

AUDIT COMMITTEE

**Venue: Town Hall, Moorgate
Street, Rotherham. S60
2TH**

Date: Wednesday, 20 March 2013

Time: 4.00 p.m.

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.
2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.
3. Minutes of the previous meeting held on 13th February, 2013 (herewith) (Pages 1 - 4)
4. Audit and Inspection Recommendations Update Report (herewith) (Pages 5 - 9)
5. Closure of Accounts 2012/13 (report herewith) (Pages 10 - 16)
6. Audit Committee Self Assessment (report herewith) (Pages 17 - 33)
7. Date and time of the next meeting - Wednesday, 24th April, 2013 at 4.00 p.m.

**AUDIT COMMITTEE
13th February, 2013**

Present:- Councillor Sangster (in the Chair); Councillors Gilding, Kaye and Sims.

Also in attendance was Mr. S. Clark (KPMG)

Apologies for absence were received from Councillors License.

P37. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH DECEMBER, 2012

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19th December, 2012.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

P38. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR NINE MONTHS ENDING 31ST DECEMBER 2012

Consideration was given to a report presented by the Director of Internal Audit and Asset Management and the Chief Auditor containing a summary of Internal Audit work and performance for the nine months ending 31st December 2012. It was noted that the Service continues to perform at a high level across all Indicators. Based upon the work undertaken in the period, it is confirmed that the Council's control environment is adequate and is operating satisfactorily.

Reference was made to the Performance Indicators and especially performance in respect of the Indicator "percentage of audit plan completed".

Members noted that the Council continues to have a sound control and governance framework, including the prevention of fraud, which has been highlighted by the range of audit tests undertaken. The testing had revealed, however, that the controls should be improved in respect of the Community Care Direct Payments system.

Resolved:- (1) That the report be received and its contents noted.

(2) That the performance of the Internal Audit Service during this reporting period be noted.

(3) That the key issues arising from the audit work undertaken in this nine months' period be noted.

(4) That the annual internal audit report, to be submitted to a future meeting of the Audit Committee, shall include details of those aspects of the audit plan which have not been completed during 2012/13.

P39. CORPORATE RISK REGISTER

Consideration was given to a report presented by the Director of Audit and Asset Management containing the Council's current corporate risk register summary. Members heard that the summary shows the risks associated with the Council's most significant priorities and projects and actions being taken to mitigate these risks.

The Council's key current risks continue to relate to the financial pressures faced by the Council and the implications of the Welfare Reforms. The submitted report summarised the management actions being taken to mitigate these risks and the other risks in the register.

It was reported that risks relating to funding the Capital Programme, personalisation of Adults Care Services, Commissioning and Highways have been removed from the corporate risk register. This does not mean these risks will no longer be monitored. Instead they will be reviewed at directorate level and will be re-instated at corporate level at any point in time in the future, whenever appropriate.

New risks relating to economic growth and Public Health and Well-being have been added to the register and an entry has been included recognising opportunities to promote the Council's achievements and enhance its reputation.

Discussion took place on the Council's highest inherent risks:-

- : managing the budget reductions imposed by the coalition Government;
- : Welfare Reforms;
- : the need to deliver effective Children's Services within budget;
- : digital region.

Resolved:- (1) That the report be received and its contents noted.

(2) That the corporate risk register summary, as now included with the submitted report, be noted.

(3) That the current assessment of the Council's principal corporate risks be confirmed.

P40. PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2013/14 TO 2015/16

Consideration was given to a report presented by the Chief Accountant stating that in accordance with the Prudential Code for Capital Finance, the Secretary of State's Guidance on Local Government Investments, the CIPFA Code of Practice for Treasury Management in Local Authorities and with Council policy, the Director of Financial Services is required,

prior to the commencement of each financial year, to seek the approval of the Council to the following:-

- i) the Prudential Indicators and Limits for 2013/14 to 2015/16;
- ii) a Minimum Revenue Provision (MRP) Statement which sets out the Council's policy on MRP;
- iii) an Annual Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management including the Authorised Limit;
- iv) an Investment Strategy in accordance with the Department for Communities and Local Government investment guidance.

The submitted report updates the currently approved indicators for the period 2012/13 to 2014/15 and introduces new indicators for 2015/16.

Resolved:- (1) That the report be received and its contents noted.

(2) That the following matters be approved insofar as the Audit Committee is concerned and it be noted that they are also to be considered by the Cabinet and by the Council:-

(a) the prudential indicators and limits for 2013/14 to 2015/16, as contained in the report now submitted;

(b) the Minimum Revenue Provision Statement contained in the report now submitted, which sets out the Council's policy on MRP;

(c) the Treasury Management Strategy for 2013/14 to 2015/16 and the Authorised Limit Prudential Indicator, as now reported;

(d) the Investment Strategy for 2013/14 to 2015/16, as detailed in the report now submitted.

P41. KPMG GRANTS REPORT 2011/12

Consideration was given to a report presented by the Director of Financial Services concerning matters arising from the external audit of the Council's 2011/12 Government grants and returns. The report summarised KPMG's key findings from the certification work they have carried out in 2011/12. The main findings are:-

- (i) KPMG were required to audit six claims and returns in 2011/12 with an aggregate value of £195 million. None of the claims were qualified. One minor adjustment was made to one claim, a £16,000 adjustment in respect of the £104 million housing benefit claim. KPMG commented that such a small scale adjustment on such a large and complex claim is not significant and compares favourably with the number of errors and issues identified at other authorities.

(ii) The Council has good arrangements in place to ensure the efficient and effective preparation and submission of claims and returns and which support the audit process. In particular, working papers are of a good standard and officers responded promptly to audit queries.

Stephen Clark (Director, KPMG) confirmed that these positive findings demonstrate that the Council continues to maintain the high standard achieved in recent years.

Resolved:- (1) That the contents of the submitted report and of the KPMG external auditor's report be noted.

(2) That the good performance of the Council in preparing and submitting its 2011/12 grant claims and returns and reduced fees for carrying out grant certification work be noted.

P42. KPMG EXTERNAL AUDIT PLAN 2012/13

Consideration was given to a report presented by Stephen Clark (Director, KPMG) describing the KPMG External Audit Plan (included as an appendix to the submitted report) which set out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements and to conclude on whether the Council has arrangements in place to secure value for money in the use of its resources.

Members made reference to several issues contained within the audit plan document:-

- : savings required to address Government reductions to local authority funding; the longer term financial and operational sustainability;
- : digital region – re-procurement and value for money;
- : Municipal Mutual Insurance – financial liability;
- : audit fees.

Resolved:- (1) That the report be received and its contents noted.

(2) That KPMG's External Audit Plan 2012/13, as now submitted, be approved insofar as the Audit Committee is concerned and the proposed areas for audit, now identified, be noted.

P43. DATE AND TIME OF THE NEXT MEETING

Resolved:- That the next meeting of the Audit Committee be held on Wednesday, 20th March, 2013, commencing at 4.00 pm at Rotherham Town Hall.

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

1. Meeting:	Audit Committee
2. Date:	20th March 2013
3. Title:	Audit and Inspection Recommendations Update Report
4. Directorate:	Resources

5. Summary

This report summarises the progress against recommendations from across all key external audits and inspections of council services.

It is intended that this report provides a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (September 2012). A summary of these are detailed within the table in Appendix A. In summary;-

- Since the last report there have been one new inspection resulting in 5 new recommendations
- There are currently five action plans relating to Inspection and Audit recommendations which are still “active” in the authority (ie contain outstanding recommendations which are still relevant)
- Across these action plans 21 recommendations have been completed and 21 remain outstanding

6. Recommendations

That the Audit Committee:

- **Note the progress achieved against outstanding actions**
- **Advice further actions as necessary**

7. Proposals and Details

The monitoring of Audit and Inspection recommendations provides evidence that the Council is able to respond to external challenge in a timely manner and is committed to continuous improvement. Additionally through analysing the recommendations we are demonstrating our ability to identify and rectify detrimental trends or issues and to deliver service improvement.

Progress against Recommendations

Since the previous report progress against recommendations is good. Although none have been signed off as complete in this period and some timescales for individual improvement actions have slipped, all plans are on track to be completed and are reviewed regularly by Directorates.

Analysis of outstanding recommendations

Progress against all outstanding audit and inspection recommendations of council services are monitored by Performance & Quality Teams. Currently there are 21 recommendations which still need addressing. All are currently being progressed and monitored within Directorates.

In relation to the Audit Commissions review of Health Inequalities in 2009 which relates to breastfeeding. Progress remains ongoing and breastfeeding initiation has dipped and is off target. Performance has increased to 63.55% (Q3 2012/13). An equity audit is still planned to review the data variation in 2012/13. Challenges in accessing data from RFT have prevented progress.

In relation to the Registration Service, the inspector is satisfied with the improvements made so far. All actions within RMBC's remit will be complete by end March. Monitoring / work with partners will continue beyond this date to further understand the factors / scope outside of RMBC to drive further improvement.

Children's Services continue to monitor OFSTED recommendations as part of the Improvement Panel.

New Inspection Reports received

There has been one new inspection judgements received since the last report.

▪ **Youth Offending Services (YOS) – Short Quality Screening**

This was undertaken in November 2011 by the Youth Justice Board (YJB).

Although no overall judgement is given the YJB report summary stated that they saw evidence that case managers were committed to providing a good service to children and young people and to the wider community. While they saw some work of the highest standard, they were some inconsistencies in other cases, assessments and plans. The following were highlighted as particular strengths:

- Attention to the changing demographic in Rotherham and earlier this year specialist training had been delivered by a local Czech Roma community worker. We saw evidence of this being put into effect in one particular case in the sample. An interpreter was used and letters translated both for the young person and his mother. Another

member of staff was learning key greetings and phrases and including these on appointment cards.

- A number of children and young people had completed reparation hours at a local hospice, benefiting the community and developing their own insights into the needs of others.
- A voluntary drop-in service was offered to children and young people at the end of their court order where they could seek advice from a YOS worker. By providing this opportunity they felt better supported at the end of their contact with the YOS and would have someone to speak to if they felt tempted to reoffend.

The five recommendations were;

- Improve timeliness of initial assessments (YJB ASSET Tool) .
- Improve quality of assessments, in particular to assess the likelihood of re-offending
- Review of assessments at regular intervals and following significant changes in circumstances.
- Improve screening of vulnerability
- Management oversight, including supervision and quality assurance arrangements.

The action plan in relation to this is monitored by the Safer Rotherham Partnership and the CYPS Improvement Panel.

A summary of progress against all recommendations from “Active” Inspection & Audit action plans is provided in Appendix A. The Performance and Quality Team continue to work with services to ensure that the associated outstanding recommendations are completed and ensure services are prepared for new or changing inspection and assessment regimes.

8. Risks and uncertainties

Any risks and uncertainties are highlighted in the report above and should be noted as a matter of interest in light of the potential impact on other aspects of Council performance.

It is essential that in this time of uncertainty and in the absence of any national performance regime (other than children and adult services) that we continue to be able to demonstrate continuous improvement and self regulation through the implementation of any previously recommended actions.

9. Policy and Performance Agenda Implications

Approaches to inspection and assessment of local authorities are being developed across Government in the light of the decentralisation and localism agenda. In future any central inspection will be focused on the most vulnerable i.e. help to maintain high standards in children’s services and adult social care. Intervention will focus on cases of serious risk or failure.

In addition, the Government has now published a draft Audit Bill that confirms changes to the external audit regime applicable from 2012/13. New external audit appointments have been made to all local authorities by the Audit Commission, and these include confirmation of KPMG as Rotherham MBC’s external auditor for the next 5 years. The Draft Bill confirms that the scope of external audit will remain substantially the same as in the

current regime, which means we do not expect there to be any significant changes to the external audit programmes in the future.

10. Background Papers and Consultation

- All inspectorates' reports, letters and action plans since mid 2007.
- All new and follow up audit reports.
- All inspectorate frameworks, arrangements and guidance documents

Contact Names:

Sue Wilson, Performance and Quality Manager, ext 22511

Deborah Johnson, Performance and Improvement Officer, ext 22666

Summary of Recommendations from “Active” Inspection & Audit action plans (which took place from 2007 to Present)

With summary of progression against recommendations since the last report and in total

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Resources							
Addressing Health Inequalities (January 09)	AC	10	9	0	1	2012	Ongoing
Environment and Development Services							
Review Report On The Registration Service In Rotherham (July 12)	Home Office	3	N/A	0	3	Mar 13	Ongoing
Neighbourhoods and Adults Services							
<i>No active inspection plans</i>							
Children’s Services							
Thematic inspection of disability services (March 12)	Ofsted	11	3	5	8	Mar 13	Ongoing
Unannounced inspection of child protection (July 12)	Ofsted	13	0	9	4	Mar 13	Ongoing
Youth Offending Service – Short Quality Screening (Nov 12)	Youth Justice Board	5	N/A	0	5	Apr 13	Ongoing
Total Recommendations in “Active” Inspection & Audit action plans		42	12	14	21		

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS
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1.	Meeting:	Audit Committee
2.	Date:	20 March 2013
3.	Title:	Closure of Accounts 2012/13
4.	Directorate:	Resources

5. Summary

The principal objective of the Council's annual financial statements is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of local and national stakeholders in assessing the Council's stewardship of its resources. It is therefore important that the Council's accounts are prepared in accordance with recognised accounting standards and can be relied upon by users of the accounts.

This report brings to Members attention the main changes to accounting standards and disclosure requirements in 2012/13; their effect on the Council's accounting policies; and the project management arrangements that will be employed to secure the timely closure and production of the 2012/13 Financial Statements that are fully compliant with the Code of Practice on Local Authority Accounting (the Code).

It also reminds Members that the Audit Committee will need to formally approve the audited Financial Statements at its September meeting and asks Members whether they wish the unaudited Financial Statements to be presented to Audit Committee at its meeting in July for information.

6. Recommendations

Audit Committee is asked to:

- **Approve the changes to the Council's accounting policies**
- **Note the requirement for the Audit Committee to formally approve the audited 2012/13 Financial Statements at its September meeting**
- **Approve the receipt for information of the unaudited Financial Statements at its July meeting**

7. Proposals and Details

Local authority accounting operates in a dynamic environment which is subject to ongoing changes to accounting standards and legislative requirements which impact on local government financial reporting.

It is important that the Council continues to respond to these changes promptly and effectively to ensure that the financial information used by management and stakeholders faithfully represents the Council's true financial position.

7.1 Changes to the accounting framework in 2012/13

The key changes in 2012/13 and action taken to address them are tabulated in Appendix 1.

We have continued to liaise closely with our external auditors, KPMG, to ensure that they are satisfied that these changes and the key risks identified in their External Audit Plan are being properly addressed and will continue to do so during closedown and over the course of their audit.

7.2 Changes to the Council's accounting policies in 2012/13

No new accounting standards have been adopted by the 2012/13 Code which have a bearing on the Council's accounting policies.

Certain policies have been amended to provide greater clarity. These are as follows:

- Overheads and support services (Accounting Policy 4) – reference to the fact that following the re-integration of RBT the Council has undertaken a comprehensive review of the basis for charging out overheads and support services and that the net cost of services reported in the 2012/13 accounts will be fully reflective of the new approach
- Capital Charges to the HRA (Accounting Policy Note 15) – following the introduction of HRA self-financing, with effect from 2012/13, depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. The Council is taking advantage of the transitional protection offered by DCLG to housing authorities over a five year period to 2016/17. This protection allows for the reversal out of impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance included within the HRA Business Plan for that year.
- Leases (Accounting Policy Note 16) – removal of the assumption that leases of land having an indefinite life will automatically be operating leases. The classification of a lease of land will instead be assessed

on who has the risks and rewards of ownership as for all other types of lease.

- Heritage assets (Accounting Policy Note 21) – basis on which heritage assets have been recognised on the balance sheet in 2012/13

Amended accounting policy notes 4, 15 and 21 are re-produced in Appendix 2 with the changes highlighted in italics for Members information.

7.3 Financial reporting – Audit Committee’s role

Members may recall that prior to 2010/11 the Accounts and Audit Regulations required that the unaudited Financial Statements be approved by Members by 30 June and the audited Financial Statements by 30 September. The Accounts and Audit Regulations 2011 removed the requirement for Members to formally approve the unaudited Financial Statements.

Audit Committee resolved that in order to maintain strong governance over financial reporting it wished to continue to receive the unaudited Financial Statements for information after they have been authorised and released for publication.

Assuming Members wish this to remain the case, the key dates Members need to be aware of are:

- 30 June 2013 – this is the date by which the unaudited Financial Statements must be authorised for publication by the Director of Financial Services.
- July 2013 Audit Committee – unaudited 2012/13 Financial Statements to be presented to Audit Committee for information.
- September 2013 Audit Committee – audited Financial Statements to be formally approved by Audit Committee following presentation to Committee of KPMG’s ISA 260 report which sets out the findings of their audit of the Financial Statements.

8. Finance

No additional financial implications beyond current budgetary provision is anticipated.

9. Risks and Uncertainties

The preparation, approval and publication of the Council’s annual Financial Statements remain a cornerstone of financial accountability for the local electorate, Members and other stakeholders.

Failure to comply with the Accounts and Audit Regulations, other relevant legislation and local authority accounting requirements as set out in the Code

may indicate a weakness in financial reporting whereas compliance demonstrates strong governance is in place and ensures best practice is being followed.

As in previous years, in order to minimise the risk of these objectives not being met, the closedown process and production of the accounts will be project managed and subject to quality assurance arrangements.

10. Policy and Performance Agenda Implications

None other than reputational risk referred to above from non compliance.

11. Background Papers and Consultation

Code of Practice on Local Authority Accounting 2012/13
Service Reporting Code of Practice 2012/13
Accounts and Audit Regulations 2011
Audit Committee – February 2012

Contact Name: *Simon Tompkins, Finance Manager, ext. 54513*
Simon.tompkins@rotherham.gov.uk

Key changes to the accounting framework in 2012/13

Area of accounts	Change in accounting practice / new disclosure required	Action taken
Housing reform (HRA self-financing)	<p>Up to and including 2011/12, capital charges to the HRA for depreciation, impairment and revaluation losses had no impact on the HRA due to the way in which the housing subsidy regime worked. However, from 2012/13 under self-financing, these now become a “real” charge to the HRA and impact on the amount to be raised from rent payers.</p> <p>To illustrate the dramatic effect these charges can have, a downward revaluation in the value of council dwellings as at 1 April 2010 resulted in a revaluation loss of £181m being charged to the HRA in 2010/11. Due to the accounting rules at that time, the £181m was reversed out so that it didn't fall as a charge on revenue to be met by rent payers. Under self-financing, such a charge would be “real” and would fall as a charge on revenue.</p> <p>In order to afford housing authorities with some protection against the financial impact of charges of such magnitude arising following the move to self-financing, DCLG have agreed a 5 year transition period from 2012/13 to 2016/17. This will continue to allow authorities discretion to reverse out the effect of revaluation losses and impairments in respect of council dwellings</p>	<p>Steps are being taken to explore ways to mitigate the potential impact, including:</p> <ul style="list-style-type: none"> • Changing the basis for valuing council dwellings • Reviewing the basis on which depreciation charges are determined • Reviewing the classification and basis for depreciating other HRA assets
Heritage Assets	<p>Heritage assets are assets whose principal purpose is to contribute to knowledge and culture and which are preserved in trust for future generations because of their artistic, cultural, environmental, historical, scientific or technological associations.</p> <p>In 2011/12, there was insufficient reliable information to recognise them on balance sheet. In 2012/13, a relevant and appropriate method of valuation has been identified. As a consequence, heritage assets with an approximate value of £4.7m will be brought on balance sheet.</p>	Heritage assets will be recognised in the 2012/13 accounts

4 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation, and
- Non Distributed Costs – the pension cost of past service and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment and Assets Held for Sale.

Corporate and Democratic Core and Non Distributed costs are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

In 2012/13, the Council has undertaken a comprehensive review of the basis for charging out overheads and support services. The net cost of service for 2012/13 is fully reflective of the new approach.

15 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non Current Assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible Non Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the minimum revenue provision and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Following the introduction of self-financing, with effect from 2012/13, depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. However, the Council has

taken advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance included within the HRA Business Plan for that year.

21 Heritage Assets

Heritage assets are assets whose principal purpose is to contribute to knowledge and culture and which are preserved in trust for future generations because of their artistic, cultural, environmental, historical, scientific or technological associations. *They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, for example, insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).*

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE
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1.	Meeting:	Audit Committee
2.	Date:	20 th March 2013
3.	Title:	Audit Committee Self-Assessment
4.	Programme Area:	Resources

5. Summary.

The Audit Committee carries out an annual self-assessment against best current practice for audit committees.

This report refers to the 2012 - 2013 self-assessment by the Audit Committee of its current arrangements relative to the standards contained in CIPFA document 'A Toolkit for Local Authority Audit Committees'. Other published standards for audit committees have been reviewed and found to be consistent with the expectations of the CIPFA toolkit to the extent that if the Committee can satisfy the CIPFA expectations, it is likely also to be able to comply with broader good practice.

The assessment shows that the Council's Audit Committee substantially complies with current best practice. Since there have again been no new members to the Audit Committee during the year, the issues raised in last year's report, around induction arrangements and assessment of development needs, remain.

6. Recommendations.

The Audit Committee is asked:-

- **To confirm the answers provided to questions in the Audit Committee self-assessment checklist at Appendix A of this report;**
- **To indicate any further actions required to enable the Committee to further strengthen its arrangements.**

7. Proposals and Details.

7.1 Background.

The main guidance on standards for local authority audit committees is the CIPFA publication 'A Toolkit for Local Authority Audit Committees'. The toolkit was produced by CIPFA in late 2006 to build on the guidance contained in the CIPFA document; 'Audit Committees – Practical Guidance for Local Authorities', which was published in 2005. These documents remain the authoritative guidance. This report reiterates, as follows, the positive audit committee developments that previous self-assessments have led to:-

- The production of Audit Committee Annual Reports.
- The provision of regular refresher training sessions on topics related to the Committee's terms of reference.
- Provision of more information on the Council's accounts and treasury management to facilitate greater understanding and more effective challenge by the Audit Committee in these areas.
- Improved reporting of internal audit activities and the corporate risk register.
- Reference to the Audit Committee and its activities in the Annual Governance Statement.

The previous self-assessment against the CIPFA standards was completed by the Audit Committee in December 2011, when the Committee concluded that it substantially complied with the standards. The Committee's arrangements were also compared, in December 2010, against guidance issued in November 2010 by the National Audit Office, at which point most expectations were judged to have been met.

Other checklists have been reviewed to consider any other areas for consideration and assessment, including:-

- HM Treasury Audit Committee Handbook.
- National Audit Office: '*The Audit Committee Self Assessment Checklist*'.
- The NHS Audit Committee Handbook.

The expectations of these references are consistent with the CIPFA toolkit to the extent that if the Committee can satisfy the CIPFA expectations it is likely also to be able to comply with broader good practice. For this reason, this report concentrates on a detailed assessment against the CIPFA standard.

7.2 Assessment using the CIPFA Toolkit for Local Authority Audit Committees.

Notwithstanding the previous positive conclusions, it is appropriate to consider the Committee's current view of its arrangements to ensure the self-assessment remains up-to-date.

The following minor issues were raised for consideration following the 2011 review and these are considered to be fully covered by current arrangements. Reference numbers in the left hand column below refer to the checklist at Appendix A.

Ref No.	Issue	Comments.
2.4	Are new audit committee members provided with an appropriate induction?	The Audit Committee had no new members during 2012-13. However, procedures are in place to ensure that any new members would attend an induction course.
2.5	Have all members' skills and experiences been assessed and training given for identified gaps?	Provision is available for Members to have PDPs and to identify any specific learning needs that would assist with fulfilling their responsibilities.

The current assessment is attached at **Appendix A**. Issues for the Audit Committee to consider, emerging from the assessment, are:

8. Finance.

There are no direct financial implications arising from this report.

9. Risks and Uncertainties

Rotherham is regarded as having strong audit committee arrangements. In order to maintain its position the Audit Committee should continue to re-consider appropriate arrangements and compare them with best practice.

10. Policy and Performance Agenda Implications.

Good governance is wholly related to the Council's priorities.

11. Background Papers and Consultation.

'A Toolkit for Local Authority Audit Committees', CIPFA.
 'Audit Committees – Practical Guidance for Local Authorities', CIPFA.
 'The Audit Committee Self- Assessment Checklist'.

Contact Names:

Colin Earl, Director of Audit and Asset Management x 22033.
Marc Bicknell, Chief Auditor x 23297.

Appendix:-

A 'A Toolkit for Local Authority Audit Committees' – Self Assessment.

'A Toolkit for Local Authority Audit Committees' - Self Assessment Checklist: March 2013.

No.	Issue	Yes	No	Comments	Ref to Evidence
1. Role and Remit					
1.1	Does the audit committee have written terms of reference?	✓		Terms of Reference reviewed and approved by the Council at its Annual Meeting.	Terms of Reference reviewed and approved annually by the Council at May 2012 meeting. Also included in the Audit Committee's Annual Report 2011-2012.
1.2	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	✓		The Terms of Reference comply fully with the requirements of the CIPFA document "Audit Committees – Practical Guidance for Local Authorities", which is regarded as best practice for audit committees.	Terms of Reference reviewed and approved annually by the Council. CIPFA "Audit Committees – Practical Guidance for Local Authorities".
1.3	Are the terms of reference approved by the Council and reviewed periodically?	✓		The Terms of Reference are incorporated into the Council's Constitution and are reviewed and approved at the Annual Meeting of the Council.	Terms of Reference reviewed and approved annually by the Council, May 2012.
1.4	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓		The membership level accords with the CIPFA Practical guidance, which refers to HM Treasury's suggestion of 3-5 members. The Terms of Reference and Constitution identify the Committee's authority, and the Committee has relevant officer and other support.	Current level is 5 members in line with CIPFA "Audit Committees – Practical Guidance for Local Authorities". Terms of Reference, Constitution, Appendix 10.

No.	Issue	Yes	No	Comments	Ref to Evidence
1.5	Can the audit committee access other committees and full council as necessary?	✓		The Committee has full and free access as required to fulfil its responsibilities.	As per Council Constitution.
1. Role and Remit					
1.6	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	✓		Reference is made to the Audit Committee in the Annual Governance Statement.	Reference is made to the Audit Committee in Section 3 and its activities at Section 4.3 of the Annual Governance Statement 2011/12.
1.7	Does the audit committee periodically assess its own effectiveness?	✓		The Audit Committee previously carried out a self-assessment in December 2011.	December 2011 Audit Committee minutes.
1.8	Does the audit committee make a formal annual report on its work and performance during the year to full council?	✓		The Audit Committee produces an annual report showing its effectiveness / achievements in the year.	2011/12 Annual Report presented to full Council July 2012.
2. Membership, Induction and Training					
2.1	Has the membership of the audit committee been formally agreed and a quorum set?	✓		The membership of the Audit Committee was determined at the Annual Meeting of the Council held in July 2012. Quoracy rules are consistent with other Council committees.	Council Meeting July 2012.
2.2	Is the Chair independent of the executive function?	✓		All members of the Committee are independent of the executive function.	Audit Committee members are not Cabinet members.
2.3	Has the audit committee Chair either previous knowledge of, or received appropriate training on,	✓		This is the existing Chair's 5 th year as Chair.	Members' Services – PDP Records.

No.	Issue	Yes	No	Comments	Ref to Evidence
	financial and risk management, accounting concepts and standards and the regulatory regime?			The Chair has received training, for example by attending CIPFA Finance Advisory Network events.	
2. Membership, Induction and Training					
2.4	Are new audit committee members provided with an appropriate induction?	✓		New Audit Committee Members have access to a general induction and specific information relating to the role of Audit Committees and Audit Committee Members. Members can also access any bespoke training through the Members' development review process.	Members' Services – PDP Records. N.B. There were no new members during 2012-2013.
2.5	Have all members' skills and experiences been assessed and training given for identified gaps?	✓		Any gaps are identified as part of a Member's Personal Development Plan interviews.	Members' Services – PDP Records.
2.6	Has each member declared his or her business interests?	✓		Members complete and update the Register of Interests as necessary.	Legal Services – Register of Interests.
2.7	Are members sufficiently independent of the other key committees of the council?	✓		Members have sufficient independence to ensure their roles on the Audit Committee are not compromised.	Members have no executive responsibilities.

No.	Issue	Yes	No	Comments	Ref to Evidence
3. Meetings					
3.1	Does the audit committee meet regularly?	✓		The Committee has monthly scheduled meetings.	Audit Committee work plan presented to Audit Committee meeting 30 th May 2012.
3.2	Do the terms of reference set out the frequency of meetings?		✓	As the frequency of meetings can change, it is not regarded as essential to identify the frequency within the Terms of Reference. The number and frequency of meetings will be identified in the Members' handbook and on the Council's intranet and internet sites.	Members' handbook; Council's intranet and internet. Also Audit Committee work plan.
3.3	Does the audit committee calendar meet the Authority's business needs, governance needs and the financial calendar?	✓		The Committee's work plan identifies key dates and key reports. Regular meetings enable all business requirements to be met comfortably.	Audit Committee work plan presented to Audit Committee meeting 30 th May 2012.
3.4	Are the members attending meetings on a regular basis and if not, is appropriate action taken?	✓		Members attend meetings on a regular basis and it has not been necessary to take any action in this regard. A quorum has been achieved throughout the year.	Audit Committee minutes.
3.5	Are the meetings free and open without political influences being displayed?	✓		Meetings are open to the Public.	Audit Committee minutes.
3.6	Does the authority's S151 Officer or Deputy attend all meetings?	✓		The s.151 Officer and / or deputy will normally attend Audit Committee meetings.	Audit Committee minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
3.7	Does the audit committee have the benefit of attendance of appropriate Officers at its meetings?	✓		Relevant officers present and are available to discuss all reports. Officers who have attended Audit Committee include the Director of Legal Services, the Director of Audit and Asset Management, the Director of Finance and the Chief Accountant.	Audit Committee minutes.
4. Internal Control					
4.1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (now annual governance statement) including the review of the effectiveness of the system of internal audit?	✓		All statutory requirements are met.	Audit Committee 30 th May 2012.
4.2	Does the audit committee have responsibility for review and approval of the SIC (now annual governance statement) and does it consider it separately from the accounts?	✓		The Annual Governance Statement is considered separately by the Audit Committee. The Annual Governance Statement is reviewed and approved by the Audit Committee prior to formal 'sign off' by the Leader of the Council and the Head of Paid Service.	Audit Committee 30 th May 2012.
4.3	Does the Audit Committee consider that the scope of Internal Audit work, the available resources at its disposal, and its access to information and people allow it to address significant risks within the organisation?	✓		The Internal Audit Strategy and Internal Audit Plan as agreed by the Audit Committee, identifies the relevant arrangements.	Audit Committee Report 25 th April 2012.

No.	Issue	Yes	No	Comments	Ref to Evidence
4.4	Does the audit committee satisfy itself that the governance arrangements have operated effectively throughout the reporting period?	✓		Assurances are summarised within the Audit Committee report on the Annual Governance Statement for the Committee's attention.	Audit Committee 30 th May 2012.
4.5	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	✓		The Audit Committee has responsibility for risk management. The Director of Audit and Asset Management has liaised with the Scrutiny and Policy Manager to discuss how Audit Committee and scrutiny functions can work together on common areas of interest.	Audit Committee minutes. e.g. 17 th October 2012.
4.6	Has the audit committee (with delegated responsibility) of the full council adopted "Managing the Risk of Fraud – Actions to counter Fraud and Corruption?"	✓		The Audit Committee approved the Council's strategy for tackling fraud and corruption in January 2012 and has also approved the Fighting Fraud Locally Strategy.	Audit Committee January 2012 for the Strategy and 25 April 2012 for Fighting Fraud Locally. The Fraud and Corruption Strategy will be reviewed again during 2013/2014.
4.7	Does the audit committee ensure that the "Actions to counter Fraud and Corruption" are being implemented?	✓		The Audit Committee approved the Council's strategy for tackling fraud and corruption in January 2012 and implemented recommended actions. The strategy will be reviewed in 2013-2014.	Audit Committee January 2012.
4.8	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	✓		The Annual Internal Audit Plan identifies the risk based approach to the preparation of the plan.	Internal Audit Plan, Audit Committee 25 th April 2012.
4.9	Does the audit committee review the authority's strategic risk	✓		The Audit Committee receives quarterly reports on the corporate risk register and	Audit Committee minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
	register at least annually?			has an opportunity to comment on the risks included and identify any emerging risks.	
4.10	Does the audit committee monitor how the Authority assesses its risk?	✓		The Audit Committee receives quarterly reports on the corporate risk register and has an opportunity to comment on the risks included and identify any emerging risks.	Audit Committee meeting 30 th May 2012.
4.11	Do the audit committee's terms of reference include oversight of the risk management process?	✓		The Terms of Reference state, the Audit Committee should: "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."	Terms of Reference.
5. Financial Reporting and Regulatory Matters					
5.1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	✓		The Committee's Terms of Reference include consideration of: - the annual statement of accounts prior to recommending it to the full Council; - the external auditor's report on the audit of the annual financial statements; - Whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit.	Terms of Reference.

No.	Issue	Yes	No	Comments	Ref to Evidence
5.2	<p>Does the audit committee consider specifically:</p> <ul style="list-style-type: none"> • The suitability of accounting policies and treatments • Major judgements made • Large write-offs • Changes in accounting treatment • The reasonableness of accounting estimates • The narrative aspects of reporting 	✓		<p>Accounting policies are presented separately to the Committee each year in March for agreement.</p> <p>Any other salient points are highlighted in the report accompanying the accounts and presented to the Committee.</p>	<p>Audit Committee March 2012</p> <p>Audit Committee 26th September 2012.</p>
5.3	Is a meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	✓		The 2011/12 Statement of Accounts and External Auditors Annual Governance Report (ISA 260) were presented to the Audit Committee on 26 th September 2012.	Audit Committee 26 th September 2012.
5.4	Does the audit committee review management's letter of representation?	✓		The letter of representation is presented to the Audit Committee when the auditor's report is submitted.	Audit Committee 26 th September 2012
5.5	Does the audit committee annually review the accounting policies of the authority?	✓		See extract from the Terms of Reference at 5.1 above.	See 5.1 above.

No.	Issue	Yes	No	Comments	Ref to Evidence
5.6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	✓		The covering report accompanying the accounts explains the procedures for preparing the accounts.	Audit Committee 26 th September 2012.
5.7	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	✓		Officers provide updates as and when these arise. The covering report accompanying the accounts identifies any significant developments.	Audit Committee March 2012. Audit Committee 26 th September 2012.
6. Internal Audit					
6.1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	✓		The Committee's Terms of Reference state the Committee's objectives include: 'To approve (but not direct) the Chief Auditor's proposed strategy plan' and 'ensure that this gives an adequate level of assurance over the Council's main risks'.	Terms of Reference.
6.2	Does internal audit have an appropriate reporting line to the audit committee?	✓		The Director of Audit and Asset Management attends all meetings and is able to report direct to the Committee.	Audit Committee Terms of Reference and Audit Committee Minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
6.3	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	✓		<p>Quarterly internal audit progress reports are presented to the Committee.</p> <p>An Annual Audit Report is also produced, which includes the opinion of the Chief Auditor on the adequacy of the Council's control environment and whether it has operated satisfactorily during the year.</p>	<p>Audit Committee minutes.</p> <p>For Annual Audit Report, see Audit Committee Minutes 18th July 2012.</p>
6.4	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	✓		<p>Quarterly update reports provide the Chief Auditor an opportunity to highlight any significant issues for the Committee's attention as necessary.</p> <p>Members retain the right to require senior managers to attend Audit Committee and have exercised this right where they have had concerns regarding the response of management to Audit recommendations.</p>	Audit Committee minutes.
6.5	Does the audit committee hold periodic private discussions with the head of internal audit?	✓		The Committee has provision to hold private discussions. The Chair of the Committee and the Director of Audit and Asset Management hold regular meetings.	Terms of Reference.
6.6	Is there appropriate cooperation between the internal and external auditors?	✓		<p>Internal and External Audit meet regularly during the year to discuss the respective plans and progress against these.</p> <p>Internal and External Audit work closely to maximise the benefit derived from the total audit resource.</p> <p>External Audit place reliance on the work undertaken by Internal Audit on the Council's fundamental financial systems. If</p>	Managed Audit Approach.

No.	Issue	Yes	No	Comments	Ref to Evidence
				Internal Audit were not to carry out this work, KPMG would charge additional fees.	
6.7	Does the audit committee review the adequacy of internal audit staffing and other resources?	✓		The Internal Audit Plan balances resources and needs. There is provision for the Director of Audit and Asset Management to raise any resource issues with the Chief Finance Officer, the Head of Paid Service and the Audit Committee as deemed appropriate.	Internal Audit Plan, Audit Committee 25 th April 2012.
6.8	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom?	✓		<p>A review of Internal Audit's compliance with the CIPFA code completed in 2010 by KPMG confirmed Internal Audit's compliance with the standards. The review was reported to the Audit Committee.</p> <p>External Audit annually reviews Internal Audit work and reports to Committee accordingly.</p> <p>The new Public Sector Internal Audit Standards come into operation on 1st April and work is currently being to ensure that the Internal Audit function meets these new requirements.</p>	<p>Audit Committee October 2010.</p> <p>KPMG Interim External Audit Report 2011-2012, Audit Committee 25th April 2012.</p>
6.9	Are internal audit performance measures monitored by the audit committee?	✓		Quarterly progress reports identify performance against key PIs.	Audit Committee minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
6.10	Has the audit committee considered the information it wishes to receive from internal audit?	✓		The Committee has previously noted its satisfaction with the level of information included in the progress reports.	Audit Committee minutes.
7. External Audit					
7.1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	✓		External audit plans are presented to the Audit Committee.	Audit Committee 13 th February 2013.
7.2	Does the audit committee hold periodic private discussions with the external auditor?	✓		The Committee has provision to hold private discussions.	Terms of Reference.
7.3	Does the audit committee review the external auditor's annual report to those charged with governance?	✓		The report is presented following the annual accounts audit.	Audit Committee 21 st November 2012.
7.4	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓		Quarterly reports on progress in implementing External Audit recommendations are presented to the Audit Committee.	Audit Committee minutes.
7.5	Are reports on the work of external audit and other inspection agencies, presented to the committee, including the Audit Commission's annual audit and inspection letter?	✓		All External Audit reports are presented to the Audit Committee.	Audit Committee 21 st November 2012.
7.6	Does the audit committee assess the performance of external audit?	✓		The Committee receives regular progress reports from the External Auditor. The	External Auditor's ISA 260 Report, Audit Committee,

No.	Issue	Yes	No	Comments	Ref to Evidence
				Committee also reviews the annual report of the External Auditor at the completion of the audit.	26 th September 2012.
7.7	Does the audit committee consider and approve the external audit fee?	✓		The Audit Committee receives and approves the External Audit Plan including the fee proposals.	Audit Committee 21 st November 2012.
8. Administration – Agenda Management					
8.1	Does the audit committee have a designated secretary from Committee / Member Services?	✓		Debbie Pons is the Members' support officer for the Audit Committee.	Audit Committee minutes.
8.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	✓		Papers are circulated one week before the meetings. Hard copies are published and members receive an 'alert' to inform them that they are available. It is hoped that going forward papers will be circulated in an electronic format.	Papers are circulated one week before the meetings.
8.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓		The Committee has an annual work plan.	Audit Committee Work Plan, Audit Committee meeting 30 th May 2012.
8.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant offices, internal and external audit?	✓		Audit Committee members are invited to raise AOB with the Chair in advance of the meeting when the Agenda Papers are circulated. There is further opportunity for AOB to be raised during the meeting.	Agenda Papers and Audit Committee Minutes.

No.	Issue	Yes	No	Comments	Ref to Evidence
9. Administration - Papers					
9.1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓		All criteria are satisfactorily met.	Audit Committee minutes, and the accompanying reports.
9.2	Does the audit committee issue guidelines and/or a pro-forma concerning the format and content of the papers to be presented?	✓		A standard pro-forma is used for all reports.	Audit Committee minutes, and the accompanying reports.
10. Administration – Actions Arising					
10.1	Are minutes prepared and circulated promptly to the appropriate people?	✓		These criteria are met.	Audit Committee minutes.
10.2	Is a report on matters arising made and minuted at the audit committee's next meeting?	✓		These criteria are met.	Audit Committee minutes.
10. Administration – Actions Arising					
10.3	Do action points indicate who is to perform what and by when?	✓		Action points identify the relevant details where possible.	Audit Committee minutes.