

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

AUDIT COMMITTEE ANNUAL REPORT 2014/15

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 2014/15, attached to this report.
2. Particular ways in which the Audit Committee has contributed during the year include:
 - Helping reduce the number of breaches of contract procedure rules by supporting the Director of Finance and Corporate Services' purge of breaches
 - Improving the control environment by ensuring appropriate action is taken to implement audit and inspection recommendations
 - Strengthening the strategic risk register and risk mitigation actions by critically appraising the risk register
 - Supporting continued improvement in accounts closedown performance by supporting closedown plans
3. The Committee has also this year taken on board some functions formerly carried out by the Standards Committee. It has also welcomed a co-opted member with a finance and governance background, which has further strengthened the Committee's skills and experience base to draw upon.
4. This is, therefore, a positive report which appropriately reflects the effective contribution made by the Committee during the year.

RECOMMENDATIONS

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

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER

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

BACKGROUND

7. 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 2014/15.
8. 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

9. 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:

Priority	Implications
We will deliver modern value for money services.	Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough
We will provide strong leadership and governance, working in partnership.	The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.

RISKS & ASSUMPTIONS

10. 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

11. 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

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

CONSULTATION

13. This report consults with the Audit Committee over the production of an Annual Report.
14. 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
2014/15**

Annual Report of the Audit Committee 2014/15

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2014/15 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.

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. In particular, during 2014 the Council was removed from intervention early as a result of the progress it had made on improving its governance arrangements. We are pleased to see good governance in Doncaster Council being recognised.

Additionally, this year the Council amended the Terms of Reference for the Audit Committee to take on the responsibilities of the former Standards Committee. Council also agreed to co-opt an Independent member with a financial background as a non-voting co-opted member and this was successfully carried out in the year.

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 not complacent and we will continue to address any matters needing to be addressed and we recognise our need for continuous improvement. The Audit Committee will continue to lead and contribute to this aim.

Councillor Austen White
Chair of the Audit Committee, 2014/15

CONTENTS		Page
1.	Introduction	1
2.	Terms of Reference	1
3.	Committee Information	1 - 2
	• Audit Committee Membership	
	• Audit Committee Meetings	
4.	Committee Achievements	2 - 4
	• Audit Activity	
	• Regulatory Framework	
	• Compliance With Best Practice	
Appendices:		
A	Terms of Reference	6 – 8
B	Committee Activity	9 - 10

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. The Committee's Terms of Reference for the Audit Committee are reviewed each year to ensure they represent best practice as outlined within new guidance for Audit Committees from the Chartered Institute of Public Finance and Accountability.
3. In 2014/15 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 Government arrangements for Standards in July 2012, the former Standards Committee had met on only two occasions, once in 2013 and once in 2014.
4. The current Terms of Reference and more details about the responsibilities relating to Standards can be found on the Council's website.
5. The core functions of the Audit Committee are:
 - To oversee audit activity at the Council (including Internal Audit, External Audit and Inspections)
 - To ensure the Council's risk management are 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.

COMMITTEE INFORMATION

Audit Committee Membership

6. The Committee has five elected members:
 - Councillor Austen White(Chair)
 - Councillor R. Allen Jones. (Vice Chair)
 - Councillor Andrew Bosmans
 - Councillor Frank Jackson
 - Councillor Craig Sahman

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

Audit Committee Meetings

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

- July 2014
- September 2014
- November 2014
- February 2015
- April 2015

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

8. The July 2014 and September 2014 meetings of the Audit Committee were particularly important, when the Committee fulfilled its responsibility to approve the 2013/14 Statement of Accounts and to note the adoption of the 2013/14 Annual Governance Statement.

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

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

10. The Audit Committee has fulfilled its mandatory obligations during 2014/15

COMMITTEE ACHIEVEMENTS

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

12. 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 2014/15 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 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.
- Received and considered the review of the Internal Audit Strategy and Charter.
- Agreed the Internal Audit Annual Plan for 2015/16

External Audit

The Audit Committee:

- Received and considered reports on the External Auditor's progress against the agreed plan.
- Received and considered Audit Commission Fraud Survey: KPMG presentation of results.
- 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

The Audit Committee has:

- Noted 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 regular reports on surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000.
- Received a report on Ethical Governance Policies and Procedures.
- Received a report on the Council's Whistleblowing Policy & Complaints.

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
- Progress on Implementing Inspection recommendations within Children's Services
- Completion of Disclosure and Barring Scheme checks
- Drainage Board Governance
- Progress on implementing outstanding recommendations in Adults Services, including relating to refunds of Mental Health charges
- The Local Government Association Peer Review and Statutory

Intervention in Doncaster Council

- The Creation of the Doncaster Children's Trust
- Corporate Health and Safety Arrangements
- Information Governance.

COMPLIANCE WITH BEST PRACTICE

13. 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 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance "A Toolkit for Local Authority Audit Committees".
14. The Committee was pleased to note that it substantially complied with current best practice.
15. CIPFA has produced updated guidance for audit. When the new audit committee is appointed for the civic year 2015/16, the committee will complete the assessment again to demonstrate compliance with best practice.
16. Further training and updates were provide to the Audit Committee and other interested members throughout the year. Topics included:
 - Risk Management
 - Accounting arrangements
 - Trading Standards' use of surveillance.

AUDIT COMMITTEE ACTIVITY – 2014/15

Function / Issue	July 2014	Sept 2014	Nov 2014	Feb 2015	April 2015
Audit Committee Terms of Reference and Work Programme	Received				
Covert Surveillance – Regulation of Investigatory Powers Act 2000	Received			Received	
Public Health Waivers – Follow up report	Received				
Completion of Disclosure and Barring scheme (DBS) Checks of New Starters	Received				
Payroll Overpayments Update Report	Received				Received
Annual Fraud Report 2013/14	Received				
Audit Commission Fraud Survey: KPMG presentation of results	Received				
Update on the Anti-Fraud, Bribery and Corruption Policy, Strategy and Action Plan	Received				
Review of Progress on Implementing Inspection Recommendations within Children's Services	Received				
Statement of Accounts 2013/14	Received	Received			
Annual Governance Statement July 2014	Received				
Interim Audit Report 2013/14	Received				
Financial and Purchasing and Contract Procedure Rules	Received		Received		Received
Ethical Governance Policies and Procedures		Received			
Completion of Disclosure and Barring scheme (DBS) Update Report		Received			
Doncaster Children's Trust – Progress on the Contract		Received			
Doncaster Council Governance Plan – Progress Report		Received			
Strategic Risk Update		Received	Received		Received
Internal Audit Progress Report – April 2014 to August 2014		Received			
The Local Government Association Peer Review and Statutory Intervention in Doncaster Council			Received		
KPMG - Annual Audit Letter 2013/14			Received		
Corporate Health and Safety Arrangements Update Report			Received		
Information Governance Progress Report				Received	
Annual Governance Statement Progress Report				Received	
Internal Audit report for the period: September 2014 to December 2014				Received	
Arrangements and Timetable for the preparation of Accounts 2014/15				Received	
Certification of Claims and Returns – Annual Report 2013/14				Received	

Function / Issue	July 2014	Sept 2014	Nov 2014	Feb 2015	April 2015
Annual Report of Audit Committee 2014/15					Received
Annual Report of Head of Internal Audit Services 2014/15					Received
Internal Audit Plan 2015/16					Received
Review of Internal Audit Strategy and Internal Audit Charter					Received
Progress on implementing outstanding recommendations in Adults Services, including Mental Health Section 117 refunds					Received
Whistleblowing Policy & Complaints Annual Report (Standards)					Received
Drainage Boards					Received
KPMG External Audit Plan 2014/15					Received