

Audit Committee Prospectus:

“a fresh start”

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 Rotherham Council

The Corporate Governance Inspection (CGI) of the Council, led by Louise Casey CB, set out a succession of serious, corporate failings across the authority as well as with its wider partnership relations.

In response, the Government appointed five commissioners in February 2015 to take on executive responsibilities at the Council and drive the necessary improvements. The Commissioners and the Council have produced a corporate improvement plan that complements the existing Children and Young People's Services Improvement Plan, and is for the effective governance and running of the whole Council including the Audit Committee.

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 2015/16 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 environment¹ 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)

¹ The internal control environment comprises all the checks and balances in place, including risk management, to ensure the Council's actions are completed properly and recorded accurately

- ✓ 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
- ✓ 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 2015/16 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. It will meet six 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 chief financial officer, the head of internal audit and the external auditor. Other attendees may include the Managing Director and the Legal 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.

A Fresh Start

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 2015/16, the Committee will:

- ✓ Oversee the development, implementation and maintenance of the overall risk management framework, policy and strategy,
- ✓ Receive and review the **Corporate Risk Register** on a quarterly basis and confirm the management of risks within it
- ✓ Agree with (advisory) Cabinet Members their responsibilities relating to risk management
- ✓ Receive and consider service risk registers on a rolling programme basis, with the attendance of (advisory) 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:

- ✓ Appoint an **independent voting member** with relevant expertise that will augment the existing experience and skills
- ✓ Provide an opportunity for **public questions** at the start of committee meetings
- ✓ Carry out a **comprehensive self-assessment** and agree actions for addressing gaps and further developing strengths
- ✓ Receive regular, detailed, update sessions on relevant topics throughout the year
- ✓ Participate in KPMG² Audit Committee Institute seminars and other appropriate events
- ✓ Receive other development and support as required, individually and/or collectively.

² KPMG are Rotherham Council's external auditors

Working with others

The Audit Committee Chair and Vice-Chair are members of the Council's Overview and Scrutiny Management Board. 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.

The Committee will meet with other public sector bodies' audit committees in Rotherham, to consider shared risks and respective responses to the risks.

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. The Annual report will be presented to the Council in May 2016.

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Councillor Ken Wyatt, Chair

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Councillor Darren Hughes, Vice-Chair

31 July 2015

APPENDIX 1

Rotherham MBC - Audit Committee Workplan 2015/16

Objective and Agenda Item	July 2015	Sept 2015	Nov 2015	Feb 2016	April 2016
Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position					
Draft Annual Governance Statement 2014/15	✓				
Improvement Plan – Governance related issues			✓	✓	✓
Final Annual Governance Statement 2014/15		✓			
Refresh of the Local Code of Corporate Governance			✓		
Update on Annual Governance Statement Issues 2014/15				✓	
Review of Financial Regulations				✓	
Audit Committee Annual Report 2015/16					✓
Monitor the effectiveness of the internal control environment					
Internal Audit Plan – Progress Report	✓		✓	✓	
Internal Audit Annual Report 2015/16					✓
Review of Members' and Officers' Declarations of Interest			✓		
Review of Financial Regulations				✓	
Consider the accuracy and effectiveness of risk management					
Heritable Bank – update	✓				
Internal Audit Plan – Progress Report	✓		✓	✓	
Corporate and Children's Improvement Plans	✓				
Review of Risk Management Policy and Strategy		✓			
Corporate Risk Register			✓	✓	✓
Directorate risk register 'deep-dive' review		✓	✓	✓	✓
Ensure Internal Audit is independent and effective.					
Internal Audit Plan – Progress Report	✓		✓	✓	
Review of Internal Audit			✓		
Internal Audit Charter and Strategy					✓
Internal Audit Plan 2016/17					✓
Internal Audit Annual Report 2015/16					✓
Review the Council's arrangements for managing the risk of fraud					
Anti-Fraud and Corruption Arrangements		✓		✓	
Annual Fraud Report 2014/15		✓			
Review of Members' and Officers' Declarations of Interest			✓		
Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing)					
Report on Whistleblowing Complaints					✓

Objective and Agenda Item	July 2015	Sept 2015	Nov 2015	Feb 2016	April 2016
Review the findings of the external auditor's work					
External Auditor's Audit Plan 2014/15	✓				
External Auditor's Report on the Accounts 2014/15		✓			
External Auditor's Annual Audit Letter 2014/15			✓		
External Audit Plan 2015/16				✓	
External Audit Grants Report 2014/15				✓	
Review the financial statements and the external auditor's opinion on the statements					
Draft Statement of Accounts 2014/15	✓				
Final Statement of Accounts 2014/15		✓			
External Auditor's Report on the Accounts 2014/15		✓			
Final accounts closedown arrangements and review of accounting policies				✓	
Consider external audit and inspection recommendations and ensure these are fully responded to					
Corporate and Children's Improvement Plans	✓		✓		✓
Audit and Inspection conclusions and progress on the Implementation of External Audit and Inspection recommendations		✓	✓		✓
Review and monitor treasury management arrangements					
Annual Treasury Report	✓				
Mid-Year Report on Treasury Management and Prudential Indicators 2015/16			✓		
Prudential Indicators and Treasury Management Strategy				✓	

Note: An Audit Committee in January 2016 will be devoted to completing a self-assessment against Local Government Standards for Audit Committees