

COUNCIL MEETING

**Venue: Town Hall, Moorgate
Street, Rotherham**

Date: Wednesday, 13 June 2007

Time: 2.00 p.m.

A G E N D A

1. To submit for approval the minutes of the Annual Council Meeting held on 29th May, 2007 Pages 1A to 11A (Section A)
2. To consider any communication received by the Mayor or the Chief Executive and to pass a resolution or resolutions thereon.
3. To consider any questions from the Public.
4. To receive a report from the Leader and to consider reports, minutes and recommendations of the Cabinet - Pages 256B to 260B (Section B)
5. To put questions, if any, to Cabinet Members and Chairmen (or their representatives) under Standing Order No. 7(1) and 7(3).
6. To put questions, if any, to the designated Members on the discharge of functions of the South Yorkshire Police Authority, South Yorkshire Fire and Civil Defence Authority, South Yorkshire Passenger Transport Authority and South Yorkshire Pensions Authority, in accordance with Standing Order No. 7(5).
7. Annual Audit Report- copy supplied separately
8. To determine any item which the Mayor is of the opinion should be considered as a matter of urgency

T. C. MUMFORD

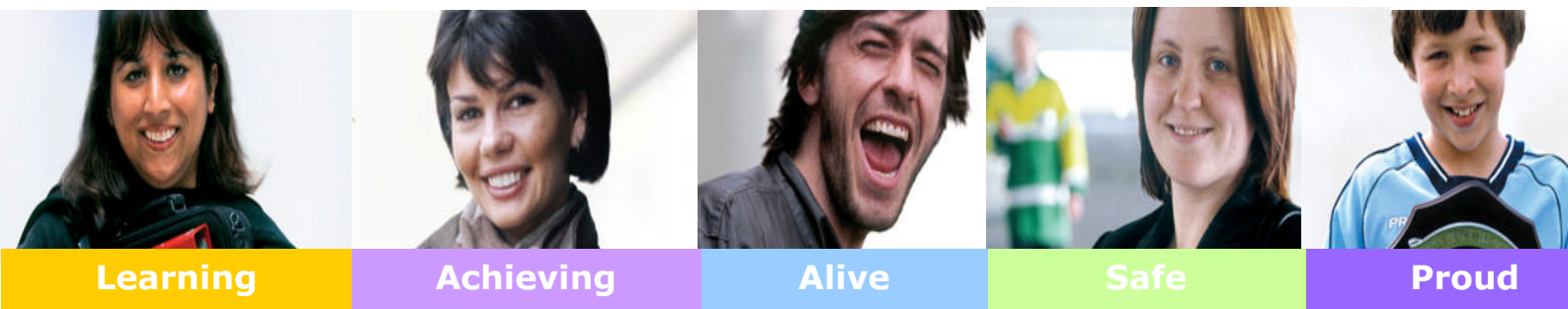
Head of Legal and Democratic Services

5th June, 2007

A U D I T C O M M I T T E E

ANNUAL REPORT 2006/07

Councillor A Sangster, Chair
Councillor B Kaye, Vice-Chair



FOREWORD BY THE CHAIR OF THE AUDIT COMMITTEE

I am pleased to present this annual report, which shows how the Audit Committee has successfully fulfilled its terms of reference and has improved the Council's governance and control environments.

The Committee has developed into a top rate Audit Committee. The Council's external auditor, KPMG, commended the Council's arrangements in its annual CPA ^{*1} Use of Resources assessment, stating:

"The Council have ... developed a strong Audit Committee whose terms of reference were updated in March 2006 to cover all expectations set out by CIPFA..."

These arrangements contributed significantly to a maximum score of 4 in the Use of Resources assessment. Since the assessment, the Council has been contacted by a number of authorities for information about the operation of the Committee and Sheffield City Council Members and officers visited one meeting of the Committee to help our neighbours establish their own audit committee arrangements.

Finally, and most pleasingly, Rotherham set up and hosted a sub-region wide audit committee event in December 2006. The event attracted Members and officers from Wakefield MBC, who we have close audit working relations with, and all four metropolitan councils in South Yorkshire, as well as Rotherham 2010, South Yorkshire Police and Fire authorities and the Passenger Transport Executive. The seminar was very well received and all parties agreed to hold twice-yearly events to continue sharing experiences and learning. This is the first and only forum of this nature in the Country that we are aware of.



**Councillor Alex Sangster
Chair, Audit Committee
2006/07**

We do not intend to rest on our laurels. For 2007/08 we propose to:

- Support staff to maintain a Use of Resources score of 4 under the 'harder' CPA test
- ensure awareness of financial management, audit and risk management arrangements continues to improve amongst both Members and officers
- refresh Members training in finance and risk management
- continue to strengthen governance arrangements by reviewing and revising Financial Regulations, Standing Orders and the Council's Anti-Fraud Policy
- continue to lead at the sub-region level by delivering further, high quality, seminars

I look forward to reporting on success against these targets next year.

¹ Comprehensive Performance Assessment

AUDIT COMMITTEE: ANNUAL REPORT 2006/07

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INTRODUCTION

This is the first annual report produced by Rotherham MBC's Audit Committee. It is produced in accordance with latest best practice ^{*2} and shows that the Council is committed to working as an exemplar organisation, operating the highest standards of governance.

This report shows how the Audit Committee has successfully fulfilled its terms of reference and has improved the Council's governance and control environments.

SOME KEY INFORMATION

Audit Committee Membership

The Audit Committee has 5 Members:

Councillor Alex Sangster	-	Chair
Councillor Barry Kaye	-	Vice-Chair
Councillor Michael Clarke		
Councillor Neil License		
Councillor Robin Stonebridge		

In addition, as Cabinet Member for Finance, Councillor Phillip Wardle attends Audit Committee meetings. There is strong officer support to the Audit Committee, through the regular attendance of the Strategic Director of Finance, the Assistant Chief Executive – Legal Services and the Director of Internal Audit & Governance. Other officers attend as and when appropriate, including the Chief Executive, the Assistant Chief Executive – Performance & Quality, Financial Services staff and other Directorates' staff.

Meetings and attendance

The Audit Committee meets normally on the penultimate Wednesday of each month, although no meeting was held in October 2006 because the September meeting was held at the end of that Month to receive the audited accounts. There have been 10 meetings between May 2006 and April 2007. Attendance has been a commendable 90%, allowing for Councillor Stonebridge's work on comprehensive performance assessments and IDeA peer reviews.

² Best practice as contained in the CIPFA, IPF document "A Toolkit for Local Authority Audit Committees"

Key features of the Audit Committee and its operation

During the year the Audit Committee has assessed its constitution and operation against best practice ^{*3}. We compare very favourably with expectations, as follows:

Best Practice Standard	Expectation	Met?	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3-5	√	The Committee has 5 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings enables all business to be considered in a timely manner
Co-option	To be considered relative to skills	√	Training is provided to increase Members' skills
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the model ToR
Skills and training	Members have sufficient skills for the job	√	General and, through the PDR process, specific training is provided to increase Members' skills

CORE ACTIVITY 2006/07

Terms of Reference

The Audit Committee's current terms of reference cover 6 main areas and are copied at Appendix 1 to this annual report. For the first time the Audit Committee decided to meet monthly and this proved to be a positive decision enabling the Committee to review matters on a timely basis and to monitor progress more quickly and effectively. The Committee's work and outcomes in each of its areas of responsibility are summarised in the following sub-sections.

Internal Audit

The Audit Committee:

- Approved the Chief Auditor's audit plan
- Considered quarterly reports produced this year for the first time by the Chief Auditor, highlighting internal audit work completed in the quarter, internal audit performance against key indicators, management's response to recommendations and any significant issues arising during the period

³ Best practice as contained in the CIPFA, IPF document "A Toolkit for Local Authority Audit Committees"

- Considered the Chief Auditor's annual report and opinion on the Council's control environment
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource.

We are receiving more information on our internal audit activity and are providing support to internal audit to ensure management is responsive to recommendations made and agreed.

External Audit

The Audit Committee:

- Considered the external auditor's audit plan
- Considered quarterly reports on progress against the plan presented by the external auditor
- Received and considered all external audit and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses
- Reviewed the Council's progress on all external audit and inspection recommendations on a quarterly basis and asked managers to explain progress, thereby holding them to account.

Risk Management

The Audit Committee:

- Received and considered quarterly reports on the corporate risk register
- Supported and promoted proposals to revamp the corporate risk register and endorsed the further explicit integration of risk management into the service planning process
- Received minutes from the Corporate Governance Group which has considered risk issues in more details

Internal Control and Governance

The Audit Committee:

- Agreed and promoted revisions to the Council's Local Code of Governance, which reflects best practice
- Agreed the Council's Statement on Internal Control and action plans to improve significant weaknesses identified
- Considered and supported changes to Financial Regulation and Standing Orders
- Agreed the Anti-Fraud policy

Accounts

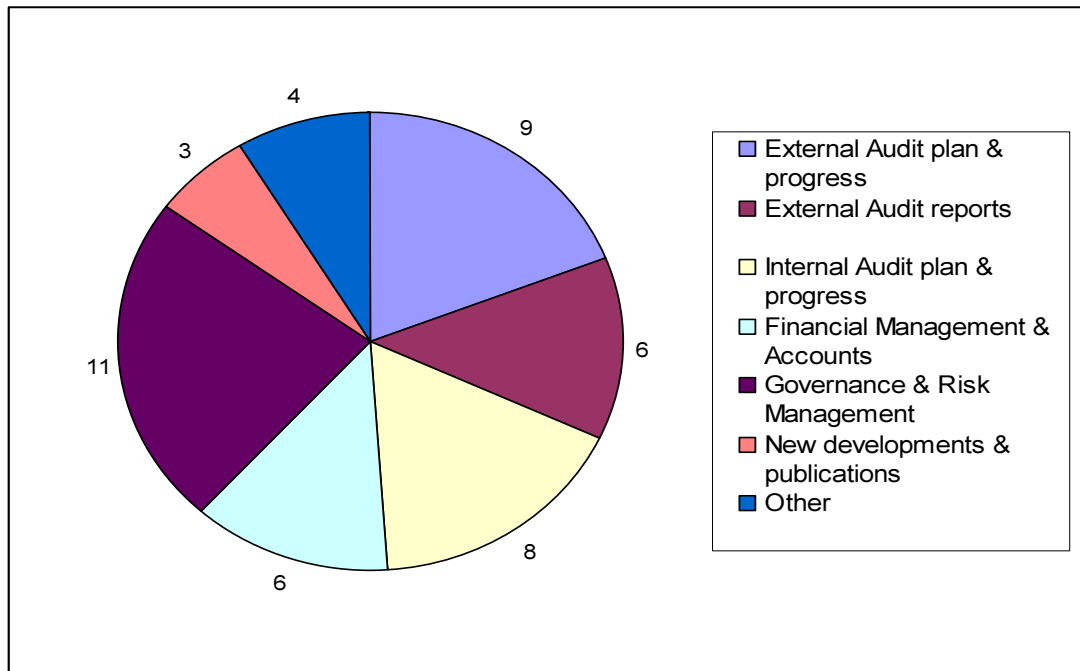
The Audit Committee:

- Agreed the annual statement of accounts
- Received and considered the external auditor's report on the accounts, and ensured that the Council is responding to the auditor's comments
- Agreed the Council's accounting policies
- Considered the Council's treasury management policy and prudential indicators
- Considered the implications of changes to the CIPFA Code of Practice; i.e. the professional standards.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between May 2006 and April 2007:

Numbers and types of reports considered by the Audit Committee

The Audit Committee covered a wide range of business



OTHER ACTIVITIES

The Audit Committee was keen during this year to learn from others and also, because of feedback telling us we have adopted good practice, to share with others our structures and operation.

In October 2006 we visited Barnsley MDC's Audit Committee. The Committee, which is the only one in the area to have independent co-opted Members, operated in a similar vein to ourselves. Reports received by the Committee were largely similar to those we received during the year although officers have made one or two adaptations following the visit.

In December 2006 we hosted a sub-region wide audit committee event at the Bailey Suite involving all major authorities in the area (see the Chair's foreword). The event included presentations from the Audit Commission's Relationship Manager and our own Director of Audit & Governance on "*Good Practice for Audit Committees*" and "*Local Practice*" respectively. Most importantly, there was an opportunity for Members and officers representing the various organisations to compare and contrast their own arrangements.

This was an excellent event leading, as far as we are aware, to the establishment of the first and only sub-regional audit committee forum in the Country. We have agreed to meet twice-yearly to continue sharing experiences and learning.

Sheffield City Council delegates attended our February 2007 meeting to observe our structure, business and operation, to help the City Council establish its own audit committee in 2007.

We have also:

- Held a joint meeting with the Council's Standards Committee, which helped to clarify how our roles supplement and complement each others', and we aim to have further shared events at least yearly
- Received contact from other authorities interested in our arrangements following a commendation by our external auditors in their 2006 Use of Resources assessment
- Raised the profile of the Audit Committee through a '*Rotherham Matters*' article celebrating our Use of Resources achievement.

We are very pleased with the way in which the Committee developed during the year. We have demonstrated that we comply with best practice, we have increased our professionalism and we have established a regional and national reputation which reflects favourably on Rotherham.

OUTCOMES

Our main focus is on adding value through our activity. By concentrating on outcomes we can identify the benefits of our work. Our achievements this year are impressive: The Audit Committee:

- Oversaw and contributed to work leading to the achievement of the maximum level 4 assessment by the external auditor under their Use of Resources judgement
- In particular, we were responsible for risk management and audit committee arrangements which were commended by the external auditor
- Oversaw work on the statement of accounts which received a clean opinion from the external auditor
- Learnt from others, shared our good practice and facilitated shared learning activity

- Encouraged and presided over a strengthening control environment, specifically by agreeing to improved Financial Regulations, Standing Orders, risk management arrangements and the Anti-fraud Policy

In addition, individual Members and the Audit Committee collectively continued to develop and learn about our roles, and deliver these roles effectively.

PLANS FOR 2007/08

We want to continue to develop and build on our current status. For 2007/08 we will:

- Support officers to maintain the Level 4 Use of Resources judgement
- Equip existing and any new Members to fulfil our responsibilities by providing refresher training on finance and risk management
- Review all governance arrangements to ensure the Council adopts the very latest best practice
- Sponsor promotional activity designed to increase further the level of awareness within the Council about its governance arrangements
- Meet with the Standards Committee on areas of common interest
- Continue to lead the improvement of standards across all relevant organisations at a sub-region level.

We are pleased with the progress we have made and the reputation we have achieved. We look forward to building on this further, next year.

*Rotherham MBC Audit Committee
May 2007*

APPENDIX A

Audit Committee**Statement of Purpose**

To provide independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

Terms of Reference**Internal Audit**

To approve (but not direct) the internal audit manager's proposed strategy plan and performance and ensure that this gives an adequate level of assurance over the Council's main risks.

To consider summaries of specific internal audit reports as requested and seek assurance that action has been taken where necessary.

To consider reports from the internal audit manager on agreed recommendations not implemented within a reasonable timescale.

To consider reports dealing with the management and performance of the internal audit service.

To consider the internal audit manager's annual report and opinion.

To ensure that there are effective relationships between internal and external audit, inspection agencies and other relevant bodies.

External Audit

To consider and comment upon the external audit plan.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To consider specific reports as agreed with the external auditor.

To consider the adequacy of management response to external audit advice, recommendations and action plans.

To consider issues arising from the external auditor's annual management letter prior to its submission to the full council.

To commission work from internal and external audit.

To liaise with the Audit Commission over the appointment of the Council's external auditor.

To provide feedback to the external auditor upon external audit performance.

Risk management

Consider the effectiveness of the Council's risk management arrangements and control environment.

Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

Review the robustness of risk registers.

Internal control arrangements and Corporate Governance

To consider and review the statement of internal control prior to recommending it to the full Council.

Be satisfied that the Council's assurance statements including the Statement of Internal Control properly reflect the risk environment and any actions required to improve it.

Review the procedures followed in compiling the Statement of Internal Control and supporting documentation to determine the robustness of the evidence and assurances upon which the statement is based.

Consider and monitor action plans for addressing any significant internal control weaknesses disclosed.

To consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.

To maintain an overview of financial regulations and contract procedure rules.

To review and consider the adequacy of the Council's anti-fraud and corruption policy and to monitor its effectiveness throughout the Council.

To review and consider the statement of internal control prior to recommending.

Accounts

To consider and review the annual statement of accounts prior to recommending it to the full Council.

To consider the external auditors SAS610 report on the audit of the annual financial statement prior to recommending the audited statement of accounts to the full Council.

To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit.

General

To review any issue referred by the Council, a Council body, the Chief Executive, an Executive Director, the Section 151 Officer or the Monitoring Officer.

To submit for consideration by the full council an annual report as to the work of the committee at the end of each financial year.

To liaise with the Audit Committees of 2010 Rotherham Limited, other partner organisations and other South Yorkshire authorities over the mutual exchange of views, good practice and approaches to issues of common concern.