



Doncaster Council

Report

Date: 5th April 2018

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

AUDIT COMMITTEE ANNUAL REPORT 2017/18

Relevant Cabinet Member(s)	Wards Affected	Key Decision
		Yes/No

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 2017/18, attached to this report.

Particular ways in which the Audit Committee has contributed during the year include:

- Helping to maintain and improve the Council's system of internal control by reviewing internal and external audit work carried out during the year.
- Supporting improvement in the Council's control arrangements by ensuring appropriate action is taken to implement audit recommendations and calling officers to account where explanations over any lack of progress are required. This has brought about a notable reduction in the number and significance of outstanding recommendations.
- In particular, reviewing and ensuring appropriate action is taken in response to significant weaknesses found in the management of the Safeguarding Adults Personal Assets Team (SAPAT), Deprivation of Liberty Safeguard (DOLS) Assessments, Direct Payments, Business Waste and Recycling, Adult, Health and Wellbeing - Contract and

Commissioning Arrangements and the governance arrangements at Doncaster's Internal Drainage Boards.

- Critically assessing the Council's governance arrangements and supporting the production of an accurate Annual Governance Statement
- Strengthening the strategic risk register and risk mitigation actions by critically appraising the risk register and by receiving explanations from Directors on their management of strategic risks.
- Further strengthening the management of risks through the review and challenge of directorates' approaches to risk management.
- Supporting the maintenance of the good standards achieved in producing the Council's Statement of Accounts, while meeting shorter timescales now required.
- Supporting the development of the Council's Anti-Fraud and Corruption arrangements.
- Ensuring the Council's surveillance policies are kept up to date and reviewing surveillance carried out by the Council.

The Annual Report is a positive report which reflects the effective contribution made by the Audit Committee during the year.

EXEMPT REPORT

2. Not applicable, for information only.

RECOMMENDATION

3. **The Audit Committee is asked to approve the attached Audit Committee Annual Report 2017/18.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

5. 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 2017/18.

OPTIONS CONSIDERED

6. Not application, for information only.

REASONS FOR RECOMMENDED OPTION

7. Not applicable, for information only.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 8 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:

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	
	<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most</p>	

	<p>vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>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</p> <p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>

RISKS AND ASSUMPTIONS

9. 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 (KDW 20/03/18)

10. 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 (AT, 09/03/18)

11. There are no identified financial implications arising from this report.

HUMAN RESOURCES IMPLICATIONS (MLV, 14/03/18)

12. There are no specific HR implications related to the content of this report.

TECHNOLOGY IMPLICATIONS (PW, 12/03/18)

13. There are no identified technology implications arising from this report.

HEALTH IMPLICATIONS (VJ, 13/03/18)

14. There is no direct health implication of this report. The health implications rest with the service areas to be audited as part of Internal Audit Plan 2018/19.

EQUALITY IMPLICATIONS (PRJ 14/03/18)

15. Whilst there are no identified equal opportunity issues within this report, all of the reports identified within the annual report would have been subject to their own relevant equalities implications assessment.

CONSULTATION

16. This report consults with the Audit Committee over the production of an Annual Report.

BACKGROUND PAPERS

17. Various Audit Committee Reports from July 2017 to April 2018 Audit Committees.

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**Annual Report of the
Audit Committee
2017/18**

Annual Report of the Audit Committee 2017/18

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2017/18 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 several officers to attend Committee during the year to provide additional information on particular areas of concern

Most notably has been the attendance during the year of the Director of Adults Health and Wellbeing and members of his management team. They have reported on the improvements they are striving to make in their Directorate which has faced operational challenges that have been reported to the Committee and also been included within the Annual Governance Statement. These matters have included improving financial management and controls in weak areas, notably Safeguarding Adults Personal Asset Team, Deprivation of Liberty Safeguards and the Solar Centre. They now have improved controls on the contract and commissioning arrangements with a resultant drop in the number of breaches of contract procedure rules occurring.

This year the Committee continued checking the Council's risk management arrangements, by receiving the concluding reports and presentations from Directors about their management of risks which had commenced in 2016/17.

There have been many further benefits from our work. Main outcomes and improvements include:

- A clean external audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness against shorter reporting timescales
- Confirmation by external audit that the Council has in place the arrangements required to achieve its objectives and deliver its services economically, effectively and efficiently
- A further reduction in the number of audit recommendations not implemented
- Demonstrable improvements in Governance at Doncaster's' Internal Drainage Boards and improved partnership governance arrangements generally

In April 2017, the Committee was pleased to note the positive outcome of the 2016/17 external review of our Internal Audit Service which was confirmed as having the highest level of compliance with auditing standards. I am pleased to note that all observations / actions have been completed during 2017/18.

Councillor Austen White
Chair of the Audit Committee, 2017/18

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1. INTRODUCTION

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 governance arrangements.

2. TERMS OF REFERENCE

The Terms of Reference for the Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability.

The core functions of the Audit Committee are:

- To oversee Internal and External Audit activity at the Council
- To ensure the Council's risk management is effective
- To ensure there is an appropriate regulatory framework that operates effectively
- To oversee the production of the Council's accounts
- To oversee the production of and approve the Council's Annual Governance Statement
- To ensure appropriate standards of ethical governance are in place and maintained.

The current Terms of Reference and more details about the responsibilities relating to Standards can be found on the Council's website.

3. COMMITTEE INFORMATION

Audit Committee Membership

The Committee has five elected members:

- Councillor Austen White(Chair)
- Councillor Richard Jones (Vice Chair)
- Councillor Susan Durant
- Councillor Iris Beech
- Councillor David Nevett

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

Audit Committee Meetings

The Committee has met on five occasions during the year:

- June 2017
- July 2017
- October 2017
- February 2018
- April 2018

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

The July 2017 meeting of the Audit Committee was particularly important, when the Committee fulfilled its responsibility to approve the 2016/17 Statement of Accounts and to recommend the adoption of the 2016/17 Annual Governance Statement.

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

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

The Audit Committee has fulfilled its mandatory obligations during 2017/18.

4. COMMITTEE ACHIEVEMENTS

A list of the reports considered by the Audit Committee can be found in **Appendix A**. 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 2017/18 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 and summaries of reports issues and approved any necessary changes to the plan as a result of new and emerging risks or special investigations. The reports also provided monitoring information on the implementation of agreed audit recommendations.
- Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.
- Agreed the Internal Audit Annual Plan for 2018/19.
- Noted the positive outcome of the External Assessment of Internal Audit's compliance with the Public Sector Internal Audit Standards and that all observations and actions had been implemented during 2018/19.

External Audit

The Audit Committee:

- Received and considered reports on the External Auditor's progress against the agreed plan.
- Considered fees proposals for the External Audit.
- Continued to provide support to the External Auditors to ensure management was responsive to recommendations made and agreed.
- Received and considered the External Auditor's Grants Report 2016/17.

Regulatory Framework

The Audit Committee has:

- Considered and noted the Audit Committee Prospectus, Terms of Reference and Work Programme.
- Noted and approved the Annual Report of the Audit Committee.
- Overseen the production of and recommended the adoption of the Annual Governance Statement.
- Received reports on Compliance with the Council's Financial Procedure Rules and Contract Standing Orders, including breaches and waivers of the Contract Procedure Rules.
- Received reports on risk management and its operation within the Council including the updated strategic risk register.
- Considered reports on the management of strategic risks within the Council.
- Received and considered the Annual Fraud Report for the Council.
- Considered and approved the Fraud Risk Register and Counter Fraud Initiative Report.
- Received and noted reports on progress on the Council's Governance Plan, which includes all actions the Council has committed to, to enable it to maintain strong governance arrangements.
- Received regular reports on surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000.
- Considered and noted the Annual report of the Monitoring Officer.
- Reappointed an Independent Member of the Audit Committee

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 Chief Financial Officer & Assistant Director – Finance.
- Received and considered reports from the External Auditor on the Statement of Accounts.

Other Issues

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

- Deprivation of Liberty Safeguards (DOLS) Interim Audit Report
- Adult Social Care commissioning Review Programme 2017-2021
- Safeguarding Adults Personal Assets Team – Responsive Review
- Income Management Progress Report
- Update Report on Contract and Commissioning in Adults, Health and Wellbeing

- Improving Governance at Doncasters' Internal Drainage Boards
- Partnership Governance Arrangements
- Preventing and Detecting Fraud and Error

Compliance With Best Practice

Prior to its meeting in January 2016, the Audit Committee held a facilitated self-assessment session assessing 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 "Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition."

Updated guidance will be available early in 2018/19 and a similar exercise is anticipated to be held when the guidance becomes available.

The self-assessment confirmed the Committee substantially complies with current best practice; while highlighting 3 areas of particular focus for the Committee. The actions that came out of the last review have been implemented and are shown below.

Area	Action
Raising awareness about the role and purpose of the Audit Committee with possible extended reporting to full Council	Proposals to provide for questions to the Chair of Audit at Council Meetings are being put forward Implemented
Increasing the skills of Audit Committee members through induction and ongoing targeted training	Induction training is delivered for new audit committee members and targeted ongoing training is delivered to the full Audit Committee throughout the year Implemented
Supporting the development of risk management	The Committee requested directors to report to the committee on their arrangements for managing strategic risks and on their general approach to risk management Implemented

Awareness of the role and purpose of the Audit Committee has been raised by reporting to full Council.

Further training and updates were provide to the Audit Committee and other interested members throughout the year. Topics included:

- Accounts Preparations and Training/Awareness on the Statement of Accounts
- Risk Management
- Local Governance Arrangements and Internal Audit Planning
- Governance Update
- GDPR Preparations

Directors have reported their arrangements for managing strategic risk and on their general approach to risk management to the Audit Committee during the year.

In early 2018/19 a further self assessment will be carried out against the checklist from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance “Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition.”

AUDIT COMMITTEE ACTIVITY – 2017/18

Appendix A

Function / Issue	Jun 2017	July 2017	Oct 2017	Feb 2018	Apr 2018
Monitoring Officer Annual Whistleblowing and Standards Report	Received				
Regeneration and Environment – Strategic Risk Management	Received				
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update	Received				
Audit Committee Prospectus, Terms of Reference and Work programme 2017/18	Received				
Audit Committee Actions Log	Received				
Statement of Accounts 2016/17	Received				
Annual Governance Statement 2016/17	Received				
Local Code of Corporate Governance	Received				
Quarter 4 2016/17 Strategic Risk Update	Received				
Audit Committee Actions Log		Received			
Deprivation of Liberty Safeguards (DOLS) Interim Audit Report		Received			
2016/17 Annual Governance Statement		Received			
Statement of Accounts 2016/17 – ISA Report to those charged with Governance		Received			
Internal Audit Report for the period: April 2017 to 4 July 2017		Received			
Internal Audit Strategy and Internal Audit Charter		Received			
Partnership Governance Arrangements		Received			
Improving Governance at Doncasters' Internal Drainage Boards		Received			
Audit Committee Actions Log			Received		
Breaches and Waivers to the Financial and Contract Procedural Rules			Received		
Adult Social Care Commissioning Review Programme 2017-2021			Received		
Safeguarding Adults Personal Assets Team – Responsive Review			Received		
External Auditor (KPMG) Annual Audit letter 2016/17			Received		
Internal Audit Progress Report for the period: July to October 2017			Received		
Preventing and Detecting Fraud and Error – April 2016 to September 2017			Received		
Income Management Progress Report			Received		
Quarter 1 2017/18 Strategic Risk Update			Received		
Regulation of Investigatory Powers Act				Received	
Audit Committee Actions Log				Received	
Update Report on Contracts and Commissioning in Adults, Health and Wellbeing				Received	
2016/17 Annual Governance Statement – Progress Update				Received	

Quarter 2 2017/18 Strategic Risk Update				Received	
Internal Audit Progress Report for the Period: October 2017 to January 2018				Received	
External Auditor's (KPMG) Audit Plan 2017/18 and Arrangements for the preparation of the 2017/18 Accounts				Received	
Audit Committee Annual Report					Received
Annual Report of the Head of Internal Audit 2017/18					Received
Audit Committee Actions Log					Received
Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules					Received
Internal Audit Plan 2018/19					Received
Corporate Risk Register Q3					Received
Certification of Claims and Returns – Annual Report 2017/18					Received
Reappointment of Independent Member of Audit Committee					Received
Solar Centre Update Report including Internal Audit Review					Received
Review of Risk Management Framework					Received
DOLS Internal Audit Report and Assessment Update					Received