

**To the Chair and Members of the
AUDIT COMMITTEE**

AUDIT COMMITTEE ANNUAL REPORT 2016/17

EXECUTIVE SUMMARY

1. The production of an annual report allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the whole Council. The production of such a report also complies with current best practice for audit committees. This report asks Members to note and approve the draft Audit Committee Annual Report for 2016/17, attached to this report.
2. Particular ways in which the Audit Committee has contributed during the year include:
 - Helping to maintain and improve the Council's system of internal control by reviewing internal and external audit work carried out during the year.
 - Supporting improvement in the Council's control arrangements by ensuring appropriate action is taken to implement audit recommendations and calling officers to account where explanations over any lack of progress are required. This has brought about a notable reduction in the number and significance of outstanding recommendations.
 - In particular, reviewing and ensuring appropriate action is taken in response to significant weaknesses found in the management of the Markets Function, Overpayments of Direct Payments (Adults), Safeguarding Adults Personal Asset Team, Disability Living / Supported Living Reviews, Procurement of Day Care for Adults with Learning Disabilities.
 - Critically assessing the Council's governance arrangements and supporting the production of an accurate Annual Governance Statement
 - Strengthening the strategic risk register and risk mitigation actions by critically appraising the risk register and by receiving explanation from directors on their management of strategic risks.
 - Further strengthening the management of risks through the review and challenge of directorates' approaches to risk management.
 - Supporting the maintenance of the good standards achieved in producing the Council's Statement of Accounts, while meeting shorter timescales now required.
 - Supporting the development of the Council's Anti-Fraud and Corruption arrangements.

- Ensuring the Council’s surveillance policies are kept up to date and reviewing surveillance carried out by the Council.
3. The Annual Report is a positive report which reflects the effective contribution made by the Audit Committee during the year.

RECOMMENDATION

4. The Audit Committee is asked to approve the attached Audit Committee Annual Report 2016/17.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. Effective oversight through the Audit Committee adds value to the Council’s operations in managing its risks and achieving its key priorities.

BACKGROUND

6. The Audit Committee is a key part of the governance arrangements of the Council. It is appropriate that the important work of the Committee is shared with the rest of the Council and other stakeholders. The draft Annual Report of the Audit Committee, attached at **Appendix 1** to this report, sets out key aspects of the work undertaken by the Committee during 2016/17.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

7. A key role for the Audit Committee is to oversee the effectiveness of the management of risks and internal controls, which contributes to the successful achievement of the Council’s objectives. Any improvement in the management of the risks will have a positive impact increasing the likelihood of the Council achieving these objectives and goals. The Audit Committee’s work is, therefore, relevant to all priorities but in particular the following:

	Outcomes	Implications
	All people in Doncaster benefit from a thriving and resilient economy. <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster’s vital services</i> 	
	People live safe, healthy, active and independent lives. <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	People in Doncaster benefit from a high quality built and natural environment. <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and</i> 	

	<p><i>Housing</i></p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>Effective oversight through the Audit Committee adds value to the Council's operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>

RISKS AND ASSUMPTIONS

8. The Audit Committee contributes to the effective management of risks. The ways in which it does this are summarised in the attached draft report.

LEGAL IMPLICATIONS

9. The Audit Committee is a key part of the Council's control environment and the work it does contributes to the Council's overall responsibility to maintain an adequate and effective system of internal control.

FINANCIAL IMPLICATIONS

10. There are no identified financial implications arising from this report.

HUMAN RESOURCES IMPLICATIONS

11. There are no identified human resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

12. There are no identified technology implications arising from this report.

EQUALITY IMPLICATIONS

13. Whilst there are no identified equal opportunity issues within this report, all of the reports identified within the annual report would have been subject to their own relevant equalities implications assessment.

CONSULTATION

14. This report consults with the Audit Committee over the production of an Annual Report.

BACKGROUND PAPERS

15. Various Audit Committee Reports from June 2016 to April 2017 Audit Committees.

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit

Telephone 01302 862939

E-Mail: colin.earl@doncaster.gov.uk

Steve Mawson
Chief Financial Officer and Assistant Director of Finance

**Annual Report of the
Audit Committee
2016/17**

Annual Report of the Audit Committee 2016/17

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2016/17 to the achievement of good governance and internal control within the Council.

The Audit Committee oversees the production of the Council's statutory accounts, the management of risks within the Council and the operation and effectiveness of the Council's internal control arrangements. It fulfils this role by considering and approving reports from officers responsible for financial management and governance within the Council and from the Council's external auditors.

Where relevant, the Committee also makes recommendations for action to address any deficiencies identified by or reported to the Audit Committee. And, the Committee has requested several officers to attend Committee during the year to provide additional information on particular areas of concern.

This year the Committee checked the Council's risk management arrangements, by receiving reports and presentations from directors about their management of risks.

There have been many benefits from our work. Main outcomes and improvements include:

- A clean external audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness
- Confirmation by external audit that the Council has in place the arrangements required to achieve its objectives and deliver its services economically, effectively and efficiently
- A further reduction in the number of audit recommendations not implemented
- Demonstrable improvements in controls in the Markets Function,
- A reduction in overpayments; both payroll and direct payments
- Improving financial management and controls in various adult social care services that were weak a year ago, including Safeguarding Adults Personal Asset Team, Supported Living Reviews and Day Care for Adults with Learning Disabilities
- A continuing downward trend in contract breaches and waivers
- The production of a Fraud Risk register, including controls for managing the risk of fraud.

The Committee is pleased to note the positive outcome of a recent external review of our Internal Audit Service, which the Audit Committee works closely with since our objectives are closely aligned. The Audit Service was confirmed as having the highest level of compliance with auditing standards following the peer review, which was conducted by Kirklees Council.

Finally, I cannot end this foreword without noting the passing away of one of our committee members during the year, Councillor Alan Jones. Alan had served on the committee since the 2015 Municipal Year and had served as a Councillor since 2011. He will be sadly missed.

Councillor Austen White
Chair of the Audit Committee, 2016/17

CONTENTS Page

1.	Introduction	1
2.	Terms of Reference	1
3.	Committee Information	1 - 2
	<ul style="list-style-type: none">• Audit Committee Membership• Audit Committee Meetings	
4.	Committee Achievements	2 - 4
	<ul style="list-style-type: none">• Internal Audit• External Audit• Regulatory Framework• Core Function – Accounts• Other Issues• Compliance With Best Practice	
	Appendix: A	
	Audit Committee Activity 2016/17	5 - 6

1. INTRODUCTION

This annual report on the work of the Council's Audit Committee shows:

- How the Audit Committee has fulfilled its terms of reference
- How the Council's arrangements comply with national guidance relating to audit committees
- How the Audit Committee has contributed to strengthening risk management, internal control and governance arrangements.

2. TERMS OF REFERENCE

The Terms of Reference for the Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability.

The core functions of the Audit Committee are:

- To oversee Internal and External Audit activity at the Council
- To ensure the Council's risk management is effective
- To ensure there is an appropriate regulatory framework that operates effectively
- To oversee the production of the Council's accounts
- To ensure appropriate standards of ethical governance are in place and maintained.

The current Terms of Reference and more details about the responsibilities relating to Standards can be found on the Council's website.

3. COMMITTEE INFORMATION

Audit Committee Membership

The Committee has five elected members:

- Councillor Austen White(Chair)
- Councillor Richard Jones (Vice Chair)
- Councillor Susan Durant
- Councillor John Healy
- Councillor Iris Beech.

The Committee has one independent co-opted member with non-voting rights serving on the Audit Committee, Kathryn Smart.

Councillor Alan Jones sadly passed away during the year and the vacant position on the Audit Committee was filled by Councillor Iris Beech.

Audit Committee Meetings

The Committee has met on five occasions during the year:

- June 2016
- August 2016
- November 2016
- January 2017
- April 2017.

This frequency of meetings is agreed to ensure the Audit Committee can fulfil its responsibilities in an efficient and effective way.

The August 2016 meeting of the Audit Committee was particularly important, when the Committee fulfilled its responsibility to approve the 2015/16 Statement of Accounts and to recommend the adoption of the 2015/16 Annual Governance Statement.

Various other reports are fundamental to the Audit Committee, including:

- Internal and External Audit Plans for the year.
- The External Auditor's Annual Audit Letter.
- The Head of Internal Audit's Annual Report.

The Audit Committee has fulfilled its mandatory obligations during 2016/17.

4. COMMITTEE ACHIEVEMENTS

A list of the reports considered by the Audit Committee can be found in **Appendix A**. The main outcomes of the Committee's work in relation to its core functions can be summarised as follows:

Internal Audit

The Audit Committee:

- Received and considered the 2016/17 Annual Report of the Head of Internal Audit, which included his opinion on the Council's internal control environment.
- Received and considered information on the performance and effectiveness of the Internal Audit Team.
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress in delivering the planned work and summaries of reports issues and approved any necessary changes to the plan as a result of new and emerging risks or special investigations. The reports also provided monitoring information on the implementation of agreed audit recommendations.
- Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.
- Agreed the Internal Audit Annual Plan for 2017/18.
- Noted the positive outcome of the External Assessment of Internal Audit's compliance with the Public Sector Internal Audit Standards.

External Audit

The Audit Committee:

- Received and considered reports on the External Auditor's progress against the agreed plan.
- Considered fees proposals for the External Audit.
- Continued to provide support to the External Auditors to ensure management was responsive to recommendations made and agreed.
- Considered and made a recommendation to Full Council regarding the arrangements for the appointment of the External Auditors.
- Received and considered the External Auditor's Grants Report 2015/16.

Regulatory Framework

The Audit Committee has:

- Considered and noted the Audit Committee Prospectus, Terms of Reference and Work Programme.
- Noted and approved the Annual Report of the Audit Committee.
- Overseen the production of and recommended the adoption of the Annual Governance Statement.
- Received reports on Compliance with the Council's Financial Procedure Rules and Contract Standing Orders, including breaches and waivers of the Contract Procedure Rules.
- Received reports on risk management and its operation within the Council including the updated strategic risk register.
- Considered reports on the management of strategic risks within the Council.
- Received and considered the Annual Fraud Report for the Council.
- Considered and approved the Fraud Risk Register and Counter Fraud Initiative Report.
- Received and noted reports on progress on the Council's Governance Plan, which includes all actions the Council has committed to, to enable it to maintain strong governance arrangements.
- Received regular reports on surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000.
- Considered and noted the Annual report of the Monitoring Officer.

Core Function - Accounts

The Audit Committee has:

- Received reports on the Statement of Accounts and accounting policies used to prepare the accounts.
- Approved the Statement of Accounts and the amendments to the accounts following their approval by the Director of Finance and Corporate Services.
- Received and considered reports from the External Auditor on the Statement of Accounts.

Other Issues

The Audit Committee also considered reports on the following specific issues which arose in the period:

- Payroll Overpayments Update Report 2015/16,
- Progress on implementing outstanding recommendations in Adults, Health and Wellbeing, including the recovery of overpayment of Direct Payments.
- Markets Follow Up Review.
- Review of Contract Breaches in Learning Opportunities, Children & Young People.
- Adults, Health & Wellbeing – Learning Disability / Supported Living Review – Update Report.
- Data Quality and Information Management Update.

- Safeguarding Adults Personal Assets Team – Responsive Review.
- Income Management Progress Report.
- Procurement of Day Care for Adults with Learning Disability (RDASH Solar Centre).
- Adult Services Commissioning and Procurement.

Compliance With Best Practice

Prior to its meeting in January 2016, the Audit Committee held a facilitated self-assessment session assessing the Audit Committee’s compliance with current best practice. This assessment was against a checklist from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance “Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition.”

The self-assessment confirmed the Committee substantially complies with current best practice; while highlighting 3 areas of particular focus for the Committee. The areas highlighted and the action taken to date are:

Area	Action
Raising awareness about the role and purpose of the Audit Committee with possible extended reporting to full Council	Proposals to provide for questions to the Chair of Audit at Council Meetings are being put forward
Increasing the skills of Audit Committee members through induction and ongoing targeted training	Induction training is delivered for new audit committee members and targeted ongoing training is delivered to the full Audit Committee throughout the year
Supporting the development of risk management	The Committee requested directors to reported to the committee on their arrangements for managing strategic risks and on their general approach to risk management

Further training and updates were provide to the Audit Committee and other interested members throughout the year. Topics included:

- Update for Audit Committee members (CIPFA Better Governance).
- Fraud arrangements update including the compilation of a comprehensive Fraud Risk Register work and update for SFIS.
- Update and awareness of the work of Trading Standards and their compliance with the Regulation of Investigatory Powers Act (RIPA)
- Training / Awareness on the Statement of Accounts.
- Training / Awareness on the compilation of the Internal Audit Plan.
- Training / Awareness on Delivering Good Governance.

AUDIT COMMITTEE ACTIVITY – 2016/17

Appendix A

Function / Issue	Jun 2016	Aug 2016	Nov 2016	Jan 2017	Apr 2017
Strategic Risk Register Update 2015/16	Received		Received	Received	Received
Adults, Health and Wellbeing Audit Recommendations Progress Report	Received		Received		
Audit Committee Prospectus, Terms of Reference and Work Programme	Received				
Payroll Overpayments Update Report 2015/16	Received				
Statement of Accounts 2015/16	Received				
Annual Governance Statement 2015/16	Received	Received			
Annual Report of the Monitoring Officer	Received				
Doncaster Market Follow Up Review Report	Received				
Data Quality & Information Management Update	Received		Received		
Review of Contract Breaches in learning Opportunities, Children & Young People	Received				
Strategic Risk Report Mapping		Received			
Statement of Accounts 2015/16 – ISA Report to those Charged with Governance		Received			
Safeguarding Adults Personal Assets Team – Responsive Review		Received			Received
Internal Audit Progress Report – April 2016 to July 2016		Received			
Annual Fraud Report 2015/16 Executive Summary		Received			
Adults, Health & Wellbeing – Learning Disability / Supported Living Review Update		Received	Received		
Audit Committee Actions Log			Received	Received	Received
Strategic Risk Management in Adults, Health & Wellbeing			Received		
KPMG - Annual Audit Letter 2015/16			Received		
Internal Audit Plan 2016/17 – Proposed Revisions			Received		
Changes to the arrangements for the Appointment of External Auditors			Received		
Internal Audit Team – Fraud Risk Register and Counter Fraud Initiative Report			Received		
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update			Received		
Breaches & Waivers to the Council Contract Procedure Rules			Received		Received
Internal Audit report for the period: August 2016 to December 2016				Received	
Arrangements and Timetable for the preparation of Accounts 2016/17				Received	
KPMG External Audit Plan 2016/17				Received	
Doncaster Council Governance Plan 2017 & update on actions from previous years				Received	
Strategic Budget Risk Management				Received	
Income Management Progress Report				Received	
Internal Audit Plan 2017/18					Received
Annual Report of Head of Internal Audit Services 2016/17					Received

Audit Committee Annual Report 2016/17					Received
Children's Services Strategic Risks					Received
Internal Audit Peer Review					Received
Adults Services Commissioning and Procurement					Received
Procurement of Day Care for Adults with Learning Disability (RDASH Solar Centre)					Received
KPMG External Audit Grants Report 2015/16					Received