

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

**AUDIT COMMITTEE TERMS OF REFERENCE 2013/14 AND WORK
PROGRAMME**

EXECUTIVE SUMMARY

1. The purpose of this report is to inform Members of the Terms of Reference for the Audit Committee which were approved at Annual Council on 24th May 2013.
2. The report also includes a draft work programme, which demonstrates how the Committee should fulfill its Terms of Reference for the year.

RECOMMENDATIONS

3. **The Audit Committee is asked:**
 - **to note the Terms of Reference for the Audit Committee for the 2013/14 Municipal Year**
 - **to consider the draft work programme and determine if there is anything it wishes to add or amend.**

BACKGROUND

Terms of Reference

4. At its Annual Meeting on 24th May 2013, the Council approved the Terms of Reference for Council Committees and Sub-Committees, which included the Audit Committee. The Terms of Reference for the Audit Committee are attached to this report at **Appendix A**.
5. In light of current operational experience and as a consequence of legislative requirements, the following revisions were agreed to the Terms of Reference of the Audit Committee:
 - a) To provide more detail on specific areas reviewed by the Committee as part of its overall responsibility for considering the Council's governance arrangements. The specific areas include:-
 - i. Reviewing procurement waivers and breaches, including the reasons for these and actions being taken to avoid future waivers and breaches; and

- ii. Considering information and data security matters, and considering any issues raised in any inspection reports issued by the Information Commissioner.
- b) Members of the public have the right to question the external auditor on the Council's accounts and challenge any items of account they feel are improper or illegal. The Audit Committee will receive reports from the external auditor on any matters brought to his attention by the public. A point has been added to the Terms of Reference to make explicit reference to this responsibility.
- c) The Council is developing its partnership governance arrangements. The Audit Committee will have a role to consider the effectiveness and operation of the arrangements and reference has been added to record this responsibility.
- d) Reference to the requirement to liaise with the 'Audit Commission' on the appointment of the Council's external auditors has been removed following the abolition of the Audit Commission. New arrangements are being put in place regarding the appointment of external auditors and the Audit Committee's Terms of Reference will be further revised when the arrangements are agreed.
- e) Some minor presentational changes have been made to better describe the Committee's activities.

For ease of identifying the changes in the attached terms of reference, deletions are crossed through whilst additions are shown in bold italics.

Draft Work Programme

6. The work programme, attached at **Appendix B**, is designed to ensure coverage of the areas identified in the Committee's Terms of Reference, including:
 - a. Internal Audit
 - b. External Audit
 - c. Accounts/Financial Reporting
 - d. Risk Management
 - e. Other matters
7. It is proposed as a default to report the following regular items to the Audit Committee on a six monthly basis as in the previous year:
 - External Audit progress against plan
 - Progress by the Council in implementing Inspection and External Audit recommendations
 - Update on Risk Management / Corporate Risk Register
 - Risk Management / Corporate Risk Register

- Recovery Plan Update
 - Compliance with Contract Procedure Rules and Procurement Breaches
 - Update on Information Governance Issues
8. However, if there are any significant issues in any of these areas they will be reported immediately to the Audit Committee.
 9. Update briefings and/or training for Members will be provided as required.
 10. Internal Audit Update reporting for 2013/14 is scheduled for September 2013, January 2014 and April 2014.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

11. In order to discharge its functions effectively, the Committee is required to operate within an agreed Terms of Reference.
12. The work programme is designed to ensure that, where appropriate, the Audit Committee is able to meet certain statutory deadlines and also discharge its responsibilities under its Terms of Reference, whilst achieving a balanced and manageable work load.
13. It should be noted that the programme of work may have to be varied in response to any issues emerging during the course of the year.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

14. The Audit Committee considers and contributes to improvements in matters related to the effective management of risks and internal controls across the whole Council. If these matters are effectively managed then there is an increased likelihood that the Council will successfully meet its key objectives and service delivery targets.

RISKS AND ASSUMPTIONS

15. Adherence to the new Terms of Reference assists the Council to better manage its internal control risks. If these Terms of Reference are not met, the Council's level of effective governance is reduced and this may be recognised by adverse comment from the External Auditor.

CONSULTATION

16. The Council is responsible for the appointment of Members to Committees for the discharge of Council functions.

LEGAL IMPLICATIONS

17. Compliance with the Terms of Reference will allow the Council to oversee that its legal obligations in relation to audit activity, accounts / financial management risk management and other governance / regulatory matters are being met.
18. The fulfilment of the Work Programme in a timely manner will assist the Council to meet a number of legal obligations including the consideration and approval of the Annual Statement of Accounts and the Annual Governance Statement.

FINANCIAL IMPLICATIONS

19. There are no specific financial implications associated with this report.

CONTACT OFFICERS AND REPORT AUTHORS

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BACKGROUND PAPERS

21. Report to Annual Council on 24th May 2013 - Council Appointed Committees' And Sub-Committees' Terms Of Reference For 2013/14.

Simon Wiles
Director of Finance and Corporate Services

APPENDIX A

AUDIT COMMITTEE

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 the level of assurance the annual report and opinion can give over the Council's corporate governance arrangements.
- II. To consider reports on internal audit activity (actual and proposed).
- III. To consider the Terms of Reference, for internal Audit, the internal audit strategy.
- IV. To consider the level and qualification of Internal Audit resources.
- V. To consider summaries of specific internal audit reports as requested.
- VI. To consider reports dealing with the management and performance of the internal audit function.
- VII. To consider reports from internal audit on agreed recommendations not implemented within a reasonable timescale.
- VIII. 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.
- IX. To consider arrangements for cooperation between internal audit, external audit and other review agencies.
- X. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- XI. To monitor the implementation of external audit recommendations.

- XII. To consider specific reports as agreed with the external auditor.
- XIII. To consider the scope and depth of external audit work and ensure it gives value for money.

~~XIV. To liaise with the Audit Commission over the appointment of the council's external auditor.~~

- XIV To commission work from internal and external audit as resources allow.
- XV 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.
- XVI 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'
- V. To consider and support the Council's Anti-fraud, bribery and corruption policy and strategy.
- VI. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- VII. To **consider reports on any matters affecting the Council's governance arrangements and** consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

- VIII. To consider the Council's compliance with its own and other published standards and controls.
- IX. To report and make recommendations to Cabinet or Council on major issues and contraventions.
- X. To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.
- XI. 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.
- XII. To review the Council's policy under the Regulation of Investigatory Powers Act 2000 annually and to monitor compliance with the policy on a quarterly basis **and to consider the results of any inspection completed by the Government Inspector relating to the Council's arrangements.**

3. Accounts

- I. To approve the annual statement of accounts.
- II. To consider whether appropriate accounting policies have been followed.
- III. To consider the external auditor's report on issues arising from the audit of the accounts.
- IV. To consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- V. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. **To consider challenges/objections to the accounts by Members of the Public and the Council's response.**

4. Other matters:

To consider information on non-compliance with procurement rules; specifically waivers and breaches of Contract Procedure Rules

To consider reports relating to information management and security and to consider the results of any inspections completed by the Information Commissioner

To consider the development and application of governance arrangements relating to the Council's significant partnerships

APPENDIX B

AUDIT COMMITTEE DRAFT WORK PROGRAMME

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	General Controls / Assurance Other
18 July 2013	Annual Fraud Report		Payroll Overpayments Update Report	Corporate Risk Register update	Audit Committee Terms of Reference and Draft Work Programme
	Anti-Fraud and Corruption Action Plan Update		Draft Statement of Accounts 2012/13		Draft Annual Governance Statement
	Review of Internal Audit Strategy and Charter				Recovery Plan Update
					Regulation of Investigatory Powers Act 2000 (RIPA) – Inspection Update

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	General Controls / Assurance Other
30 September 2013	Internal Audit Progress Report (April – August)	Report to Those Charged With Governance (ISA 260 Report) 2012/13	Statement of Accounts 2012/13	Annual Review of Risk Management Policy	Annual Governance Statement
					Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA)
					Update Report on the implementation of Inspection and External Audit Recommendations

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	General Controls / Assurance Other
22 November 2013		Annual Audit Letter 2012/13	Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules	Corporate Risk Register update	Recovery Plan Update
					Update on Information Governance issues
					Update Report on Governance of Significant Partnerships and Other Organisations
Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	General Controls / Assurance Other
29 January 2014	Internal Audit Progress Report (September - December)	Certification of Claims and Returns – Annual Report 2012/13			Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA)
	Review of Anti-fraud and Corruption Policy and Strategy				
	National Fraud Initiative – Update report				

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	General Controls / Assurance Other
23 April 2014	Annual Report of the Head of Internal Audit 2013/14	Audit Plan 2013/14	Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules	Corporate Risk Register update	Annual Report of Audit Committee
	Internal Audit plan 2014/15		Payroll Overpayments Update Report		Update Report on the implementation of Inspection and External Audit Recommendations
					Annual Report On Standards Complaint Handling Activity 1st July 2012 To 28th February 2013 And Update On The New Local Standards Regime
					Update on Information Governance issues