

AUDIT COMMITTEE

ANNUAL REPORT 2013/14

Councillor Alex Sangster, Chair
Councillor Barry Kaye, Vice-Chair

FOREWORD BY THE CHAIR OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee's 2013/14 Annual Report. The report shows the contribution the Audit Committee has made to the achievement of good governance and sound internal control within the Council.

The Audit Committee oversees the management of risks within the Council and the operation and effectiveness of the Council's internal control arrangements. It fulfils this role by considering and approving reports from officers responsible for financial management and governance within the Council and from the Council's external auditors. Where relevant, the Committee also makes recommendations for action to address any deficiencies identified by or reported to the Audit Committee.

The Audit Committee has taken an interest **various emerging risks and priorities, including the impact of welfare reforms, housing rents changes and further developments in respect of anti-fraud and corruption initiatives, where the Council continues to comply with best practice.**

We have continued to work with colleagues across Rotherham, including audit committee members from the Health, Police, Fire and Probation Services. This is enabling us to look at cross-cutting areas of development and risk, including the implications of major change programmes in the NHS and the Police Service, and the Localism Act.

The Council is successfully responding to the Government's budget challenges, but as this become increasingly more challenging over the next few years, we need to be alert as an Audit Committee to the inherent increase in the risks this will create. We will work with officers to ensure the risks continue to be monitored and actions put in place to mitigate the risks to an acceptable level. This will continue to be a key priority for us in 2014/15. We will also want to ensure the Council maintains the high standards of financial management and control it has achieved.



Finally, I would like to thank my colleague Members sitting on the Audit Committee during the year for the work they have done to help the Committee to fulfil its terms of reference effectively. I thank all officers and Members who have responded positively to the Audit Committee over the year, when questions have been asked and information requested.

Councillor Alex Sangster
Chair, Audit Committee 2013/14

AUDIT COMMITTEE: ANNUAL REPORT 2013/14

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INTRODUCTION.

This Annual report 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 helped the Council to improve its governance and control environments.

SOME KEY INFORMATION

Audit Committee Membership

The Audit Committee has five Members:

Councillor Alex Sangster - Chair
Councillor Barry Kaye - Vice-Chair
Councillor Terry Sharman
Councillor Kath Sims
Councillor John Gilding

There is strong officer support to the Audit Committee, through the regular attendance of the Director of Audit and Asset Management, the Director of Finance and the Director of Legal and Democratic Services. Other officers attend as and when appropriate, including the Chief Executive.

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	√	The Committee has a sufficient mix of skills and experience to fulfil its responsibilities effectively.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the model Terms of Reference
Skills and training	Members have sufficient skills for the job	√	Training is provided to increase Members' skills, through the Members' PDR process.

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

COMMITTEE ACTIVITY 2013/14

Terms of Reference.

The Audit Committee's terms of reference cover six main areas. 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 Internal Audit Strategy and Internal Audit Plan.
- Considered periodic progress 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 Internal Audit Annual Report and opinion of the Chief Auditor on the Council's control environment.
- Ensured Internal and External Audit plans were complementary and provided optimum use of the total audit resource.
- Received and considered information on the performance of the Internal Audit team.

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

External Audit

The Audit Committee:

- Considered progress against the Plan as 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 regular 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.

Risk Management

The Audit Committee:

- Received and considered reports on the corporate risk register.
- Enquired about specific risks and the application of risk management arrangements within directorates.
- Received and considered the insurance and risk management performance annual review.

Internal Control and Governance

The Audit Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses.
- Approved the production of the Council's Annual Fraud Report.

The Annual Governance Statement (AGS) is a key document which summarises the Council's governance arrangements and the effectiveness of the arrangements during the year. The Audit Committee received a draft AGS 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 AGS 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 and the Audit Committee's own arrangements.

Statement of Accounts

The Audit Committee:

- Agreed the Council's accounting policies.
- Agreed the annual statutory 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.

The Audit Committee continued to receive regular reports from the Chief Accountant on the Council's Treasury Management arrangements in the context of the economic downturn and also received the Prudential Indicators and Treasury Management and Investment Strategy 2014/15 to 2016/17.

Specific Issues

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

- Received and considered a report which addressed specific issues asked by Audit Committee in relation to the impact of welfare reform on the Housing Revenue Account, and in particular, rent arrears.
- Considered a report highlighting the key issues raised at a KPMG Audit Committee Institute event focusing on current local government issues. There are just two areas where additional information could be brought forward to the Audit Committee, to help it to get a fuller understanding of issues relevant to its Terms of Reference. These are summaries of appropriate Public Interest Reports should be presented to the Audit Committee along with confirmation of arrangements in place at the Council in the areas covered by the reports. Also the reports on whistleblowing cases could be forwarded to the Audit Committee where they involve issues relating to the Committee's Terms of Reference.

The report provided assurance to the Audit Committee about arrangements in place at Rotherham Council in areas highlighted by KPMG. Encouragingly, the report showed that the Council has substantially implemented arrangements in areas covered by the KPMG report.

- Received a report which detailed a review of the Council's Financial Regulations and guidance notes. Financial Regulations are periodically reviewed to ensure they are fit for purpose and meet current best practice. As has been the case in the past, Cabinet and Scrutiny will be consulted on proposals after any comments by the Audit Committee, and any ultimate changes will be adopted as part of the Council's constitution.

A full list of the reports considered by the Audit Committee can be found in **Appendix 1**.

OTHER ACTIVITIES

We have had three meetings during the year with colleagues across Rotherham, including audit committee members from the Health, Police, Fire and Probation Services.

By looking collectively at governance related issues, we are able to identify cross-cutting areas of development and risk that could affect all of the services. This year we have considered, amongst other things, the implications of major change programmes in the NHS and the Police Service, and the Localism Act.

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. Once again, this year, the particular areas of work covered by the Audit Committee were:

- Oversaw work on the 2012/13 Statement of Accounts which again received a clean opinion from the Council's external auditor, KPMG.
- Noted the Council's overall good arrangements for managing the risk of fraud and supported the actions being taken to update the relevant parts of the Council's arrangements for managing the risk of fraud. This included the production of the Annual Fraud Report which reported that only a very low level of fraud was identified confirming the robustness of the arrangements and the honesty and integrity of the overwhelming majority of staff employed by the Council.
- Continued to meet with colleagues and reviewed Rotherham wide governance issues through the '*Rotherham Audit Committee*'.
- Ensured there was appropriate focus on the risks associated with substantial budget reductions.
- Encouraged and presided over a strengthening control environment, through receiving reports on the Corporate Risk Register and responses to external audit recommendations.

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

PLANS FOR 2014/15

We want to continue to develop and build on our current status. For 2014/15 we will:

- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice.
- 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 statement of accounts.
- Continue to help the Council to manage the risk of fraud and corruption.
- Continue to work with colleagues in other statutory services to collectively identify and manage cross-cutting risks arising from major developments.

During 2013/14 we have continued the progress we have made in previous years, and going forward we look to continue to be a champion of good governance at both a local and sub-regional level.

Councillors Alex Sangster (Chair) and Barry Kaye (Vice-Chair)
Rotherham MBC Audit Committee
April 2014

AUDIT COMMITTEE ACTIVITY – 2013/14

Function / Issue	Apr 2013	June 2013	July 2013	Sept 2013	Oct 2013	Dec 2013	Feb 2014
Internal Audit							
Internal Audit Strategy and Audit Plan 2013/14	✓						
Internal Audit Annual Report 201/13		✓					
Internal Audit Plan Progress Report				✓			✓
Annual Fraud Report				✓			
Anti Fraud and Corruption Action Plan Update		✓					
External Audit							
Audit and Inspection Recommendations Update Report				✓			
Interim External Audit Report	✓						
Grants Audit Report							✓
Annual Audit Letter 2012/13 Including Audit Fees					✓		

AUDIT COMMITTEE ACTIVITY – 2013/14

Function / Issue	Apr 2013	June 2013	July 2013	Sept 2013	Oct 2013	Dec 2013	Feb 2014
Risk Management							
Corporate Risk Register			✓			✓	
Annual Review – Insurance and Risk Management Performance						✓	
Governance							
Draft Annual Governance Statement 2012/13		✓					
Accountancy and Treasury Services							
Unaudited 2012/13 Statement of Accounts			✓				
Audited 2012/13 Statement of Accounts and External Auditors' Report (ISA 260)				✓			
Annual Treasury Management Report and Actual Prudential Indicators Monitoring Report			✓				
Mid-Year Treasury Management and Prudential Indicators Monitoring Report					✓		

AUDIT COMMITTEE ACTIVITY – 2013/14

Function / Issue	Apr 2013	June 2013	July 2013	Sept 2013	Oct 2013	Dec 2013	Feb 2014
Prudential Indicators and Treasury Management and Investment Strategy 2014/15 to 2016/17							✓
Audit Committee Working Arrangements							
Audit Committee Annual Report 2012/13	✓						
Review of Key Developments Facing the Council							
Welfare Reform – Impact on Rotherham Housing Rents	✓						
Assessment of Current L.Govt Risks – KPMG Audit Committee						✓	
Revised Financial Regulations					✓		