

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

**AUDIT COMMITTEE TERMS OF REFERENCE AND WORK PROGRAMME
2014/15**

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 13th June 2014.
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 2014/15 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 13th June 2014, 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 operational experience during the current year and as a consequence of legislative requirements, the Committee's Terms of Reference were extended to adopt the responsibilities of the former Standards Committee. This was because following the introduction of new and reduced arrangements for Standards in July 2012, the Standards Committee had met on only two occasions, once in 2013 and once in 2014, to receive the Annual Report of the Monitoring Officer on complaint handling activity and ethical governance issues. The Standards Committee Hearing Panel, which considers complaints against Councillors, had not met since 2012.

6. To enable the Audit Committee to have a mechanism in place to deal with complaints against Councillors that cannot be resolved informally, Council established a Hearings Panel of the Audit Committee. This Panel includes the two co-opted Parish Council representatives and the two co-opted Independent (non-councillor) representatives who previously sat on the Standards Committee. These co-opted members will be non-voting members of the Audit Committee and will not be required to attend Audit Committee meetings. Attendance will only be required when sitting as members of a Hearings Panel to consider complaints against Councillors.
7. Council also agreed to appoint, an Independent member with a financial background as a non-voting co-opted member. Arrangements are being put in place to appoint to this co-opted Member.
8. **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

9. 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. Ethical Governance
 - f. Other matters
10. It is proposed as a default to report the following regular items to the Audit Committee on a six monthly basis:
 - External Audit progress against plan
 - Progress by the Council in implementing Inspection and External Audit recommendations
 - Compliance with Contract Procedure Rules and Procurement Breaches
 - Update on Governance Plan Progress
 - Regulation of Investigatory Powers Act 2000 (RIPA) surveillance.
11. However, if there are any significant issues in any of these areas they will be reported immediately to the Audit Committee.
12. Update briefings and/or training for Members will be provided as required.

13. Internal Audit Update reporting for 2014/15 is scheduled for September 2014, January 2015 and April 2015.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

14. In order to discharge its functions effectively, the Committee is required to operate within an agreed Terms of Reference.
15. 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.
16. 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

17. 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

18. 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

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

LEGAL IMPLICATIONS

20. 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.
21. 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

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

CONTACT OFFICERS AND REPORT AUTHORS

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BACKGROUND PAPERS

24. Report to Annual Council on 13th June 2014 - Council Appointed Committees' And Sub-Committees' Terms Of Reference For 2014/15.

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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.

FOR RECOMMENDATION TO COUNCIL:-

(a) The adoption or revision of the Members Code of Conduct.

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 **and other policies and procedures** 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.

4. **Ethical Governance**

- I. ***To promote and maintain high standards of conduct by Members and Officers.***
- II. ***To grant dispensations to Councillors and Co-opted Members from requirements relating to interests set out in the Members Code of Conduct, where not delegated to the Monitoring Officer.***
- III. ***To hear appeals against decisions of the Monitoring Officer not to grant a dispensation.***
- IV. ***To monitor and review the Council's Whistleblower's policy.***
- V. ***To monitor and review protocols for standards of behaviour for Members and Officers.***
- VI. ***To monitor and review protocols for Members and Officers on relationships and dealings with outside organisations and individuals.***

- VII. ***To monitor and review Member and Officer procedures relating to gifts and hospitality and disclosable pecuniary interests and other interests.***
- VIII. ***To monitor and oversee the response by the Council to complaints to the Ombudsman.***
- IX. ***Dealing with complaints of alleged Member misconduct referred to the Monitoring Officer under Section 28(6) of the Localism Act 2011.***
- X. ***Granting and supervision of exemptions from posts being designated as politically restricted.***
- XI. ***To arrange for the exercise of all the above functions in relation to Parish Councils wholly or mainly in its area and to the members of those Parish Councils.***

APPENDIX B

AUDIT COMMITTEE DRAFT WORK PROGRAMME

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	Ethical Governance	General Controls / Assurance Other
17 July 2014	Annual Fraud Report	KPMG Fraud Survey Findings	Payroll Overpayments Update Report			Audit Committee Terms of Reference and Draft Work Programme
	Anti-Fraud and Corruption Risk Assessment and Strategy Update		Draft Statement of Accounts 2013/14			Draft Annual Governance Statement
			Public Health Contracts / Commissioning			Update report on the Implementation of Inspection and External Audit Recommendations
						Regulation of Investigatory Powers Act 2000 (RIPA) – Inspection Update
						Completion of DBS checks

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	Ethical Governance	General Controls / Assurance Other
23 September 2014	Internal Audit Progress Report (April – August)	Report to Those Charged With Governance (ISA 260 Report) 2013/14	Statement of Accounts 2013/14	Corporate Risk Register Update	Report of Ethical Governance Arrangements Including Review of Related Policies and Procedures	Annual Governance Statement
						Update Report on the implementation of Inspection and External Audit Recommendations
						Update report on Peer Review of Corporate Governance Arrangements

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management		General Controls / Assurance Other
20 November 2014		Annual Audit Letter 2013/14	Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules	Annual Review of Risk Management Policy		Recovery Plan Update
						Update Report on Governance of Significant Partnerships and Other Organisations
						Governance Plan Progress Report

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management	Ethical Governance	General Controls / Assurance Other
28 January 2015	Internal Audit Progress Report (September - December)	Certification of Claims and Returns – Annual Report 2013/14	Arrangements and Timetable for Preparation of Accounts	Corporate Risk Register Update		Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA)
		Annual Audit Plan 2014/15	Payroll Overpayments Update Report			Update on Information Governance issues

Meeting Date	Internal Audit Reports	External Audit Reports	Accounts / Financial Management	Risk Management		General Controls / Assurance Other
22 April 2015	Annual Report of the Head of Internal Audit 2014/15		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 2015/16		Payroll Overpayments Update Report			Update Report on the implementation of Inspection and External Audit Recommendations
						Annual Report On Standards Complaint Handling Activity 2014/15