



Doncaster Council

Report

Date: 11th April 2019

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

AUDIT COMMITTEE ANNUAL REPORT 2018/19

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 2018/19, 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 been particularly important in monitoring the very high number of actions within the Adult, Health and Wellbeing Directorate and has eventually 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 and the Smartlight project.
- Critically assessing the Council's governance arrangements and supporting the production of an accurate Annual Governance Statement.

- Strengthening the Council's risk management policy by critically appraising the former policy and subsequently approving the revised policy.
- Supporting the maintenance of the good standards achieved in producing the Council's Statement of Accounts, while meeting shorter timescales now required.
- Supporting the Council's antifraud and corruption arrangements and noting progress in this area as set out in the annual fraud report.
- Supporting the development of the Council's Money Laundering 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 make comment on and consider for approval the attached Audit Committee Annual Report 2018/19 and for it to be presented at a future meeting of full Council**

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 2018/19.

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 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 (SRF, 26/03/19)

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, 26/03/19)

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

HUMAN RESOURCES IMPLICATIONS (KM, 28/03/19)

12. There are no HR implications associated with this report.

TECHNOLOGY IMPLICATIONS (PW, 26/3/19)

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

HEALTH IMPLICATIONS (RS, 26/03/19)

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, 04/03/19)

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 June 2018 to April 2019 Audit Committees.

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**Annual Report of the
Audit Committee
2018/19**

Annual Report of the Audit Committee 2018/19

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2018/19 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 have been able to make in their Directorate which has faced many operational challenges that have been reported to the Committee and also been included within the Annual Governance Statement. There has been a noted improvement in risk, governance and control evidenced by the reduction of the overdue management actions from Internal Audit recommendations, and the provisional removal of a number of items from the Annual Governance Statement. Improvements in contract and commissioning arrangements have been maintained resulting in a reduce number of breaches of contract procedure rules in the directorate.

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

- Another positive external audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness and delivered to challenging 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 positive Annual Governance Statement
- A positive opinion from the Head of Internal Audit in his Annual Report
- A positive Self-Assessment against best practice from CIPFA "Audit Committees / Practical Guidance for Local Authorities and Police
- We have recently appointed new External Auditors, Grant Thornton, and we look forward to working with them in the coming years

Councillor Austen White
Chair of the Audit Committee, 2018/19

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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. These will be subject to a comprehensive review against guidance issued by CIPFA in 2018 to incorporate changes for the annual meeting of Council in May 2019

3. COMMITTEE INFORMATION

Audit Committee Membership

The Committee has five elected members:

- Councillor Austen White(Chair)
- Councillor Richard Jones (Vice Chair)
- Councillor Iris Beech
- Councillor David Nevett
- Councillor Mark Houlbrook

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 2018
- July 2018

- October 2018
- January 2019
- April 2019

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

The July 2018 meeting of the Audit Committee was particularly important, when the Committee fulfilled its responsibility to approve the 2017/18 Statement of Accounts and to recommend the adoption of the 2017/18 Annual Governance Statement and the draft Annual Governance Statement for 2018/19.

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 2018/19.

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 2018/19 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 2019/20.

External Audit

The Audit Committee:

- Received and considered reports on the External Auditor's progress against the agreed plan.
- Received and considered report to Those Charged With Governance (ISA 260 Report) 2018/19 and the Annual Audit letter
- 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 2017/18.

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.
- Received and considered the Annual Fraud Report for the Council.
- 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.
- Approved the Money Laundering Policy

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 and 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:

- Update Report on Contract and Commissioning in Adults, Health and Wellbeing
- Street Lighting Project - Audit Report
- Deprivation of Liberty Safeguards (DOLS) Update Progress Report
- Direct Payments Update - Internal Audit Follow Up Report
- Income Management Progress Report
- Update Report on Contracts and Commissioning in Adults, Health and Wellbeing
- Preventing and Detecting Fraud and Error

Compliance With Best Practice

During 2018/19 a self assessment was carried out against checklists from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance “Audit Committees / Practical Guidance for Local Authorities and Police 2018 Edition.”

This identified the committee was generally operating to best practice but there were areas in which they could develop the committee further. These actions are set out in an improvement plan which will be monitored during the next year.

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
- Preparation of the Annual Governance Statement
- Risk Management
- Review of guidance from CIPFA on Audit Committees
- Work of the Strategic Procurement Team
- Self-assessment against best practice for audit committees
- Internal Audit Planning

AUDIT COMMITTEE ACTIVITY – 2018/19

Appendix A

Function / Issue	Jun 2018	July 2018	Oct 2018	Jan 2019	Apr 2019
Audit Committee Actions Log	Received				
Monitoring Officer Annual Whistleblowing and Standards Report	Received				
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update	Received				
Audit Committee Prospectus, Terms of Reference and Work programme 2018/19	Received				
Unaudited Statement of Accounts 2017/18	Received				
Draft Annual Governance Statement 2017/18	Received				
Audit Committee Actions Log		Received			
Update Report on Contracts and Commissioning in Adults, Health and Wellbeing.		Received			
2017/18 Annual Governance Statement		Received			
Audited Statement of Accounts 2017/18 and KPMG Report to Those Charged With Governance (ISA 260 Report) 2017/18		Received			
Internal Audit Report for the period: April 2018 to June 2018		Received			
Money Laundering Arrangements		Received			
Street Lighting Project - Audit Report		Received			
Audit Committee Actions Log			Received		
Breaches and Waivers to the Financial and Contract Procedural Rules			Received		
Deprivation of Liberty Safeguards (DoLS) - Update - Progress Report			Received		
Direct Payments Update - Internal Audit Follow Up Report			Received		
External Auditor (KMPG) Annual Audit Letter 2017/18.			Received		
Internal Audit Progress Report for the period: July to October 2018			Received		
Preventing and Detecting Fraud and Error - October 2017 to September 2018.			Received		
Income Management Progress Report			Received		
Risk Management Strategy Review			Received		
2017-18 Annual Governance Statement - Progress Update			Received		
Grant Thornton - 2018/19 Progress Report and Sector Update			Received		
Audit Committee Actions Log				Received	
Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update.				Received	
Update Report on Contracts and Commissioning in Adults, Health and Wellbeing				Received	
Risk Management Strategy				Received	
Internal Audit Progress Report for the Period: October 2018 to December 2018				Received	
External Auditor (Grant Thornton) Audit Plan 2018/19 and Arrangements for the preparation of the 2018/19 Accounts				Received	

Audit Committee Actions Log					Received
Internal Audit Report – Direct Payments follow up report					Received
Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules					Received
Annual Report of the Head of Internal Audit 2018/19					Received
Draft Annual Governance Statement 2018/19					Received
Internal Audit Plan 2019/20					Received
Audit Committee Annual Report					Received
Grant Thornton Audit Committee Progress Report and Sector Update					Received