

AUDIT COMMITTEE

ANNUAL REPORT 2009/10

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

FOREWORD BY THE CHAIR OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee's 2009/10 Annual Report. The report shows how the Audit Committee has successfully fulfilled its terms of reference, continued to make a positive contribution to the Council's governance and control environments and led the development of audit committee arrangements in Rotherham.

The Council achieved a commendable 3 out of 4 overall on the new, tougher, Use of Resources Assessment. This assessment was sufficient to place the Council 11th out of 150 comparable authorities. The Audit Committee plays a significant role in relation to the Use of Resources Assessment. Firstly, the Audit Committee's own arrangements comply with good practice and, secondly, the Audit Committee oversees many other arrangements that are reflected in the assessment.

In recognition of the increasing emphasis on partnership working, not least through the Comprehensive Area Assessment, we have been continuing to develop arrangements with partner organisations' audit committees. In February 2010, we held the first Rotherham wide audit committee meeting, where representatives from the NHS, Police, Fire and Council discussed areas of mutual interest and agreed a forward plan of reviews to ensure we can monitor partnerships' governance arrangements.

2010/11 will be a significant year. All the signs are that it will signify the start of a prolonged period of austerity. This will bring with it intensified priorities. How councils use the resources available to them will become even more important. How we risk manage our priorities, investments and partnerships will be crucial. And, councils will have to be increasingly vigilant to the risk of fraud. Audit Committees will have an ever-increasing role to play in ensuring councils use their resources efficiently, effectively and safely.



Councillor Alex Sangster
Chair, Audit Committee 2009/10

Against this background, we have continued to lead activities designed to strengthen the role and performance of audit committees across South Yorkshire and Wakefield. In March 2010, Rotherham hosted the first sub-regional audit conference with the theme of "*the Roles and Skills of Audit Committees and Audit Committee Members*". Locally, we have agreed a programme of refresher training events to ensure individually and collectively we can continue to perform our role effectively in this very dynamic context.

Our programme for 2010/11 will ensure we continue to drive up governance standards.

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INTRODUCTION

This is the fourth annual report produced by Rotherham MBC's Audit Committee. It is produced in accordance with latest best practice^{*1} and shows that the Council is committed to working as an exemplar organisation, operating the highest standards of governance. The 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 Kath Sims		

In addition, Councillor Ken Wyatt, Cabinet Member for Resources, is invited to attend 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), the Director of Central Finance 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.

Key features of the Audit Committee and its operation

Comparison against best practice illustrates the Audit Committee's strengths:

Best Practice	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

¹ Best practice as contained in the CIPFA, IPF document "A Toolkit for Local Authority Audit Committees"

Meetings and attendance

The Audit Committee meets normally on the penultimate Wednesday of each month. There have been 10 meetings between May 2009 and April 2010 (no meetings were held in August and October 2009). Attendance by Members was 70% ^{*2}.

CORE ACTIVITY 2009/10

Terms of Reference

The Audit Committee's terms of reference cover 6 main areas and are copied at Appendix 1 to this annual report. 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 by the Chief Auditor, highlighting internal audit work completed, internal audit performance against key indicators, management's response to recommendations and any significant issues arising during the period
- Considered the Chief Auditor's annual report and opinion on the Council's control environment
- Considered the statutory review of the effectiveness of the system of internal audit
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource.

We continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed.

External Audit

The Audit Committee:

- Considered the external auditor's audit plan
- Considered 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.

We continue to provide support to external audit to ensure management is responsive to recommendations made and agreed.

² excluding Councillor Clarke in 2010, who had a number of absences on medical grounds

Risk Management

The Audit Committee:

- Received details of the risk management system, how it works and arrangements in place for mitigating risks
- Received and considered reports on the corporate risk register
- Enquired about specific risks and the application of risk management arrangements within directorates.

Internal Control and Governance

The Audit Committee:

- Agreed changes to the local Code of Corporate Governance resulting from the CIPFA statement on "*the Role of the Chief Finance Officer in the Public Sector*"
- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses
- Considered and supported changes to the Council's Anti-Fraud and Corruption Strategy
- Reviewed the effectiveness of the Council's Anti-Fraud and Corruption arrangements and progress in implementing the Council's Anti-Fraud and Corruption Plan
- Encouraged the adoption of the Audit Commission's National Fraud Initiative
- Approved the production of the Council's first Annual Fraud Report
- Considered and supported amendments to Financial Regulations.

The Annual Governance Statement is a key document which summarises the Council's governance arrangements and the effectiveness of the arrangements during the year.

In 2009, for the first time, the Audit Committee received a draft Annual Governance Statement prior to its inclusion in the Council's Statement of Accounts. This was intended to ensure the Audit Committee could more thoroughly review the robustness of the process for producing the Statement and the content of it. The Audit Committee was satisfied that:

- There was a comprehensive assurance framework in place to safeguard the Council's resources
- The framework was reliable and applied during the course of the year, including financial reporting, internal and external audit the Audit Committee's own arrangements.

Accounts

The Audit Committee:

- Considered the implications of changes to the Code of Practice for Local Authority Accounts
- Agreed the Council's accounting policies

- Agreed the annual statement of accounts
- Received and considered the external auditor’s report on the accounts, and ensured that the Council responded to the auditor’s comments
- Agreed a response to consultation on changes to accounting disclosure requirements relating to senior officers’ pay
- Agreed a response to consultation on changes to capital accounting arrangements
- Considered the implications of the introduction of International Financial Reporting Standards (IFRS) within local government
- Reviewed the Council’s progress towards the implementation of the IFRS.

The Audit Committee received regular reports on the Council’s Treasury Management arrangements in the context of the economic downturn.

Specific Issues

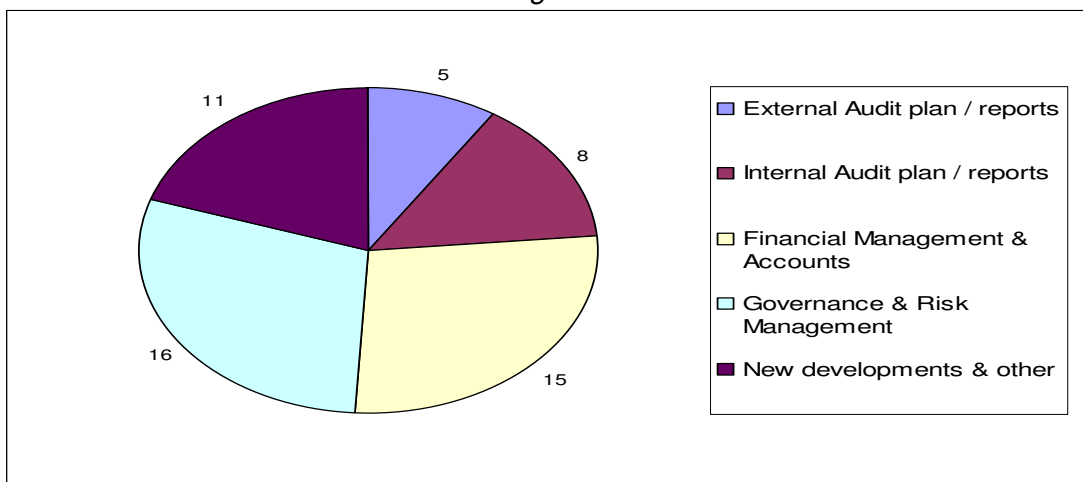
The Audit Committee also considered reports on the following specific issues which arose in the period:

- An overarching fees and charges policy for the Council
- Insurance arrangements and performance
- Comprehensive Area Assessment
- Payroll data and staffing numbers
- Response to an inspection on the foster care service
- Response to an inspection on the Council’s Children’s Services and the Care Quality Commission annual performance assessment
- Results of surveys into the perceptions of audit
- Results of a survey into ethical arrangements
- Consideration of a range of publications relevant to the Audit Committee’s terms of reference

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between May 2009 and April 2010:

Numbers and types of reports considered by the Audit Committee

The Audit Committee covered a wide range of business



OTHER ACTIVITIES

As part of our ongoing commitment to identifying and sharing good practice, we continued to support events in the sub-region during 2009/10. In November 2009, Audit Committee Members attended an event at Sheffield City Council, which considered the Comprehensive Area Assessment, Use of Resources assessments and partnerships' governance arrangements.

The Audit Committee is particularly pleased that Rotherham was asked to host the first sub-regional half-day conference in March 2010. This was a reflection of the Council's proactive work in setting up the South Yorkshire and Wakefield Audit Forum and its continuing leading role in developing audit committee arrangements across the area. The conference was a significant success and sets up further development in the future.

We expect further seminars to be held during 2010/11 including one to be hosted by Barnsley Council on internal control and governance arrangements.

OUTCOMES

The Audit Committee aims to focus on adding value through its activity. By concentrating on outcomes the Committee can identify the benefits of its work. In particular this year the Audit Committee:

- Oversaw and contributed to credible performance in the revised Use of Resources assessment
- Oversaw work on the Statement of Accounts which received a clean opinion from the external auditor
- Agreed the production of the Council's first Annual Fraud Report
- Learnt from others in the sub-region, shared good practice and facilitated shared learning activity
- Established a '*Rotherham Audit Committee*' to look at partnership issues and held a first meeting of the Committee
- Encouraged and presided over a strengthening control environment, specifically by overseeing reviews of Financial Regulations, the Local Code of Corporate Governance, Ethical Standards and Partnerships' Governance.

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

PLANS FOR 2010/11

We want to continue to develop and build on our current status. For 2010/11 we will:

- Continue to drive up standards and meet the demanding requirements of the new Use of Resources assessment
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice, in particular relating to partnerships' governance
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations
- Ensure we maintain and further improve our standards in relation to the production of accounts
- Closely monitor the implementation of the International Financial Reporting Standards
- Continue to help the Council to manage the risk of fraud and corruption
- Continue to support the improvement of standards across all relevant organisations in South Yorkshire and Wakefield, specifically by supporting further sub-regional events
- Continue to develop the 'Rotherham Audit Committee' to review partnerships' issues and safeguard public sector interests
- Equip existing and any new Members to fulfil our responsibilities by providing refresher training on financial arrangements and risk management.

During 2009/10 we have consolidated the progress we made in previous years, and going forward we look to continue to be a champion of good governance both a local and sub-regional level.

Councillors Alex Sangster (Chair) and Barry Kaye (Vice-Chair)
Rotherham MBC Audit Committee
April 2010

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.