

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

**AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK  
PROGRAMME 2016/17**

**EXECUTIVE SUMMARY**

1. The report contains a “prospectus” which sets out the scope and standards of the Audit Committee which are consistent with Local Government standards and the approach that will be taken by the Committee in its work.
2. The report also sets out the formal Terms of Reference for the Audit Committee which were approved at Annual Council on 13<sup>th</sup> May 2016 and highlights the minimal changes that have been made
3. The report also includes a draft work programme, which demonstrates how the Committee should fulfill its Terms of Reference for the year.

**RECOMMENDATIONS**

4. **The Audit Committee is asked:**
  - **to consider the prospectus that has been produced for the first time and determine if there is anything it wishes to add or amend**
  - **to note the Terms of Reference for the Audit Committee for the 2016/17 Municipal Year**
  - **to consider the draft work programme and determine if there is anything it wishes to add or amend.**

**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

### Audit Committee prospectus

6. An Audit Committee prospectus has been produced for the first time and is intended to provide 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. Some of the more notable elements of the new arrangements include:
- More detailed reviews of strategic and directorate risk registers, including the involvement of Cabinet Members in managing / reviewing the risks.
  - A reflection at the end of each meeting on any matters arising during the meeting that should be mentioned to or referred to the Executive, Scrutiny and/or management. This will ensure effective communication between the Audit Committee and other groups and ensure their roles are complementary and, collectively, carried out more effectively. The approach including these and other arrangements will strengthen the Audit Committee and enable it to better obtain assurances about the effective management of the Council's activities.

### Draft Work Programme

7. The work programme, an integral part of the prospectus within **Appendix A**, is designed to ensure coverage of the areas identified in the Committee's Terms of Reference, including:
- a. Internal Audit
  - b. External Audit
  - c. Accounts/Financial Reporting
  - d. Risk Management
  - e. Ethical Governance
  - f. Other matters
8. It is proposed as a default to maintain reporting the following regular items to the Audit Committee on a six monthly basis:
- Progress by the Council in implementing Inspection and External Audit recommendations
  - Compliance with Contract Procedure Rules and Procurement Breaches
  - Update on Governance Plan Progress
  - Regulation of Investigatory Powers Act 2000 (RIPA) surveillance.
9. However, if there are any significant issues in any of these areas they will be reported immediately to the Audit Committee.

10. Update briefings and/or training for Members will be provided as required.
11. Internal Audit Update reporting for 2016/17 is scheduled for August 2016, January 2017 and April 2017.

### **Terms of Reference**

12. At its Annual Meeting on 13<sup>th</sup> May 2016, 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 B**.
13. The Accounts and Audit Regulations were updated in 2015, and the Terms of Reference have been updated to reflect these changes. The Revisions explicitly attribute the responsibility for considering the findings of the review of internal control to the Audit Committee and formally delegate responsibility for the approval of the resulting Annual Governance Statement to the Committee.
14. **For ease of identifying the changes in the attached terms of reference, deletions are crossed through whilst additions are shown in bold italics.**

### **OPTIONS CONSIDERED AND RECOMMENDED OPTION**

15. In order to discharge its functions effectively, the Committee is required to operate within an agreed Terms of Reference.
16. The work programme is designed to ensure that, where appropriate, the Audit Committee is able to meet certain statutory deadlines and also discharge its responsibilities under its Terms of Reference, whilst achieving a balanced and manageable work load.
17. 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**

18. Internal Audit 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. Internal Audit's work is, therefore, relevant to all priorities but in particular the following:

	<b>Outcomes</b>	<b>Implications</b>
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Be a strong voice for our veterans</i></li> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	
	<p>All families thrive.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	
	<p>Council services are modern and value for money.</p>	<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>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**

19. This report, in presenting information about the state of the Council's internal control environment, allows Members to form an opinion about risks within the Council. The risk to the Council arises if there is inadequate or ineffective action to improve the risk management arrangements identified as unsatisfactory during the year. Information detailed in this report on the implementation of internal audit recommendations gives Members an insight into the extent to which the management of risk is being improved

## **LEGAL IMPLICATIONS**

20. There is a statutory obligation on the Council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

## **FINANCIAL IMPLICATIONS**

21. There are no identified direct financial implications arising from this report.

## **HUMAN RESOURCES IMPLICATIONS**

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

## **TECHNOLOGY IMPLICATIONS**

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

## **EQUALITY IMPLICATIONS**

24. 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.

## **CONSULTATION**

25. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate.

## **REPORT AUTHORS & CONTRIBUTORS**

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## **BACKGROUND PAPERS**

Report to Annual Council on 13th May 2016 - Council Appointed Committees'  
And Sub-Committees' Terms Of Reference For 2016/17.

**Simon Wiles**  
**Director of Finance and Corporate Services**



**Doncaster**  
Metropolitan Borough Council

# Audit Committee Prospectus, Terms of Reference and Work Plan

*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 annual governance processes. CIPFA*

## The Context 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 2016/17 work programme.

## Scope and Standards

In accordance with CIPFA's Position Statement 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 internal control environment<sup>1</sup> 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 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

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<sup>1</sup> The internal control environment is comprised of all the checks and balances in place, including risk management, to ensure the Council's actions are completed properly and recorded accurately

- ✓ 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
- ✓ Review and monitor treasury management arrangements.

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 2016/17 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 Finance and Corporate Services (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 intends to place the review of **risk management** at the centre of its purpose. In doing so, the Committee will challenge 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.

From 2016/17, the Committee will:

- ✓ Oversee the development, implementation and maintenance of the overall risk management framework, policy and strategy,
- ✓ Receive and review the quarterly **Corporate Risk Register** on a regular basis and confirm the management of risks within it
- ✓ Agree with Cabinet Members their responsibilities relating to risk management
- ✓ Receive and consider service/departmental risk registers on a rolling programme basis, with the attendance of Cabinet Members and senior managers to explain their management of risks
- ✓ Report the Corporate Risk Register to full Council, to ensure the broadest ownership of it.

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

- ✓ Provide an opportunity for **public questions** at the start of committee meetings.
- ✓ Continue to implement actions identified through its **comprehensive self-assessment** carried out in January 2016.
- ✓ Receive regular, detailed, update sessions on relevant topics throughout the year.

- ✓ Participate in KPMG<sup>2</sup> Audit Committee Institute seminars and other appropriate events.
- ✓ Receive other development and support as required, individually and/or collectively.

## Working with others

The Audit Committee Vice-Chair is a member of the Council's Overview and Scrutiny Management Committee. At the end of each Audit Committee meeting there will be a standing item to consider any matters to be referred to scrutiny, the Executive and / or Council for information or action.

## 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, and is the principal advisory function to the Council and Executive on governance related matters.

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 control environment assessment 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 governance and risk management and adding value to the organisation. The Annual report will be presented to the Council in May 2017.

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<sup>2</sup> KPMG are Doncaster Council's external auditors

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**Councillor Austen White, Chair**

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**Councillor R. Allan Jones, Vice-Chair**  
**22 June 2016**

## APPENDIX 1

### Doncaster Council- Audit Committee Workplan 2016/17

Objective and Agenda Item	June 2016	August 2016	Nov 2016	Jan 2017	April 2017
<b>Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position</b>					
Draft Annual Governance Statement 2015/16	✓				
Final Annual Governance Statement 2016/17		✓			
Refresh of the Local Code of Corporate Governance		✓			
Update on Annual Governance Statement Issues 2015/16				✓	
Audit Committee Annual Report 2016/17					✓
Audit Committee Prospectus, Terms of Reference and draft work programme	✓				
Partnership Governance Update		✓			
Internal Audit Plan 2017/18					✓
Doncaster Council Governance Plan		✓		✓	
<b>Monitor the effectiveness of the internal control environment</b>					
Internal Audit– Progress Report		✓		✓	✓
Annual Report of the Head of Internal Audit 2016/17					✓
Payroll Overpayments Update Report	✓				
Review of Contract Breaches in Children's Services	✓				
Markets Management Report	✓				
Data Quality and Information Management Update	✓				
Adult Services – Direct Payments – Overpayments and recovery update	✓				
Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules		✓			✓
Internal Audit Plan 2017/18					✓
Doncaster Council Governance Plan		✓		✓	
<b>Consider the accuracy and effectiveness of risk management</b>					
Internal Audit– Progress Report		✓		✓	✓
Review of Risk Management Framework	✓				
Corporate Risk Register	✓	✓	✓		✓
Directorate risk register 'deep-dive' review			✓	✓	

<b>Objective and Agenda Item</b>	<b>June 2016</b>	<b>August 2016</b>	<b>Nov 2016</b>	<b>Jan 2017</b>	<b>April 2017</b>
<b>Ensure Internal Audit is independent and effective.</b>					
Internal Audit– Progress Report		✓		✓	✓
Review of Internal Audit against Public Sector Internal Audit Standards				✓	
Internal Audit Charter and Strategy					✓
Internal Audit Plan 2017/18					✓
Internal Audit Annual Report 2016/17					✓
<b>Review the Council’s arrangements for managing the risk of fraud</b>					
Anti-Fraud and Corruption Risk Assessment and Strategy Update		✓			
Annual Fraud Report 2015/16		✓			
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA)			✓		✓
<b>Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing)</b>					
Annual Whistleblowing and Complaints Report	✓				
<b>Review the findings of the external auditor’s work</b>					
External Auditor’s Audit Plan 2015/16				✓	
Report to Those Charged With Governance (ISA 260 Report) 2015/16		✓			
External Auditor’s Annual Audit Letter 2015/16			✓		
External Audit Plan 2016/17				✓	
Certification of Claims and Returns – Annual Report 2015/16				✓	
External Audit Progress and Technical Update		✓			
<b>Review the financial statements and the external auditor’s opinion on the statements</b>					
Draft Statement of Accounts 2015/16	✓				
Final Statement of Accounts 2015/16		✓			
Report to Those Charged With Governance (ISA 260 Report) 2015/16		✓			
Arrangements and Timetable for Preparation of Accounts				✓	
<b>Consider external audit and inspection recommendations and ensure these are fully responded to</b>					
Update report on the Implementation of Inspection and External Audit Recommendations		✓		✓	
Review of Outstanding Internal Audit Recommendations		✓		✓	

## APPENDIX B

### AUDIT COMMITTEE

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

#### **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

- I. To consider the Head of Internal Audit's annual report and opinion, on the control environment, and reports on internal audit activity (actual and proposed), including for internal audit, the setting of Terms of Reference, for internal Audit, the internal audit strategy, and reviewing of resourcing and considering the level of assurance the annual report and opinion can give, over the council's corporate governance arrangements.
- II. To consider summaries of specific internal audit reports as requested.
- III. To consider reports dealing with the management and performance of the internal audit function.
- IV. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- V. To have the right to call any officers or agencies of the Council as required to offer explanation on progress in the implementation of audit recommendations.
- VI. To consider arrangements for cooperation between internal audit, external audit and other review agencies.
- VII. To consider the external auditor's annual letter, ~~relevant reports~~, and the report to those charged with governance and to monitor the implementation of external audit recommendations.
- VIII. To consider specific reports as agreed with the external auditor.

- IX. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- X. To liaise with the Public Sector Appointments Ltd over the appointment of the council's external auditor.
- XI. To commission work from internal and external audit as resources allow.
- XII. To have the right to call any Officers or agencies of the Council as required to offer explanation in the management of internal controls and risks.
- XIII. To, as required, meet privately separately with the external auditor and the Head of Internal Audit.

## 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 and corporate governance in the council particularly in so far as they relate to the adequacy of the internal control environment, effective management of risks, the background to the annual governance statement and production of the financial accounts.
- IV. To monitor council policies in 'Raising Concerns at Work' and the antifraud and corruption strategy.
- V. ***To consider the findings of the review of the effectiveness of the system of internal control and to approve the Annual Governance Statement, in accordance with the Accounts and Audit Regulations. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.***
- VI. To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

- VII. To consider the council's compliance with its own and other published standards and controls.
- VIII. To report and make recommendations to Cabinet or Council on major issues and contraventions.
- IX. To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.
- X. 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.
- XI. 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.
- XII. To review the Council's policy under the Regulation of Investigatory Powers Act 2000 annually and to monitor compliance with the policy on a **quarterly twice yearly** basis.

3. Accounts

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

4. 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. Dealing with complaints of alleged Member misconduct referred to the Monitoring Officer under Section 28(6) of the Localism Act 2011.
- X. Granting and supervision of exemptions from posts being designated as politically restricted.
- XI. 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 Council



