

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

AUDIT COMMITTEE ANNUAL REPORT 2013/14

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 2013/14, 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 2013/14.
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

None

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Doncaster
Metropolitan Borough Council

Annual Report
of the
Audit Committee
2013/14

Annual Report of the Audit Committee 2013/14

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2013/14 to the achievement of improved 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.

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:

- The process for producing the Council's accounts effectively and in accordance with statutory timescales
- Progress on the avoidance of Payroll Overpayments and the recovery of any that do occur
- Progress on implementing External Audit and Inspection Recommendations.
- Progress on Implementing Inspection recommendations within Children's Services
- Progress on the Governance and Recovery Plans.

There has been positive progress in all of these areas, although there is more still to do.

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, including overall governance arrangements, risks, accounts and procurement.

We are pleased to see improving levels of governance in Doncaster Council, and, overall, we can see that arrangements are more robust than they were just a couple of years ago. We are not complacent, however. There are still some matters to be addressed and we recognise we want to improve further and embed our stronger arrangements in order to get to where we want to be. The Audit Committee will continue to lead and contribute to this aim.

Councillor Austen White
Chair of the Audit Committee, 2013/14

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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**. They show the core functions of the Audit Committee, which are:
 - Audit activity (Internal Audit, External Audit and Inspections)
 - Regulatory framework
 - The Accounts.
3. In fulfilling its role, the Audit Committee has sought to raise awareness of the need for sound internal control and robust risk management arrangements.
4. The Terms of Reference for the Audit Committee are reviewed each year. They were last revised by the Council in 2013 to ensure they complied with new standards for Internal Audit, namely the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) which become effective from April 2013. They will be reviewed for the 2014/15 year to ensure they represent best practice as outlined within new guidance for Audit Committees from CIPFA – Practical Guidance for Local Authorities and the Police – 2013 Edition.

COMMITTEE INFORMATION

Audit Committee Membership

5. The Committee has five elected members:
 - Councillor Austen White(Chair)
 - Councillor R. Allen Jones. (Vice Chair)
 - Councillor Andrew Bosmans
 - Councillor John McHale
 - Councillor Craig Sahman

Audit Committee Meetings

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

- July 2013
- September 2013
- November 2013
- January 2014
- April 2014

This frequency of meeting is agreed to ensure the Audit Committee can fulfil its responsibilities in an efficient and effective way. In 2014/15 it is anticipated that the number of meetings will be maintained at 5 while enabling the Committee to continue to meet its requirements.

8. The July 2013 and September 2013 meetings of the Audit Committee were particularly important, when the Committee fulfilled its responsibility to approve the 2012/13 Statement of Accounts and to recommend the adoption of the 2012/13 Annual Governance Statement.

9. This was also the first full year of KPMG acting as the Council's External Auditors following their appointment from 1 October 2012.

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

- The Head of Internal Audit's Annual Report.
- Internal and External Audit Plans for the year.
- The Council's Statement of Accounts for 2012/13

11. The Audit Committee has fulfilled its mandatory obligations during 2013/14

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 2013/14
- Received and considered the 2013/14 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 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:

- Recommended the adoption of the Annual Governance Statement
- 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 and approved updates to the Council's Anti-Fraud and Corruption Policy and Strategy
- Received a report on Standards Complaints Handling Activity
- Received regular reports on surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000.

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
- 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
- Recovery Plan Update
- Progress on implementing Governance improvements
- Progress on External Audit and Inspection Recommendations.
- Progress on Implementing Inspection recommendations within Children's Services
- Progress on Implementing Internal Audit recommendations for Gypsy and Traveller Rents Follow Up Audit

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. CIPFA have, in 2013, produced updated guidance for audit. When the new audit committee is appointed for the civic year 2014/15, the committee will complete the assessment again to demonstrate compliance with best practice.
17. Further training and updates were provided 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
 - Detailed briefing by KPMG on "current risks for Local Authorities"
 - Overview of the Enterprise Resource Planning (ERP) system.

**TERMS OF REFERENCE OF COMMITTEES AND
SUB-COMMITTEES**

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 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.

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.

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.

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 – 2013/14

Function / Issue	July 2013	Sept 2013	Nov 2013	Jan 2014	April 2014
Audit Committee Terms of Reference and Work Programme	Received				
Annual Governance Statement 2012/13	Received				
Strategic Risk Update	Received		Received		Received
Annual Fraud Report 2012/13	Received				
Covert Surveillance – Regulation of Investigatory Powers Act 2000	Received			Received	
Doncaster Council Governance Plan	Received		Received		
Update on the Anti-Fraud, Bribery and Corruption Action Plan	Received				
Review of Internal Audit Strategy and Internal Audit Charter	Received				Received
Draft Statement of Accounts 2012/13	Received				
Statement of Accounts 2012/13		Received			
Internal Audit Progress Report – April 2013 to August 2013		Received			
Payroll Overpayments Update Report		Received			Received
Review of Progress in Implementing External Audit and Inspection Recommendations		Received	Received		
Financial and Purchasing and Contract Procedure Rules			Received		Received
Review of Progress in Implementing Internal Audit Recommendations for Gypsy and Traveller Rents Follow Up Audit 2013			Received		
KPMG - Annual Audit Letter 2012/13			Received		
Risk Management Framework Revision 2013			Received		
Certification of Claims and Returns – Annual Report 2012/13				Received	
Arrangements and Timetable for the preparation of Accounts 2013/14				Received	
Internal Audit report for the period: September 2013 to December 2013				Received	
Recovery Plan Progress Report: 2013 Annual Stocktake				Received	
Update on Information Governance Issues				Received	
KPMG Audit Plan 2013/14				Received	
Review of Progress on Implementing Inspection Recommendations within Children's Services				Received	
Governance Plan – Progress Report					Received

Function / Issue	July 2013	Sept 2013	Nov 2013	Jan 2014	April 2014
Annual Report of Audit Committee 2013/14					Received
Annual Report of Head of Internal Audit Services 2013/14					Received
Internal Audit Plan 2014/15					Received
Annual Report On Standards Complaint Handling Activity					Received
KPMG Progress Update Report					Received
Assessment of KPMG Generic Risks					Received