

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

AUDIT COMMITTEE ANNUAL REPORT 2015/16

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 2015/16, attached to this report.
2. Particular ways in which the Audit Committee has contributed during the year include:
 - Improving the control environment by ensuring appropriate action is taken to implement audit and inspection recommendations and calling officers to account where explanations over progress are required,
 - Reviewing, in particular, reports into significant weaknesses relating to the management of the Markets Function and governance of drainage boards and supporting management actions to address weaknesses found,
 - Strengthening the strategic risk register and risk mitigation actions by critically appraising the risk register,
 - Supporting the Council's improved quality of accounts and the arrangements to produce the accounts in shorter timescales through oversight of the accounts preparation arrangements,
 - 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, and
 - Supporting the development of the Council's Partnership Governance arrangements.
3. This is, therefore, a positive report which appropriately reflects the effective contribution made by the Audit Committee during the year.

RECOMMENDATION

4. The Audit Committee is asked to consider the contents of the report and if satisfied that it fairly summarises the work of the Committee are asked to approve the attached draft Annual Report.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

6. 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 2015/16.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

7. 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>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none">• <i>Mayoral Priority: Creating Jobs and Housing</i>• <i>Mayoral Priority: Be a strong voice for our veterans</i>• <i>Mayoral Priority: Protecting Doncaster's vital services</i>	
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none">• <i>Mayoral Priority: Safeguarding our Communities</i>• <i>Mayoral Priority: Bringing down the cost of living</i>	

	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>Effective oversight through the Audit Committee adds value to the Council's operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>

RISKS AND ASSUMPTIONS

8. 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

9. 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

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

HUMAN RESOURCES IMPLICATIONS

11. There are no identified human resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

13. We are aware of the Council's obligations under the Public Sector Equalities Duties and 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

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

BACKGROUND PAPERS

15. Various Audit Committee Reports from July 2015 to April 2016 Audit Committees.

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**Annual Report of the
Audit Committee
2015/16**

Annual Report of the Audit Committee 2015/16

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2015/16 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 officers to attend Committee to provide additional information on particular areas of concern. This has improved arrangements in the implementation of internal audit recommendations and has helped to ensure arrangements to prevent future breaches of regulations are appropriate.

The additional work reviewed by the Audit Committee includes work set out below and the outcomes / improvements that have been driven out through this oversight:

Area	Improvement
<ul style="list-style-type: none">Progress on Implementing External Inspection recommendations	<ul style="list-style-type: none">There are now less than 10 overdue recommendations compared to 55 in 2013
<ul style="list-style-type: none">Drainage Board Governance	<ul style="list-style-type: none">Fundamental improvements have been made
<ul style="list-style-type: none">Progress on implementing outstanding recommendations in Adults Services, including refunds of Mental Health charges	<ul style="list-style-type: none">The number of outstanding actions reduced from 84 in February 2015 to 30 in January 2016
<ul style="list-style-type: none">Markets Review	<ul style="list-style-type: none">Significant improvement in financial governance and health and safety arrangements
<ul style="list-style-type: none">Electronic and Physical Records Update Report	<ul style="list-style-type: none">Considerable savings will be made from revised storage arrangements
<ul style="list-style-type: none">Accounts production and closedown	<ul style="list-style-type: none">The External Auditor has commented favourably on the quality of the accounts and the arrangements to produce the accounts in shorter timescales
<ul style="list-style-type: none">Compliance with Contract Procedure Rules	<ul style="list-style-type: none">Raising awareness and compliance through calling officers to attend committee to account for breaches

During the year we have taken steps to further our anti-fraud and corruption arrangements including the further development of the Council's fraud risk register. This is important at any time, but more so in periods of austerity when public expectations are for us to ensure we gain best value from our limited resources and minimise our losses to fraud and corruption.

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, 2015/16

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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 financial governance arrangements.

2. TERMS OF REFERENCE

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.

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.

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 R. Allen Jones. (Vice Chair)
- Councillor Susan Durant
- Councillor John Healy
- Councillor Alan Jones

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 six occasions during the year:

- July 2015 (twice)

- September 2015
- November 2015
- January 2016
- April 2016

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

The July 2015 and September 2015 meetings of the Audit Committee were particularly important, when the Committee fulfilled its responsibility to approve the 2014/15 Statement of Accounts and to note the adoption of the 2014/15 Annual Governance Statement.

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

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

The Audit Committee has fulfilled its mandatory obligations during 2015/16.

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 2015/16 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.
- 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 2016/17.

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 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:

- Considered and noted the Audit Committee 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 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 and considered the Annual Fraud Report for the Council.
- Considered and noted the revised Whistleblowing Policy.
- Received and considered the Audit Commission Fraud Survey: KPMG presentation of results.
- Received and noted reports on progress on the 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.

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 External Inspection recommendations,
- Drainage Board Governance,
- Progress on implementing outstanding recommendations in Adults Services, including refunds of Mental Health charges,
- Markets Review,
- Insurance Fund,
- Electronic and Physical Records Update Report.

Compliance With Best Practice

Prior to its meeting in January 2016, the Audit Committee attended 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."

The Committee was pleased to note that it substantially complied with current best practice; however, there were further areas that they thought they could improve. These included:

- Raising awareness about the role and purpose of the Audit Committee with possible extended reporting to full Council – better promotion of the outcomes achieved by the committee.
- Increasing the skills of Audit Committee members through induction and ongoing targeted training.
- Supporting the development of risk management.

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

- Audit Committee assessment against CIPFA's "Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition."
- Update for Audit Committee members (KPMG Audit Institute).
- Fraud arrangements update including funding for internal audit work and update for SFIS.
- Training on the Statement of Accounts.

AUDIT COMMITTEE ACTIVITY – 2015/16

Appendix A

Function / Issue	July 2015	Sept 2015	Nov 2015	Jan 2016	April 2016
Audit Committee Terms of Reference and Work Programme	Received				
Payroll Overpayments Update Report 2014/15	Received				
Annual Fraud Report 2014/15 Executive Summary	Received				
Update on the Anti-Fraud, Bribery and Corruption Framework	Received				
Statement of Accounts 2014/15	Received	Received			
Annual Governance Statement 2014/15	Received	Received			
Annual Report of the Monitoring Officer	Received				
Revised Whistleblowing Policy	Received				
Doncaster Market Review Report	Received				
External Audit Progress Report and Technical Update	Received				
Risk Management Policy Review and update	Received				
Review of Progress on Implementing External Inspection Recommendations		Received	Received		
Covert Surveillance – Regulation of Investigatory Powers Act 2000 Update		Received			Received
Doncaster Council Governance Plan		Received		Received	
Strategic Risk Update		Received		Received	Received
Internal Audit Progress Report – April 2015 to August 2015		Received			
Adults, Health and Wellbeing Audit Recommendations Progress Report		Received		Received	
Financial and Purchasing and Contract Procedure Rules			Received		Received
Drainage Board Governance Review Update			Received		
KPMG - Annual Audit Letter 2014/15			Received		
Electronic and Physical Records Progress Report				Received	
Internal Audit report for the period: September 2015 to December 2015				Received	
Arrangements and Timetable for the preparation of Accounts 2015/16				Received	
The Insurance Fund				Received	
Certification of Claims and Returns – Annual Report 2014/15				Received	
KPMG External Audit Plan 2015/16				Received	
Annual Report of Audit Committee 2015/16					Received
Annual Report of Head of Internal Audit Services 2015/16					Received
Internal Audit Plan 2016/17					Received
Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules					Received