie Stratford	Member	
Cllr. Larry Sanders	Member	
Dr. Geoff Jones	Co-opted Member	Chairman

Training and Development

Prior to Audit Committee meetings time is allocated for officers to deliver a development session for members to keep them up to date with any new requirements or changes to the existing governance framework. Although the topics relate to audit issues, the sessions are not exclusive to the Audit Committee and are open to all members. The following development sessions were delivered in 2010:

Date and Presenter	Topic
20 January 2010, Mark Winstanley	ICT Security
3 March 2010, Paul James	Partnership Governance and Delivery
21 April 2010, Stephanie Skivington	Final Accounts Briefing
30 June 2010, Alexandra Bailey	Risk Management
19 January 2011, Stephanie Skivington	International Financial Reporting Standards

Appendix 1 - Audit Committee Functions

The following are the functions of the Audit Committee extracted from the Constitution – Part 2 Article 8 Section 1(a).

1. The functions in relation to the approval of the statement of accounts etc specified in Paragraph 45 in Section I of Schedule 1 to the Functions Regulations including the Annual Governance Statement (including Statement on Internal Control.
2. To monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources:
 - to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;
 - to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and
 - to ensure coordination between internal and external audit plans to maximize the use of resources available as part of a total controls assurance framework;
 - and to draw to the attention of the Strategy & Partnerships Scrutiny Committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.
3. To consider and comment on the Council's External Auditor's annual work plan, the annual audit letter and any reports issued by the Audit Commission or the Council's External Auditor. Where issues affect the discharge of executive functions, to make recommendations as appropriate to the Cabinet, and where any issues affect the discharge of non-executive functions, to make recommendations to the appropriate Council Committee.
4. To systematically monitor:
 - the performance and effectiveness of Internal Audit Services processes within the Council, including undertaking an annual review using key performance indicators e.g. client satisfaction, percentage of plan completed, percentage of non-chargeable time;
 - the strategic Internal Audit Services Plan and annual work plan, advising on any changes required to ensure that statutory duties

are fulfilled;

- resourcing for the service, making recommendations to the Cabinet and Council on the budget for the service; and

- arrangements for the prevention and detection of fraud and corruption;
- the system for Treasury Management

- and to draw to the attention of the Strategy & Partnerships Scrutiny Committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

5. To implement the foregoing in accordance with a programme of work agreed by the Committee annually in advance, and to report to the Council on the Committee's performance in respect of that programme.

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Appendix 2 - Audit Working Group Terms of Reference

Membership

The Audit Working Group shall comprise of:-

the independent member of the Audit Committee who will chair the Group, together with three members of the Audit Committee, one of whom shall be the Chairman of the Committee. There will also be three named members of the Audit Committee who will deputise as required.

The Assistant Chief Executive & Chief Finance Officer, the County Solicitor and Monitoring Officer, the Assistant Head of Finance (Audit), and the ~~Assistant~~ Corporate Performance & Review Manager, or their representatives shall attend the Group meetings.

Members of the Group and their deputies should have suitable background and knowledge to be able to address satisfactorily the complex issues under consideration and should receive adequate training in the principles of audit, risk and control.

All members of the Audit Committee are invited to attend Audit Working Group Meetings as observers. The Assistant Head of Finance (Audit) should be notified in advance should a member of the Committee wish to attend.

Role

The Audit Working Group shall:

act as an informal working group of the Audit Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference (Part 2 Article 8 Section 1a of the Constitution);

routinely undertake a programme of work as defined by the Audit Committee;

consider issues arising in detail as requested by the Audit Committee;

receive private briefings on any matters of concern;

at least annually hold a private session with the External Auditors not attended by any officers, and a further private session on Internal Audit matters with the Assistant Head of Finance (Audit) only.

Reporting

The Assistant Chief Executive & Chief Finance Officer will report to the Audit Committee on matters identified by the Group following consultation with the Chairman and members of the Group.

Meeting

The Group shall meet regularly in cycle with the Audit Committee.

The Group may invite any officer or member of the Council to attend its meetings to discuss a particular issue and may invite any representative of an external body or organisation as appropriate.

Confidentiality

The Group will meet in private to allow full and frank consideration of audit, risk and control issues.

All matters discussed and papers submitted for the meetings including minutes of the previous meeting must be treated as confidential. Papers will be circulated in advance to all members of the Audit Committee for information whether attending the Group or not.

Where any other member wishes to inspect any document considered by the Group and believes that s/he has a 'need to know' as a County Councillor, the procedure in the Council's Constitution relating to Members Rights and Responsibilities (Part 9.3) shall apply.

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