



Doncaster Council

Report

19th June 2019

To the Chair and Members of the AUDIT COMMITTEE

AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2019/20

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

EXECUTIVE SUMMARY

1. The report sets out the formal Terms of Reference for the Audit Committee for 2019/20, which were approved at Annual Council meeting on 17th May 2019.
2. The report also contains a 'Prospectus' which sets out the scope and standards applicable to the Audit Committee, and shows how these and the Terms of Reference enable the Committee to comply with Local Government Audit Committee standards and the Council's requirements of the Committee.
3. The Prospectus includes a draft work programme, which demonstrates how the Committee will fulfill its Terms of Reference for the year.

EXEMPT REPORT

4. The report does not contain exempt information.

RECOMMENDATIONS

5. The Audit Committee is asked:

- to note the Terms of Reference for the Audit Committee for the 2019/20 Municipal Year
- to agree the Prospectus setting out the Audit Committee's scope, standards and work programme for the year.

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

Audit Committee prospectus

7. An Audit Committee prospectus has been produced which provides an oversight of the role of the audit committee, clearly setting out the scope and standards of the committee, the scope of its work and how it will seek the assurances about the management of risks across the Council. Importantly, it sets out the intended outcomes sought from the work of the committee.

Terms of Reference

8. At its Annual Meeting on 17th May 2019, 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**.
9. In 2018, CIPFA (Chartered Institute of Public Finance and Accountancy) issued a publication, "Audit Committees; Practical Guidance for Local Authorities and Police". This publication contained a model set of Terms of Reference for an Audit Committee. These model terms have been reflected in the changes approved to the existing terms of reference. Most changes generally reflect terminology changes following auditing standards revisions. The new terms approved still reflect local requirements e.g. to discharge the role of the Standards Sub-Committee.
10. The Audit Committee is asked to formally note the changes to the Terms of Reference for the year.

Prospectus and Draft Work Programme

12. The Terms of Reference are augmented by the draft Audit Committee Prospectus, attached at **Appendix B**. The Prospectus is a public facing document that sets out the role, scope and standards of the Audit Committee, as well as some of the expected outcomes from its work during the year.

13. The work programme is also an integral part of the prospectus and demonstrates the Committee's coverage of the areas identified in its Terms of Reference, as follows:
 - a. Internal Audit
 - b. External Audit
 - c. Regulatory Framework
 - d. Accounts
 - e. Ethical Governance
14. Within the work programme, it is proposed as a default to maintain reporting the following regular items to the Audit Committee on a six monthly basis:
 - Compliance with Contract Procedure Rules and Procurement Breaches
 - Regulation of Investigatory Powers Act 2000 (RIPA) surveillance.
15. However, if there are any significant issues in any of these areas they will be reported immediately to the Audit Committee.
16. Update briefings and/or training for Members will be provided as required.
17. Internal Audit Update reporting for 2019/20 is scheduled for July 2019, October 2019 and January 2020, with an annual report of the Head of Internal Audit in April 2020.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

18. In order to discharge its functions effectively, the Committee is required to operate within an agreed Terms of Reference.
19. The work programme is designed to ensure that, where appropriate, the Audit Committee is able to ensure the Council meets certain statutory deadlines and also discharge its responsibilities under its Terms of Reference, whilst achieving a balanced and manageable work load.
20. 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 OUTCOMES

21. The Audit Committee assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. 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

22. The Audit Committee contributes to the effective management of risks in relation to audit activity, accounts / financial management / risk management and other governance / regulatory matters.

LEGAL IMPLICATIONS (SRF 24/05/19)

23. There are no specific legal implications associated with this report.

FINANCIAL IMPLICATIONS (ST 22/05/19)

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

HUMAN RESOURCES IMPLICATIONS (KG 22/05/19)

25. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS (PW 22/05/19)

26. There are no specific technological implications associated with this report.

EQUALITY IMPLICATIONS (PJ 21/05/19)

27. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

HEALTH IMPLICATIONS (RS 22/05/19)

28. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

CONSULTATION

29. The Council's Section 151 Officer; the Chief Financial Officer and Assistant Director of Finance, and the Council's Governance Group have been consulted in the production of the Terms of Reference. The Chair of the Audit Committee was consulted on the changes to the terms of reference prior to being presented to Annual Council.

BACKGROUND PAPERS

30. None

REPORT AUTHOR & CONTRIBUTORS

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BACKGROUND PAPERS

Report to Annual Council on 17th May 2019 - Council Appointed Committees' And Sub-Committees' Terms of Reference for 2019/20.

Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

AUDIT COMMITTEE

This Committee is a Committee of the Council constituted under Sections 101 and 102 of the Local Government Act 1972.

Statement of Purpose

1. Our Audit Committee is a key component of Doncaster Council's Corporate Governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit Committee is to provide independent assurance to the Members on the adequacy of the risk management framework and the internal control environment. It provides an independent review of Doncaster Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

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

INTERNAL AUDIT

- I. To approve the Internal Audit Charter.
- II. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- III. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- IV. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

- V. To consider any impairments to independence or objectivity arising from additional roles and responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
- VI. To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services where used. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance Improvement Programme (QAIP).
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Advisory Note (LGAN), considering whether the non-compliance is significant enough that it must be included in the Annual Governance Statement (AGS).
- VII. To consider the Head of Internal Audit's annual report:
 - a) The statement on the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the AGS.
- VIII. To consider summaries of specific internal audit reports as requested.
- IX. To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or where there are concerns about progress with the implementation of agreed actions.
- X. To contribute to the QAIP and in particular, the external quality assessment of internal audit that takes place at least once every five years.

- XI. To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.

EXTERNAL AUDIT

- XII. To support the independence of external audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.
- XIII. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- XIV. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- XV. To consider specific reports as agreed with the external auditor.
- XVI. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- XVII. To liaise with the Officers of the Council regarding Public Sector Appointments Ltd and the appointment of the Council's external auditor.
- XVIII. To commission work from internal and external audit.
- XIV. To receive training on matters related to the Audit Committee's responsibilities.

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 in the Council.

- IV. To monitor progress in addressing risk-related issues reported to the Committee.
- V. To monitor counter-fraud strategy, actions and resources.
- VI. To review the assessment of fraud risks and potential harm to the Council from fraud, bribery and corruption.
- VII. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- VIII. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- IX. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- X. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- XI. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- XII. To review the governance and assurance arrangements for significant partnerships or collaborations.
- XIII. To report and make recommendations to the Executive or Council on major issues within the remit of the Committee.
- XIV. To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.
- XV. 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.
- XVI. 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.
- XVII. To review the Council's policy under the Regulation of Investigatory Powers Act 2000 annually and to monitor compliance with the policy on a twice yearly basis.

Accounts

- I. To review the annual statement of accounts. Specifically, to consider whether appropriate whether 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.

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. To deal with complaints of alleged Member misconduct referred to the Monitoring Officer under Section 28(6) of the Localism Act 2011.
- X. 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.

HEARINGS SUB-COMMITTEE

TERMS OF REFERENCE

This Sub-Committee is a Sub-Committee of the Council constituted under Sections 101 and 102 of the Local Government Act 1972.

1. To consider complaints referred to it by the Monitoring Officer in consultation with the Independent Person in accordance with Section 28 of the Localism Act 2011.
2. To hear appeals against decisions of the Monitoring Officer not to grant a dispensation.



Doncaster
Council

Audit Committee Prospectus, Terms of Reference and Work Plan 2019/20

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. CIPFA 2018

The Audit Committee at Doncaster Council

The Audit Committee has primary responsibility for ensuring there are effective governance arrangements in place and operating throughout the organisation, and is the principal advisory function to the Council and Executive on governance related matters.

This Prospectus sets out the scope and the standards of the Audit Committee, which are consistent with Local Government standards. It also describes the approach that will be taken by the Audit Committee and outlines its 2019/20 work programme.

Scope and Standards

In accordance with the Chartered Institute of Public Finance and Accountancy's Position Statement and guidance on Audit Committees, the Audit Committee will:

- ✓ Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position
- ✓ Monitor the effectiveness of the risk, governance and control arrangements and assurances obtained about its operation
- ✓ Consider the accuracy and effectiveness of risk management
- ✓ Ensure Internal Audit is independent and effective. In particular the Committee will:
 - review and approve the responsibilities of the internal audit function and ensure the function has the necessary resources to enable it to perform in accordance with appropriate professional standards
 - review and assess the annual internal audit work plan
 - receive a report on the results of the internal auditor's work and its compliance with its professional standards on a periodic basis
- ✓ Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing)
- ✓ Review the Council's arrangements for managing the risk of fraud

- ✓ Review and approve the external auditor's annual audit plan and ensure that it is consistent with the scope of the audit engagement
- ✓ Review the findings of the external auditor's work with the external auditor, including a discussion of any major issues which arise during the audit
- ✓ Review the financial statements and the external auditor's opinion on the statements. In particular, the Committee will review and challenge where necessary:
 - the consistency of, and any changes to, significant accounting policies
 - the methods used to account for significant or unusual transactions where different approaches are possible
 - whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
 - the clarity and completeness of disclosure in the financial reports and the context in which statements are made
- ✓ Consider external audit and inspection recommendations and ensure these are fully responded to.

The Audit Committee has *Terms of Reference* that reflect the scope and standards, and agrees an annual work-plan showing how the Committee will deliver its responsibilities. The 2019/20 work-plan, which is a 'live' document that is updated throughout the year, is attached at **Appendix 1**.



The Audit Committee has a current membership of five Council Members and one independent Co-opted member. It will meet five times per year. The Committee's operating model ensures that it:

- ✓ Has clear rights of access to other committees and functions, for example scrutiny
- ✓ Will have as regular attendees, the Director of Corporate Resources, the Chief Financial Officer & Assistant Director of (Section 151 Officer), the Head of Internal Audit and the External Auditor. Other attendees may include the Chief Executive and the Monitoring Officer
- ✓ Is able to meet privately and separately with the External Auditor and with the Head of Internal Audit
- ✓ Has the right to call on any other officers as required
- ✓ Will report regularly on its work to the Council.

The Role of the Audit Committee

The Audit Committee has a lead role in ensuring risks are managed effectively across the Council. The Committee challenges the Council and its managers to demonstrate their awareness, reporting and controlling of any risks that could either prevent the Council from achieving its objectives or could cause major disruption of any nature.

For 2019/20, the Committee will:

- ✓ Keep an active interest in the maintenance of the Council's overall risk management framework, policy and strategy,

In addition, the Committee aims to strengthen its own contribution. It will:

- ✓ Complete a detailed self-assessment against revised CIPFA guidance for audit committees, released in May 2018 and undertake the actions arising from this self-assessment.
- ✓ Receive regular, detailed, update sessions on relevant topics throughout the year.
- ✓ Receive other development and support as required, individually and/or collectively.

How will we know we have succeeded?

The role of the Audit Committee is crucial. The Committee has primary responsibility for

ensuring there are effective governance arrangements in place and operating throughout the organisation.

The Audit Committee will be accountable for meeting its responsibilities. We expect the following outcomes to be achieved:

- ✓ Comprehensive risk registers, including fraud risks, with risks demonstrably controlled
- ✓ Demonstrable implementation of audit and inspection recommendations
- ✓ A clear risk-based Internal Audit plan that is adequately delivered
- ✓ The achievement of a clear opinion on the Statement of Accounts
- ✓ An Annual Governance Statement, external audit Value for Money opinion and Internal Audit opinion of the risk, governance and control arrangements that fairly reflect the Council's position.

The Audit Committee will produce an Annual Report which will show how the Audit Committee is delivering these success measures and contributing positively to improving risk, governance and control and adding value to the organisation.

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Councillor Austen White, Chair

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Councillor R. Allan Jones, Vice-Chair

19 June 2019

APPENDIX 1

Doncaster Council- Audit Committee Workplan 2019/20

Objective and Agenda Item	June 2019	July 2019	Oct 2019	Jan 2020	April 2020
Internal Audit					
Internal Audit Strategy and Internal Audit Charter		✓			
Internal Audit Progress Report for the period: April to July 2019		✓			
Internal Audit Progress Report for the period: July to October 2019			✓		
Internal Audit Progress Report for the period: November 2019 to January 2020				✓	
Annual Report of the Head of Internal Audit 2019/20					✓
Internal Audit Plan 2020/21					✓
External Audit					
External Auditor Annual Audit letter 2018/19			✓		
External Auditor's Audit Plan 2019/20 and Arrangements for the Preparation of the 2019/20 Accounts				✓	
Certification of Claims and Returns – Annual Audit Report 2019/20					✓
Regulatory Framework					
Audit Committee Actions Log	✓	✓	✓	✓	✓
Regulation of Investigatory Powers Act	✓			✓	
Audit Committee Prospectus, Terms of Reference and Work programme 2019/20	✓				
Solar Centre Update Report	✓				
Final Annual Governance Statement 2018/19		✓			
Review of Risk Management Framework			✓		
Report on non-compliance with Financial Procedure Rules and Contract Procedure Rules			✓		✓
Income Management Progress Report			✓		
Annual Governance Statement 2018/19 – Progress Update			✓		
Update Reports on Contract Commissioning in Adults, Health & Wellbeing				✓	
Draft Annual Governance Statement 2019/20					✓

Objective and Agenda Item	June 2019	July 2019	Oct 2019	Jan 2020	April 2020
Audit Committee Annual Report 2019/20					✓
Accounts					
Unaudited Statement of Accounts 2018/19	✓				
Audited Statement of Accounts 2018/19 - ISA 260 Report to those charged with Governance		✓			
Ethical Governance					
Monitoring Officer Annual Whistleblowing and Standards Report 2018/19	✓				
Preventing and Detecting Fraud and Error - October 2018 to September 2019			✓		