

Audit Committee Prospectus: 2017/18

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 2017/18 work programme.

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

The Council improvement plan features a broad range of actions relating to governance procedures and policies. These are of direct interest to the Council's Audit Committee.

The 2016/17 Audit Committee prospectus provided a particular focus on the new Local Code of Corporate Governance, leading to changes in the Annual Governance Statement. This will remain central to the Audit Committee's activities for 2017/18.

During 2016/17 the Internal Audit team underwent major changes, whilst implementing an action plan to improve and at the same time delivering the audit plan. These will all continue during 2017/18 and the Audit Committee will continue to support the team.

Also for 2017/18, the Audit Committee will continue to oversee the Council's risk management arrangements, which are still developing.

After 2017/18 there will be a change to the external auditors under the new Public Sector Audit Appointments scheme. The Audit Committee will oversee the transition from KPMG to the new auditors.

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 2017/18 this includes the refreshed Local Code of Corporate Governance.
- ✓ Monitor the effectiveness of the internal control environment¹ and assurances obtained about its operation.

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

- ✓ 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
 - ensure Internal Audit implements its Quality Assurance and 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 2017/18 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 2017/18. 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.
- ✓ Meets 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 2017/18

The Audit Committee has a lead role in ensuring governance is in place across the Council. In 2017/18, the Committee will:

- ✓ Oversee the continuing implementation of the overall risk management framework, reviewing the Strategic Risk Register and requesting the attendance of Cabinet Members and senior managers to explain their management of risks.
- ✓ Support the Internal Audit team in continuing improvement and change, and in delivering the audit plan.
- ✓ Oversee the transition to new external auditors, due to change at the end of March 2018.

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.

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.

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 April 2018.

² KPMG are Rotherham Council's external auditors

APPENDIX 1

Rotherham MBC - Audit Committee Workplan 2017/18

Objective and Agenda Item	July 2017	Sept 2017	Nov 2017	Feb 2018	April 2018
Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position					
Draft Annual Governance Statement 2016/17	✓				
Final Annual Governance Statement 2016/17		✓			
Refresh of the Local Code of Corporate Governance			✓		
Update on Annual Governance Statement Issues 2016/17				✓	
Audit Committee Annual Report 2017/18					✓
Monitor the effectiveness of the internal control environment					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	✓
Internal Audit Annual Report 2017/18					✓
Consider the accuracy and effectiveness of risk management					
Internal Audit Plan – Progress Report	✓	✓	✓	✓	
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	✓	✓	✓	✓	✓
Review of Internal Audit compliance with auditing standards				✓	
Internal Audit Charter and Strategy		✓			
Internal Audit Plan 2018/19					✓
Internal Audit Annual Report 2017/18					✓
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 2016/17		✓			
Review the findings of the external auditor's work					
External Auditor's Interim Audit Conclusion 2016/17	✓				
External Auditor's Report on the Accounts 2016/17		✓			
External Auditor's Annual Audit Letter 2016/17			✓		
External Audit Grants Report 2016/17			✓		
External Audit Plan 2017/18				✓	

Objective and Agenda Item	July 2017	Sept 2017	Nov 2017	Feb 2018	April 2018
Review the financial statements and the external auditor's opinion on the statements					
Draft Statement of Accounts 2016/17	✓				
Final Statement of Accounts 2016/17		✓			
External Auditor's Report on the Accounts 2016/17		✓			
Final accounts closedown arrangements and review of accounting policies 2017/18				✓	
Review and monitor treasury management arrangements					
Annual Treasury Report	✓				
Mid-Year Report on Treasury Management and Prudential Indicators 2017/18			✓		
Prudential Indicators and Treasury Management Strategy				✓	
Consider external audit and inspection recommendations and ensure these are fully responded to					
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					✓

