

Audit Committee Prospectus: 2016/17

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

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.

In February 2015, the Government appointed five commissioners to take on executive responsibilities at the Council and to drive improvements in services. Some positive progress was made during 2015 and into 2016, resulting in the return of some powers to the Council in February 2016.

A new Council improvement plan has been produced for 2016/17 and this features a broad range of actions relating to governance procedures and policies. These are of direct interest to the Council's Audit Committee.

The 2015/16 Audit Committee prospectus provided a particular focus on the Council's risk management arrangements. The arrangements are progressing well and will remain central to the Audit Committee's activities for 2016/17.

Also for 2016/17, the Audit Committee will oversee the development of a new Local Code of Corporate Governance, and a review and refresh of policies and procedure underpinning it.

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; for 2016/17 this will include the refresh of the Local Code of Corporate Governance.
- ✓ 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

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 and assess the annual internal audit work plan
- receive a report on the results of the internal auditor's work on a periodic basis
- ensure Internal Audit implements its improvement plan and demonstrates compliance with auditing standards.
- ✓ 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.
- ✓ Review the Council's policy relating to surveillance and its use of surveillance to ensure compliance with the Regulation of Investigatory Powers Act 2000.

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 co-opted member. It will meet five times in 2016/17. 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 Council's Chief Executive and its 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.

Priorities for 2016/17

The Audit Committee has a lead role in ensuring risks are managed effectively across the Council and places **risk management** at the centre of its purpose. In 2016/17, the Committee will:

- ✓ Oversee the continuing development, implementation and maintenance of the overall risk management framework, policy and strategy.
- ✓ Receive and review the **Strategic Risk Register** on a quarterly basis and confirm the management of risks within it.
- ✓ Receive and consider significant service risk registers and their management as required, including where relevant the attendance of (advisory) Cabinet Members and senior managers to explain their management of risks.

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

- ✓ Provide an opportunity for **public questions** at the start of committee meetings.
- ✓ Maintain a **self-assessment** and take action to addressing gaps and develop 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.
- ✓ A new Local Code of Governance reflecting new CIPFA/Solace guidance.
- ✓ 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 2017.

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Councillor Ken Wyatt, Chair
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Councillor Bob Walsh, Vice-Chair

20 July 2016

APPENDIX 1

Rotherham MBC - Audit Committee Workplan 2016/17

Objective and Agenda Item	July 2016	Sept 2016	Nov 2016	Feb 2017	April 2017
Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position					
Draft Annual Governance Statement 2015/16	✓				
Improvement Plan – Governance related issues		✓		✓	
Final Annual Governance Statement 2015/16		✓			
Refresh of the Local Code of Corporate Governance			✓		
Update on Annual Governance Statement Issues 2015/16				✓	
Review of Financial Regulations				✓	
Audit Committee Annual Report 2016/17					✓
Monitor the effectiveness of the internal control environment					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
Internal Audit Annual Report 2016/17					✓
Review of Members' and Officers' Declarations of Interest			✓		
Review of Financial Regulations				✓	
Consider the accuracy and effectiveness of risk management					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
Improvement Plan – Governance related issues		✓		✓	
Review of Risk Management Policy and Strategy		✓			
Strategic Risk Register	✓		✓		✓
Risk register 'deep-dive' review		✓	✓	✓	✓
Ensure Internal Audit is independent and effective.					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
Internal Audit – Improvement Plan progress	✓	✓	✓	✓	
Review of Internal Audit compliance with auditing standards; progress report and external assessment	✓	✓	✓	✓	
Internal Audit Charter and Strategy		✓			
Internal Audit Plan 2017/18					✓
Internal Audit Annual Report 2016/17					✓
Review the Council's arrangements for managing the risk of fraud					
Review of Anti-Fraud and Corruption Arrangements		✓		✓	
Review of the Anti-Fraud and Corruption Policy and Strategy		✓			
Annual Fraud Report 2015/16		✓			
Review of Members' and Officers' Declarations of Interest			✓		

Objective and Agenda Item	July 2016	Sept 2016	Nov 2016	Feb 2017	April 2017
Review the findings of the external auditor's work					
External Auditor's Interim Audit Conclusion 2015/16	✓				
External Auditor's Report on the Accounts 2015/16		✓			
External Auditor's Annual Audit Letter 2015/16			✓		
External Audit Grants Report 2015/16			✓		
External Audit Plan 2016/17				✓	
Review the financial statements and the external auditor's opinion on the statements					
Draft Statement of Accounts 2015/16	✓				
Final Statement of Accounts 2015/16		✓			
External Auditor's Report on the Accounts 2015/16		✓			
Final accounts closedown arrangements and review of accounting policies 2016/17				✓	
Review and monitor treasury management arrangements					
Annual Treasury Report	✓				
Mid-Year Report on Treasury Management and Prudential Indicators 2016/17			✓		
Prudential Indicators and Treasury Management Strategy				✓	
Consider external audit and inspection recommendations and ensure these are fully responded to					
Improvement Plan – Governance related issues			✓		✓
Audit and Inspection conclusions and progress on the Implementation of External Audit and Inspection recommendations			✓		✓
Regulation of Investigatory Powers					
Review of surveillance conducted			✓		✓
Review of Policy					✓