

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

AUDIT COMMITTEE ANNUAL REPORT

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 2012/13, attached to this report.

RECOMMENDATIONS

2. The Audit Committee is asked approve the attached draft Annual Report.

BACKGROUND

3. 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 2012/13.
4. Members are asked to consider the contents of the report and if satisfied that it fairly summarises the work of the Committee, to formally agree the report.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

5. 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.

RISKS & ASSUMPTIONS

6. 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

7. 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

8. There are no specific financial implications arising from this report.

CONSULTATION

9. This report consults with the Audit Committee over the production of an Annual Report.
10. This report has no significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

BACKGROUND PAPERS

CIPFA Guidance on Audit Committees in Local Government,

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Doncaster
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Annual Report
of the
Audit Committee
2012/13

Annual Report of the Audit Committee 2012/13

Foreword by Chair of the Audit Committee

I have chaired the Audit Committee for this past year (2012/13). I am pleased to present this report which highlights the contribution this Committee has made to the achievement of improved governance and internal control within the Council.

The Audit Committee oversees 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.

The Audit Committee's work programme is structured around the Committee's main areas of responsibility and is reviewed regularly to ensure all relevant and current matters are reported to the Committee.

In addition to this, the Committee has requested additional information from officers on particular areas where Members felt this to be helpful to the Council in providing assurance about the existence of appropriate controls. The additional work reviewed by the Audit Committee includes work relating to:

- Payroll Overpayments
- Progress on Strategic Housing Improvement Plan
- Recovery Plan Update
- Payments to Foster Carers
- Progress on implementing Governance improvements
- Governance of Significant Partnerships
- Progress on External Audit Recommendations.

We have sought to develop our committee during the year. We have sought to conduct our business in an efficient and effective way. We have also received updates on developments relating to the Committee's responsibilities.

Councillor Ros Jones
Chair of the Audit Committee, 2012/13

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INTRODUCTION

1. 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 financial governance arrangements.

TERMS OF REFERENCE

2. A copy of the Audit Committee's Terms of Reference can be found at **Appendix A**.
3. The Terms of Reference show the core functions of the Audit Committee, which are:
 - Audit activity (Internal Audit, External Audit and Inspections)
 - Regulatory framework
 - The Accounts.
4. In fulfilling its role, the Audit Committee has sought to raise awareness of the need for sound internal control and robust risk management arrangements.
5. The Terms of Reference for the Audit Committee are reviewed each year. They last revised by the Council in 2011. They will be reviewed for the 2013/14 year to ensure they represent best practice as outlined within new standards for Internal Audit, namely the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) which become effective from April 2013.

COMMITTEE INFORMATION

Audit Committee Membership

6. The Committee has five elected members:
 - Councillor Ros Jones (Chair)
 - Councillor Bob Johnson (Vice Chair)
 - Councillor Andrew Bosmans
 - Councillor R. Allen Jones.
 - Councillor Austen White

Audit Committee Meetings

7. The Committee has met on six occasions during the year:

- June 2012
- July 2012
- September 2012
- November 2012
- January 2013
- April 2013

This frequency of meeting is agreed to ensure the Audit Committee can fulfil its responsibilities in an efficient and effective way. In 2013/14 it is anticipated that the number of meetings can be reduced to 5 while enabling the Committee to continue to meet its requirements.

8. The July 2012 and September 2012 meetings of the Audit Committee were particularly important, when the Committee fulfilled its responsibility to note the 2011/12 Statement of Accounts following their approval by the Director of Finance and Corporate Services and to agree the 2011/12 Annual Governance Statement.

9. During the year, the external auditor confirmed that following the award of geographical contracts for the audit of principal local authorities and NHS bodies, the Audit Commission has appointed KPMG as Doncaster Councils external auditor. KPMG took up its audit appointments for the 2012/13 audit year from 1 September 2012.

10. Various other reports are fundamental to the Audit Committee being able to consider and approve these documents, including:

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

11. The Audit Committee has fulfilled its mandatory obligations during 2012/13.

COMMITTEE ACHIEVEMENTS

12. A full list of the reports considered by the Audit Committee can be found in **Appendix B**.

13. The main outcomes of the Committee's work in relation to its core functions can be summarised as follows:

Internal Audit

The Audit Committee:

- Agreed the Internal Audit Annual Plan for 2012/13

- Received and considered the 2012/13 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 of the internal audit team, including the customer feedback scores for the team and its effectiveness.
- Received and considered regular reports from the Head of Internal Audit on the internal audit team's progress in delivering the planned work plan and summaries of reports issued. The reports also provided monitoring information on the implementation of agreed audit recommendations.
- Received and considered the Annual Fraud Report for the Council
- Continued to provide support to the Internal Audit Service to ensure management was responsive to recommendations made and agreed.

External Audit

The Audit Committee:

- Considered the External Auditor's Audit Plans
- Received regular reports on the External Auditor's progress against the agreed plan and on topical and important issues brought to the Committee's attention by the external auditors
- Received and considered detailed reports submitted by the External Auditors.
- Considered fees proposals for the external auditors
- Continued to provide support to the External Auditors to ensure management was responsive to recommendations made and agreed.

Regulatory Framework

Core Function - Governance, Financial Rules etc.

The Audit Committee has:

- Approved its work programme for the 2012/13 civic year
- Received reports on Compliance with the Council's Financial Procedure Rules and Contract Standing Orders, including waivers of the Contract Procedure Rules
- Received reports on risk management and its operation within the Council including the updated strategic risk register
- Considered a report on and agreed the process for the preparation of the Annual Governance Statement
- Considered and approved updates to the Council's Anti-Fraud and Corruption Policy and Strategy
- Agreed the Annual Governance Statement

Core Function - Accounts:

The Audit Committee has:

- Received reports from the Assistant Director of Finance and Performance on the Statement of Accounts and accounting policies used to prepare the accounts
- Noted 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
- Received and considered a report on the Certification of claims and returns.

Other issues

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

- Payroll Overpayments
- Progress on Strategic Housing Improvement Plan
- Recovery Plan Update
- Payments to Foster Carers
- Progress on implementing Governance improvements
- Governance of Significant Partnerships
- Progress on External Audit Recommendations.
- Covert Surveillance – Regulation of Investigatory Powers Act 2000.

Compliance with best practice

14. At its meeting in January 2012, the Audit Committee considered a detailed report reviewing an assessment of the Audit Committee's compliance with current best practice. This assessment was against a checklist from the CIPFA guidance "A Toolkit for Local Authority Audit Committees".
15. The Committee was pleased to note that it substantially complied with current best practice. Only 2 issues were raised:
 - Potential conflicts of interest arise through the Chair holding a position on the Shadow Cabinet and another member being a portfolio holder on Cabinet. However, advice has been provided to the Members regarding their management of the potential conflicts.
 - A lack of an assessment of individual development needs for Audit Committee members gives rise to potential gaps in skills and knowledge to deliver their role as effectively as possible. A Member Development Strategy was formulated and such an assessment was an integral aspect within it.

16. When the new audit committee is appointed for the civic year 2013/14, the committee will complete the assessment again to demonstrate compliance with best practice.
17. Further training and updates were provide to the Audit Committee and other interested members throughout the year. Topics included:
 - Governance and the Role of the Audit Committee
 - Developing the Council's Governance Arrangements
 - Developing the Council's Procurement Arrangements
 - Detailed Briefing and update on the Council's Accounts

APPENDIX A

AUDIT COMMITTEE TERMS OF REFERENCE

This Committee is a Committee of the Council constituted under Sections 101 and 102 of the Local Government Act 1972.

DELEGATED MATTERS:- (the Committee may recommend any matter to Full Council when it considers it expedient to do so, after taking advice from the Head of Paid Service)

1. Audit Activity

- I. To consider the Head of Internal Audit's annual report and opinion, on the control environment, and reports on internal audit activity (actual and proposed), including for internal audit, the setting of Terms of Reference, for internal Audit, the internal audit strategy, and reviewing of resourcing and considering the level of assurance the annual report and opinion can give, over the council's corporate governance arrangements.
- II. To consider summaries of specific internal audit reports as requested.
- III. To consider reports dealing with the management and performance of the internal audit function.
- IV. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- V. To have the right to call any officers or agencies of the Council as required to offer explanation on progress in the implementation of audit recommendations.
- VI. To consider arrangements for cooperation between internal audit, external audit and other review agencies.
- VII. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance and to monitor the implementation of external audit recommendations.
- VIII. To consider specific reports as agreed with the external auditor.
- IX. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- X. To liaise with the Audit Commission over the appointment of the council's external auditor.

- XI. To commission work from internal and external audit as resources allow.
- XII. To have the right to call any Officers or agencies of the Council as required to offer explanation in the management of internal controls and risks.
- XIII. To, as required, meet privately separately with the external auditor and the Head of Internal Audit.

2. Regulatory Framework

- I. To review and where appropriate make recommendations to Council on proposed revisions to the Council's Constitution in relation to Corporate Governance issues.
- II. To review any issue referred to it by the Chief Executive or a director or any council body as the Chair considers appropriate within the general Terms of Reference of the Audit Committee.
- III. To monitor the effective development and operation of risk management and corporate governance in the council particularly in so far as they relate to the adequacy of the internal control environment, effective management of risks, the background to the annual governance statement and production of the financial accounts.
- IV. To monitor council policies in 'Raising Concerns at Work' and the antifraud and corruption strategy and the council's complaints process.
- V. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- VI. To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- VII. To consider the council's compliance with its own and other published standards and controls.
- VIII. To report and make recommendations to Cabinet or Council on major issues and contraventions.
- IX. To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.

- X. To maintain oversight of any major issues arising from Police or other enquiries into the conduct of the Council in order to minimise disruption to other branches of the Authority.
- XI. To receive periodic reports from appropriate Directors on probity and corporate governance issues not specifically referred to elsewhere within the Committee's Terms of Reference.

3. Accounts

- I. To approve the annual statement of accounts. Specifically, to 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 council.
- II. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

AUDIT COMMITTEE ACTIVITY – 2012/13

Function / Issue	June 2012	July 2012	Sept 2012	Nov 2012	Jan 2013	April 2013
Internal Audit Plan 2012/13	Received					
Annual Report of Head of Internal Audit Services 2011/12	Received					
Payroll Update Report 2011/12	Received					
Progress on External Audit Recommendations	Received					
Audit Commission Audit Plan 2011/12	Received					
Audit Committee Work Programme	Received					
Progress on Strategic Housing Improvement Plan		Received				Received
Annual Governance Statement 2011/12		Received				
External Audit Progress Report & Briefing		Received				
Strategic Risk Update		Received	Received	Received		Received
Recovery Plan Update		Received			Received	
Annual Fraud Report 2011/12		Received				
Statement of Accounts 2011/12		Received	Received			
Governance Of Significant Partnerships And Other Organisations.		Received				
Internal Audit Progress Report – April to July 2012			Received			
Covert Surveillance – Regulation of Investigatory Powers Act 2000			Received		Received	
Governance Plan – Progress Report			Received			Received
Internal Audit Review – Payments to Foster Carers				Received		
Annual Audit & Inspection Letter 2011/12				Received		
Audit Fees Letter Proposals 2012/13				Received		
KPMG Audit Plan 2012/13						Received
Financial and Contract Procedure Rules – Non compliance				Received		Received
Anti-Fraud and Corruption Policy and strategy					Received	
Certification of Claims and Returns – Annual Report 2011/12					Received	

Function / Issue	June 2012	July 2012	Sept 2012	Nov 2012	Jan 2013	April 2013
Internal Audit Progress Report – August to Dec 2012					Received	
Annual Report of Audit Committee 2012/13						Received
Annual Report of Head of Internal Audit Services 2012/13						Received
Internal Audit Plan 2013/14						Received