

AUDIT COMMITTEE

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

Date: Wednesday, 12 June 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 24th April, 2013 (herewith) (Pages 1 - 5)
4. Internal Audit 2012/13 Annual Report (herewith) (Pages 6 - 18)
5. Anti-Fraud and Corruption Action Plan Update (report herewith) (Pages 19 - 33)
6. Draft 2012/13 Annual Governance Statement (report herewith) (Pages 34 - 50)

**AUDIT COMMITTEE
24th April, 2013**

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

Also in attendance were Stuart Booth, Mark Bicknell, Colin Earl, Rashpal Khangura, Martin Kimber and Dave Richmond.

P49. DECLARATIONS OF INTEREST.

There were no Declarations of Interest made at this meeting.

P50. MINUTES OF THE PREVIOUS MEETING HELD ON 20TH MARCH, 2013

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 20th March, 2013.

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

P51. KPMG INTERIM AUDIT

Consideration was given to the report presented by Stuart Booth, Director of Financial Services, Resources Directorate, which introduced the KPMG Interim External Audit Report for 2012/13.

The scope of the Audit Report included: -

- Review of the Council's overall Control Environment, including its financial management and governance arrangements and ICT controls;
- Evaluation and testing of controls over the Council's key financial systems;
- Review of the work of the Council's Internal Audit function;
- Review of the accounts production process
- Check on progress on critical accounting matters identified as specific risks in KPMG's External Audit plan including the Council's financial resilience in the fact of further reduction to Local Authority funding
- Identification of audit issues to be considered.

The letter from KPMG, attached at Appendix A of the report submitted, summarised audit progress following completion of their interim audit. The outcome was very positive overall and demonstrated the Council's continued commitment to ensuring that it had in place a strong and robust control environment for doing and managing its business in a proper and appropriate way that met professional standards.

KPMG had also reviewed the Council's approach to implementing changes to the Code of Practice on Local Authority Accounting, addressing the specific risks identified in their 2012/13 External Audit and complying with audit expectations in terms of working papers. KPMG had commented that things had gone smoothly overall in this regard.

KPMG would finalise their work on the Council's 2012/13 Financial Statements when they undertook their final accounts audit, the results of which would be submitted to the September meeting.

There were 2 minor IT issues raised in relation to leavers access to the General Ledger.

Resolved: - That the findings of KPMG's Interim Audit Letter be noted.

P52. INTERNAL AUDIT PLAN

Consideration was given to the report presented by Mark Bicknell, Chief Auditor, which outlined the Council's Internal Audit Plan for 2013/14.

In line with the new UK Public Sector Internal Audit Standards, the Plan had been drafted following a risk-based approach, and was derived from a range of sources, including: -

- The Council's risk registers;
- Revenue and capital budgets;
- Cumulative audit knowledge and experience;
- Review of key plans, reports and press coverage;
- Priorities identified by the Council's Strategic Directors and Service Directors;
- Knowledge of existing management and control environments, including information system changes;
- Professional judgement on the risk of fraud or error.

The Plan covered five types of work: -

- Mandatory work;
- Must-do work;
- Follow-up work allowance (where areas of significant weaknesses had been identified in the previous audit);
- Emerging risks/responsive work allocation (in response to requests from managers for advice and investigation work);
- Risk related work.

An overview was provided that demonstrated the planned days that Internal Audit intended to spend on each category during 2013/14. A comparison with 2012/13 was also shared.

It was noted that there was an overall planned reduction in Internal Audit Activity which had been necessary in order to achieve savings in line with Council-wide budget reductions. However, due to a careful approach to risk-based planning, and robust performance management of resources, this could be achieved without compromising the Service's capacity to meet the Authority's statutory requirements and deliver the work required by the Council's external auditor, KPMG.

The submitted report outlined the activities that would take place during the planned days in 2013/14, along with risks and uncertainties.

Discussion ensued on the reduction in Internal Audit activity. Due to the detailed planning exercise that had been undertaken in drawing up the Plan, it was felt that issues had been picked up at that stage although it was emphasised that no planning could be made for the unexpected.

Rashpal Khangura, KPMG, reported that the level of resources in the Plan was no different to that of other organisations around the country.

Resolved: - That the Internal Audit Plan for 2013/14 be approved.

P53. AUDIT COMMITTEE ANNUAL REPORT 2012/13

Consideration was given to the report presented by Colin Earl, Director of Internal Audit and Asset Management, regarding the Audit Committee's draft annual report. The report demonstrated that the Committee had successfully fulfilled its terms of reference and helped to improve the Council's governance and overall control environment.

It was a CIPFA requirement within the IPF document 'A Toolkit for Local Authority Audit Committees', and within the Audit Committee's own Terms of Reference, that an annual report be produced.

The draft annual report for 2012/13 was attached at appendix A. Specifically, the report noted: -

- The activities and outcomes of the Audit Committee, including: -
 - Internal audit;
 - External audit;
 - Risk management,
 - Internal control and Governance;
 - Statement of Accounts; and,
 - Specific issues.
- The co-operation with partner organisation's audit committees, including Health, Police, Fire and Probation Services;
- Comparison against best practice illustrated the Audit Committee's strengths. Best practice factors included: independence, number of Members, number of meetings, co-option, terms of reference, and, skills and training. On each category, the Audit Committee was performing at or above the expected level.

The Audit Committee's annual report for 2012/13 demonstrated that it was an effective organisation that successfully fulfilled its terms of reference and helped to improve the Council's governance arrangements and overall control environment.

Resolved:- (1) That the Annual Report for 2012/13, as now submitted, be approved.

(2) That the Chair present the report to the next appropriate meetings of the Cabinet and Council.

P54. HOUSING RENTS

Consideration was given to a report presented by the Director of Housing and Neighbourhood Services concerning the probable impact of the Government's Welfare Reform on this Council's Housing Revenue Account and, in particular, upon rent arrears.

Rotherham had traditionally achieved high collection rates and, in light of the significant changes planned to Housing Benefit Regulations and the introduction of Universal Credit, had sought to be proactive in working with tenants to help them avoid getting into significant arrears.

The report addressed questions asked by the Audit Committee as follows:-

Were the level of rent arrears increasing?

It was evident that rent arrears had risen but the level of rent increases in the last 2 years had to be taken into account. The debit and associated arrears had increased proportionately to the higher rent roll.

What were the future projects taking into account the impact of the Welfare Reform?

A profiling exercise had been undertaken to look at the effects of the changes in Housing Benefit Legislation relating to under occupation and the introduction of Universal Credit would have on rent arrears in the next 5 years. It had been based on an assumption that tenants coming off Housing Benefit would find budgeting more difficult than the current level of self-payers and that the Government's Universal Credit pilots had reported increased arrears with collection rates falling to 90% and bad debt rising to 10%. It was reasonable to speculate that arrears could increase by £5.1M in 2017/18.

How was any risk of any increase in arrears being managed?

Consideration had been given as to how to advise, inform and assist claimants to ensure they were prepared for the forthcoming changes. Several exercises had been undertaken to ensure that tenants were aware of the changes and where they could get help and support. A wide range of staff had been trained and Call Centre scripts changed.

Consideration was also being given to extending the Downsizing Policy, changes to the Lettings process, additional support for families experiencing debt problems and closer working with Children and Young Peoples Services.

The Income Service was also looking to increase staffing levels to enable the Service to deal with the increases in 2013/14 including provision for Tenancy Support.

Was a Corporate Debt recovery plan followed? Did it need to be revised to reflect the Welfare Reforms?

There was a close working relationship with colleagues in Council Tax and Sundry Debtors but, as the impact of the Welfare Reform progressed, a review of the current procedures would be required. Consideration would also be required to debt recovery and the Evictions Policy.

Resolved:- That the report be noted.

ROTHERHAM BOROUGH COUNCIL - REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	12 June 2013
3.	Title:	Internal Audit Annual Report 2012/13
4.	Directorate:	Environment and Development Services

5. Summary.

This report provides information on the role of Internal Audit, the work undertaken by the Service during the 2012/13 financial year and the Chief Auditor's overall opinion on the Council's control environment. Based upon the work undertaken, I am able to confirm that the Council's control environment for 2012/13 was adequate and operated satisfactorily during the year.

The report also refers to the formal review of the effectiveness of Internal Audit, required to be completed in accordance with the Accounts and Audit Regulations 2011. Internal Audit has maintained high standards and met its performance targets during the year.

6. Recommendations.

The Audit Committee is asked:

- **To note the Internal Audit Annual Report for 2012/13, including confirmation that the Council's control environment was adequate and operated satisfactorily during the year**
- **To confirm there was an effective internal audit in place for 2012/13.**

7. Proposals and Details.

7.1 Internal Audit Annual Report.

It is a requirement of the Public Sector Internal Audit Standards that an annual report is produced by the Head of Internal Audit on the work undertaken by Internal Audit during the year. The report for 2012/13 is attached at **Appendix 1**.

The report shows that Internal Audit's Annual Plan ensured adequate coverage of all mandatory areas and reflected the main risks facing the Council, by being compiled after taking into account:

- Review of Council's risk registers;
- Review of revenue and capital budgets;
- Cumulative audit knowledge and experience of previous work undertaken;
- Review of key plans, reports and press coverage;
- Awareness of priorities identified by the Council's Strategic Directors and Service Directors;
- Knowledge of existing management and control environments, including information relating to any system changes;
- Professional judgement on the risk of fraud or error.

The report shows that audit activity was completed in approximately 78% of the planned auditable areas, including all critical work on fundamental financial systems. Detailed work completed by the team has been reported to the Audit Committee during the year and so details are not repeated here. The report provides a summary of the work done and a flavour of the main issues arising during the year.

The Chief Auditor is able to confirm that the coverage undertaken of the Council's activity by Internal Audit in the past year was sufficient to be able to state, in his opinion, that the Council's control environment for 2012/13 was adequate and operated satisfactorily during the year. This assessment also takes account of the work of the External Auditor and the result of any inspections carried out.

7.2 Review of the Effectiveness of Internal Audit.

The Accounts and Audit Regulations 2011 include a requirement for local authorities to:

"... undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control" Reg 6(3), and:

The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control..." Reg 6(4).

For the 2012/13 financial year the review of the effectiveness of the system of Internal Audit has been informed mainly by:

- The Internal Audit Annual Report;

- Customer satisfaction;
- Comments made by KPMG following its review of Internal Audit work and the Service's compliance with professional standards.

The main features from these are summarised below:

Internal Audit Annual Report

The Annual Report is referred to above and is attached at **Appendix 1**.

The report highlights that Internal Audit has managed to maintain high standards and has met its targets during the year, while making savings required by the Council to help meet its budget challenge.

Customer Satisfaction

Following the conclusion of each audit assignment, a client satisfaction questionnaire is sent to the senior manager responsible for the service area that has been audited. It is pleasing to note that in 2012/13, 100% of 'auditees' returning client satisfaction questionnaires rated the service provided by Internal Audit as good or excellent.

External Audit Review of Internal Audit

In early 2012/13, KPMG reviewed Internal Audit's work in accordance with ISA 610 (International Standard on Auditing "Using the Work of Internal Auditors") to determine whether it could place reliance on our audit of the Council's fundamental financial systems to support its audit of the Council's statutory Statement of Accounts.

KPMG stated: *"We did not identify any significant issues with Internal Audit's work and are pleased to report that we are again able to place full reliance on IA's work on the key financial systems."* KPMG went on to state: *"we saw an improvement in the clarity of internal audit's working papers compared to previous years."*

Following their latest review of internal audit work, KPMG have confirmed that: *"We have reviewed internal audit's work, and found it consistent with the Code of Practice for Internal Audit in Local Government. We were able to rely on their work where we required it, and found their working papers of a good standard."*

Conclusion

It is concluded that:

- Internal Audit has effectively planned its work and has completed sufficient work to be able to provide an opinion to the Audit Committee on the Council's internal control environment;
- Based on the planning and completion of audit work described in the Annual Report, customer feedback and review by external audit, it can be confirmed that there has been an effective internal audit during 2012/13.

The Audit Committee is asked to acknowledge the completion of this formal review and its conclusions.

8. Finance.

There are no direct financial implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Resources Directorate.

9. Risks and Uncertainties.

Failure to deliver an effective internal audit would significantly weaken the Council's internal control arrangements and increase the risk of erroneous and/or irregular activities.

10. Policy and Performance Agenda Implications.

Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives.

11. Background Papers and Consultation.

Public Sector Internal Audit Standards
Accounts and Audit Regulations, 2011
KPMG review of Internal Audit 2010
Benchmarking and survey reports

Contact Names:

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

Appendix 1: Internal Audit Annual Report 2012/13

Environment and Development Services Directorate

Internal Audit Annual Report 2012/13

1. Purpose of the Report.

- 1.1 The purpose of the report is to present the Chief Auditor's overall opinion on the Council's control environment, which supports the Council's Annual Governance Statement (AGS).
- 1.2 The report also fulfils the requirements of the Accounts and Audit (England) Regulations, 2011, for the Council to undertake an annual review of the effectiveness of Internal Audit.

2. Introduction.

- 2.1 The report has been prepared by the Council's Chief Auditor. The aim of the report is to provide information on the role of Internal Audit and the work undertaken during the past year.
- 2.2 It is not the intention of this report to attempt to give detailed information on each of the audits that have been undertaken during the year. Instead, the report provides a summary of the work done and a flavour of the main issues that have arisen.

3. Legislation Surrounding Internal Audit.

- 3.1 Internal Audit is a statutory requirement for all local authorities that emanates from Section 151 of the Local Government Act 1972 and more recently the Accounts and Audit (England) Regulations 2011.
- 3.2 Section 151 of the Local Government Act 1972 requires that every principal local authority shall put in place arrangements for the proper administration of its financial affairs and that an officer be designated responsible for this task. To comply with these requirements the Council, in common with most other authorities, has delegated this statutory responsibility to the Chief Finance Officer who, at Rotherham, is the Director of Financial Services.
- 3.3 The Accounts and Audit (England) Regulations 2011 require that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control, in accordance with the proper practices in relation to internal control. Further, a principal local authority must, at least once in each year, conduct a review of the effectiveness of its internal audit function. At Rotherham, the Director of Audit and Asset Management has responsibility for ensuring the provision of an effective internal audit service. The Chief Auditor is responsible for the operational management of the service.
- 3.4 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced by the Head of Internal Audit on the work

undertaken by Internal Audit during the year. Rotherham's annual report and opinion on the system of internal control is produced by the Chief Auditor.

3.5 Internal Audit is defined by the PSIAS as:-

"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

3.6 In order to fulfil this requirement Internal Audit must have unrestricted coverage and access to all employees, records and assets of the Council. Additionally, it must have unrestricted access to, and the freedom to report to the Chief Executive, the Chief Finance Officer, the Monitoring Officer and Members, particularly the Audit Committee. These operational requirements are included in the Terms of Reference for Internal Audit.

4. Review of the Service.

4.1 External Audit.

In early 2012/13, KPMG reviewed Internal Audit's work in accordance with ISA 610 (International Standard on Auditing "Using the Work of Internal Auditors") to determine whether it could place reliance on our audit of the Council's fundamental financial systems to support its audit of the Council's statutory Statement of Accounts.

KPMG stated: *"We did not identify any significant issues with Internal Audit's work and are pleased to report that we are again able to place full reliance on IA's work on the key financial systems."* KPMG went on to state: *"we saw an improvement in the clarity of internal audit's working papers compared to previous years."*

Following their latest review of internal audit work, KPMG have confirmed that:

"We have reviewed internal audit's work, and found it consistent with the Code of Practice for Internal Audit in Local Government. We were able to rely on their work where we required it, and found their working papers of a good standard."

4.2 Internal Audit Resources.

In order to meet its service objectives Internal Audit has an agreed budget as shown below, along with the 2012/13 service outturn costs:

2012/13 Outturn		2013/14 Budget
£000s		£000s
591	Employees	458
12	Other Expenditure	14
(58)	Income	(52)
<u>545</u>	Net Total	<u>420</u>

During the year, 2 Senior Auditors left the team to pursue their careers elsewhere and the Team's structure was reduced by a 2.5 FTE towards the end of 2012/13. This was necessary to achieve budget savings for the Council. Internal Audit now has an establishment of 10.4 FTE staff and the lowest cost base of any Local Authority Internal Audit function in South Yorkshire and West Yorkshire.

Notwithstanding this, by using a risk based approach and through careful management of its resources, Internal Audit has been able to deliver a satisfactory programme of work and meet its performance targets.

The Chief Auditor is grateful for the effort and commitment shown by the Internal Audit team to achieve a positive outcome in this context.

4.3 Performance Indicators.

A number of performance measures are maintained to review and improve the performance of the Service. Details of the last three years' actual performance and targets for 2013/14 are summarised below:-

Performance Indicator	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Target
Draft reports issued within 15 days of field work completion	90%	94%	93%	94%
% 3 star Recommendations agreed	100%	100%	100%	100%
Chargeable Time / Gross Time	62%	62%	65%	64%
Audits Completed Within Planned Time	93%	94%	93%	95%
Percentage of Audit Plan Completed	84%	84%	78% *	82%
Cost per Chargeable Day	£291	£271	£275	£265
Client Satisfaction Survey	89%	100%	100%	100%

- * Due to the departure of three members of staff, two mid way through the year and one towards the end of the year, it has not been possible to complete the full programme of work as set out in the Audit Plan. However, through the application of a risk based approach it has been possible to deliver a programme of work sufficient to support the Chief Auditor's opinion on the Council's control environment and to meet the requirements of KPMG.

Otherwise this is an excellent set of results.

5. Planning Processes.

5.1 The 2012/13 plan was derived from the following sources:-

- Review of Council's risk registers;
- Review of revenue and capital budgets;
- Cumulative audit knowledge and experience of previous work undertaken;
- Review of Council plans, reports and press coverage;
- Awareness of priorities identified by the Council's Strategic Directors, Service Directors and Audit Committee members;
- Knowledge of existing management and control environments, including information relating to any system changes;
- Professional judgement as to the risk of fraud or error.

5.2 I am pleased to be able to report that I am once again satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient to be able to give an overall opinion on the Council's internal control environment.

6. Reporting Arrangements.

6.1 All audit assignments are subject to formal reporting to management in an appropriate format; this could take the form of a summary memorandum or a formal report. Draft reports are sent to the managers responsible for the area under review to obtain their agreement as to the factual accuracy of findings and the viability of recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to the Service Director of the service under review. Internal Audit has arrangements in place to obtain assurance that all recommendations agreed with management are subsequently implemented. Where any issue of 'fundamental concern' is identified our follow up procedures provide for us to actively revisit that issue to ensure the risk has been adequately mitigated.

6.2 Reports containing significant weaknesses or sensitive issues are copied to the Chief Executive, Director of Financial Services or Director of Legal and Democratic Services as deemed appropriate, dependent on the nature of the issues involved.

7. Summary of Findings from Audit Reviews.

7.1 Internal Audit Opinion

Internal Audit provides an 'opinion' on the control environment for all systems or services which are subject to audit review. An 'inadequate' opinion is given where one or more concerns of a 'fundamental' nature are identified in the area under examination. Where this occurs the issue is drawn to the attention of the Risk and Governance Manager for consideration for inclusion in the Council's Annual Governance Statement. A full list of Planned Audits carried out during 2012/2013 can be found at **Appendix A**.

7.2 Fundamental Financial Systems.

As part of the Annual Audit Plan, Internal Audit undertakes a programme of reviews of the fundamental financial systems of the Council. The work in these areas is examined by the Council's External Auditors, who seek to place reliance on this work to assist their own audit of the Council's statutory Statement of Accounts. This helps to reduce the audit fees paid by the Council to KPMG.

All fundamental systems were found to be sound and operating effectively, as shown in the table below:-

System	Conclusion / Findings
Council Tax	The overall control environment was found to be adequate and operating satisfactorily. No significant weaknesses were identified and no recommendations were made.
NNDR	The overall control environment was found to be adequate and operating satisfactorily. No significant weaknesses were identified and no recommendations were made.
Creditor Payments	The overall control environment was found to be adequate and operating satisfactorily. Recommendations were made to strengthen arrangements including compliance with the Council's ICT policy on password control for accessing systems, retaining evidence of the performance of control account reconciliations and improving procedures to ensure copy invoices are not passed for payment.
Housing and Council Tax Benefits	The overall control environment was found to be adequate and operating satisfactorily. Recommendations have been made to strengthen arrangements for the production and review of exception reports.
Payroll	The overall control environment was found to be adequate and operating satisfactorily. Recommendations were made to strengthen arrangements for processing amendments to pay and ensuring compliance with the Council's ICT policy on password control for accessing systems.
Housing Rents	The overall control environment was found to be adequate and operating satisfactorily. Recommendations were made to review controls around access to systems, verify qualifying years for Right to Buy discount calculations and ensure prompt clearance of the Housing Rents suspense account.
Sundry Debtors	The overall control environment was found to be adequate and operating satisfactorily. A recommendation has been made to ensure that progress made in improving debt recovery by Legal Services continues into 2013/14 and beyond.

7.3 Other Planned Audits With Significant Issues Arising.

Direct Payments.

We reported an overall inadequate opinion in one area during the year. This was relating to the Community Care Direct Payments system. Direct Payments are made to people who have been assessed as needing Social Services support, but who have chosen to arrange their own care instead of receiving this from a local authority provided or commissioned service. The audit highlighted that insufficient checks were being undertaken on how Direct Payments are expended by service users and, as a result, there is an increased risk that the Council could fail to detect instances where monies were not being used on their intended purpose. An Action Plan has been agreed with management that will be monitored closely to ensure improved procedures are implemented.

7.4 Responsive Work.

Approximately 21% of Internal Audit time was used to address issues which arose during the year that had not been provided for in the original Audit Plan. This work can be sub-divided into two categories:-

7.4.1 Investigative work:- This is where some form of non-compliance with Council policies and procedures (Standing Orders/Financial Regulations/Codes of Conduct etc), including potential fraud or other irregularity, is suspected. Investigations of this type are, by their nature, time consuming because of the need for attention to detail and accurate recording on the understanding that the evidence could be used in formal disciplinary hearings or by the Police in any subsequent prosecutions.

7.4.2 Requests for assistance/advice: – There are a number of factors affecting the level of requests for assistance, including:

- Greater awareness within the Council of the need to ensure that systems and procedures are operating in accordance with Council policies and regulations.
- Modernising of systems inevitably leads to change and managers across the Council recognise the value of obtaining Internal Audit advice when implementing change.
- The policy of Internal Audit is to respond positively to requests for advice/assistance on the basis that this should help to ensure that systems and procedures are operating in accordance with Council policies and regulations. It is felt this policy provides an “added value” function corporately to Council services.
- Previous advice and assistance provided by Internal Audit has been appreciated by clients and, therefore, encourages involvement and discussion on any future issues that emerge.

7.4.3 Previous benchmarking exercises have suggested that the Council has a strong overall control environment and as a result appears to have a lower level of reported irregularities than other authorities of a similar size / range of services. Nonetheless, various issues arose during the

year that required audit attention and details of the work carried out and outcomes have been provided in updates given to the Audit Committee during the year. Examples of the type of reviews carried out include:

- Investigations into cash income discrepancies at two community libraries, which resulted in monies being recovered and the resignation of a member of staff.
- Investigation into allegations of favouritism in the awarding contracts for aids and adaptations.
- Investigation into an employee working elsewhere whilst claiming sickness pay from the Council.
- Advice provided regarding framework agreements for construction contracts.
- Provision of information to the Serious Organised Crime Agency in relation to an investigation they were conducting which involved an RMBC employee.
- Investigation of an allegation that a contractor to the Council was manipulating performance data.

8. Management Response to Audit Reports.

8.1 The steps involved in carrying out audits, issuing audit reports and monitoring of management responses are as follows:-

- Audit is carried out and draft report issued.
- Draft report and action plan to address recommendations is discussed and agreed with client.
- Final report and action plan is issued formally.
- Client is asked to respond within 30 days as per Financial Regulations.
- Failure to respond within 6 weeks results in the issuing of reminder(s) and escalation with the Authority's line management structure.
- Where the failure to respond is protracted, a report can be taken to Strategic Leadership Team and Audit Committee.

8.2 Currently there are no significant issues where responses are outstanding or giving cause for concern.

9. Assessment of the Control Environment for Year to 31st March 2013.

9.1 Based upon the audit work undertaken it has been possible to produce a summary assessment of the Council's overall control environment. This assessment takes account also of the work of the External Auditor as reported to the Audit Committee in April 2013.

9.2 Based upon the Internal Audit work undertaken this year, and placing reliance upon the work of the External Auditor, we can confirm that the Council's control environment for 2012/13 was adequate and operated satisfactorily during the year. A small number of items have been highlighted which do cause some Internal Audit concern. These have been brought to management's attention and Internal Audit will continue to monitor management actions to improve these areas. They do not change the overall opinion.

APPENDIX A

Planned Audits 2012/13

Area Audited	Number of Recs Made	Number of Recs Agreed	Variance	Number Of 3 * Recs Made	Number of 3 * Recs Agreed	Opinion Adequate/ Inadequate
<u>Resources Directorate / Corporate</u>						
Annual Governance Statement	1	1	0	0	N/A	Adequate
Bring Your Own Device	1	1	0	0	N/A	Adequate
Disposal of Council Land and Property	7	7	0	0	N/A	Adequate
Public Buildings Repairs and Maintenance Contract Letting Arrangements	2	2	0	0	N/A	Adequate
YORbuild Framework Agreement Call Off Process	9	9	0	0	N/A	Adequate
Building Cleaning Service	5	5	0	0	N/A	Adequate
Use of Council Mobile Phones	8	8	0	0	N/A	Adequate
<u>Children and Young People's Services Directorate</u>						
Wales Primary School	11	11	0	0	N/A	Adequate
Sitwell Junior School	22	22	0	0	N/A	Adequate
Wath Central Primary School	9	9	0	0	N/A	Adequate
Swinton Fitzwilliam Primary School	8	8	0	0	N/A	Adequate
Aston Hall Junior and Infant School	12	12	0	0	N/A	Adequate
Brinsworth Manor Infant School	13	13	0	0	N/A	Adequate
Ravenfield Primary School	10	10	0	0	N/A	Adequate
Greasbrough Primary School	12	12	0	0	N/A	Adequate
Whiston Worrygoose Primary School	4	4	0	0	N/A	Adequate
Laughton All Saints C of E Primary School	7	7	0	0	N/A	Adequate
St. Pius X Catholic High School	7	7	0	0	N/A	Adequate
Hill Top Special School	15	15	0	0	N/A	Adequate
Newman Special School	15	15	0	0	N/A	Adequate
Use of consultants in schools for management of construction contracts	14	14	0	0	N/A	Adequate
Schools Catering Service income collection	8	8	0	0	N/A	Adequate
NEETs Service	6	6	0	0	N/A	Adequate

Area Audited	Number of Recs Made	Number of Recs Agreed	Variance	Number Of 3 * Recs Made	Number of 3 * Recs Agreed	Opinion Adequate/ Inadequate
Children's Residential Homes	9	9	0	0	N/A	Adequate
Thorpe Hesley Infant School	19	19	0	0	N/A	Adequate
Fostering and Residence Order Allowances	3	3	0	0	N/A	Adequate
The Alternative Resource Centre Pupil Referral Unit	7	7	0	0	N/A	Adequate
Riverside Pupil Referral Unit	9	**	**	0	N/A	Adequate
<u>Neighbourhoods and Adult Services Directorate</u>						
District Heating Service	6	6	0	0	N/A	Adequate
Court of Protection	2	2	0	0	N/A	Adequate
Rothercare	4	4	0	0	N/A	Adequate
Community Care Direct Payments	6	6	0	0	N/A	Inadequate
Learning Disability Resource Centres	7	7	0	0	N/A	Adequate
Aids and Adaptations	13	13	0	0	N/A	Adequate
<u>Environment and Development Services Directorate</u>						
Car Parking Income	6	6	0	0	N/A	Adequate
Libraries Service	4	4	0	0	N/A	Adequate
Thrybergh Country Park	14	14	0	0	N/A	Adequate
Streetworks and Enforcement Income	9	9	0	0	N/A	Adequate
Clifton Park Museum and Café	2	2	0	0	N/A	Adequate
Excess Travel Claims	4	4	0	0	N/A	Adequate
<u>Fundamental Financial Systems</u>						
Council Tax	0	0	0	0	N/A	Adequate
Sundry Debtors	2	2	0	0	N/A	Adequate
Creditors	5	**	**	0	N/A	Adequate
Payroll	3	**	**	0	N/A	Adequate
Housing and Council Tax Benefits	3	**	**	0	N/A	Adequate
Housing Rents	3	3	0	0	N/A	Adequate
National Non Domestic Rates	0	0	0	0	N/A	Adequate
<u>Grants</u>						
MARE	N/A	N/A	N/A	N/A	N/A	N/A
LOGASNET	N/A	N/A	N/A	N/A	N/A	N/A
Troubled Families	N/A	N/A	N/A	N/A	N/A	N/A
Bus Service Operators	N/A	N/A	N/A	N/A	N/A	N/A

** Awaiting Reply

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	12 June 2013
3.	Title:	Updated Anti Fraud and Corruption Action Plan
4.	Directorate:	Environment and Development Services

5. Summary

The Council has a good track record for implementing current best practice relating to anti-fraud and corruption.

This report provides an update on progress in implementing our strategy and action plan for managing the risk of fraud. Review of progress shows (a) good practice is being maintained in a large majority of areas, and (b) action is continuing to be taken to update our plans where needed.

The report also provides information on the level of fraud at Rotherham Council. This continues to show, with the exception of benefits fraud, that there is a very low level of fraud identified in the Council, confirming the robustness of the Council's arrangements and the honesty and integrity of the overwhelming majority of staff employed by the Council.

6. Recommendations:

The Audit Committee is asked to:

- **Note the Council's overall good arrangements for managing the risk of fraud.**
- **Support the actions being taken to update relevant parts of the Council's arrangements for managing the risk of fraud.**
- **Acknowledge the results of anti-fraud work in 2012/13.**

7. Proposals and Details

This report refers to an update of the Council's actions plans relating to the prevention and detection of fraud and corruption.

A progress report on the implementation of the action plan was last provided to the Audit Committee in October 2012, when three previous action plans were consolidated into an overall "Anti-Fraud and Corruption Action Plan". The report showed that very good progress was made in implementing the plan and identified some new initiatives for 2012/13.

Important guidance has recently been published in this area:

- The "Fighting Fraud Locally" Strategy document was finally published in October, 2012, by the Home Office.
- "Protecting the Public Purse" was published in November, 2012, by the Audit Commission.

Both these documents have informed the Council's updated Action Plan and Strategy / Policy respectively.

Review of current arrangements and progress

The latest version of the Council's "Anti-Fraud and Corruption Action Plan" can be seen in **Appendix A**. A review of the action points shows continued compliance with good practice and a number of positive actions taken to maintain the Council's position, including:

- Implementation of bribery act requirements into relevant contracts.
- Continued rigorous review of National Fraud Initiative matches, for which the Council has been commended by the Audit Commission.
- Substantial savings achieved through the implementation of Council Tax Single Persons Discount checking and Housing Benefit and Council Tax Benefit Fraud work, totalling nearly £1.3m - see **Appendix B**.
- Strong resources maintained for carrying out Benefits and general fraud investigations.
- Strong networking and information arrangements for identifying any new fraud risk areas or current frauds, and for minimising the risks.
- Appropriate controls for managing risks in current high risk areas including tenancy fraud and recruitment.
- The continued maintenance of a corporate fraud risk register.
- Review of the Council's whistle-blowing policy.
- Review of the maintenance of adequate internal controls while reducing services and changes in structures and processes.
- Information communicated to the Audit Committee and officers about current risks and the Council's arrangements for managing risks.

Actions to be taken over 2013/14 include:

- Reviewing and revising relevant policies to take account of developments such as Bribery legislation including, in particular, Financial Regulations.
- Provision of updates / training as appropriate to Members and officers.

- Reviewing the Council's Anti-fraud Strategy and Policy to reflect the Government's " *Fighting Fraud Locally*" Strategy
- Audit work will be carried out in other highlighted current risk areas, including personal budgets.
- Consideration of further participation in the Audit Commission's new Flexible Matching Service [FMS], as and when this service develops.
- Producing annual publicity highlighting the outcome of fraud work.

Delivery of the updated Action Plan should help ensure our arrangements for managing the risk of fraud continue to comply with best current practice and keep the number and cost of frauds to a minimum.

8. Finance.

There are no direct financial implications arising from this report.

9. Risks and Uncertainties

Failure to refresh the anti fraud and corruption initiatives could expose the Council to increased risks of fraud & corruption as new and emerging risks appear. If adequate procedures are not in place the Council could suffer significant losses and reputational damage if it became victim to any major fraud or corruption.

10. Policy and Performance Agenda Implications

Further implementation of the Anti- Fraud & Corruption Action Plan will contribute towards good governance and support the way the Council does business, by: *"Getting it right first time, reducing bureaucracy, and getting better value for money."*

11. Background Papers and Consultation

Audit Commission – "Protecting the Public Purse"
Home Office – "Fighting Fraud Locally" Strategy

Contact Names:

Colin Earl, Director of Audit and Asset Management, ext 22033
Steve Pearson, Internal Audit Manager, ext 23293

Appendices:

Appendix A	Anti-Fraud and Corruption Action Plan
Appendix B	Summary of fraud detected at Rotherham Council 2012/13

Refs	Action	Status?	Comments	Officer	Target date
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Policy & Strategy					
A2.2	Develop the anti-fraud and corruption strategy to incorporate new Bribery legislation.	In progress	The following key Council documents have been revised: <ul style="list-style-type: none"> The Scheme of Delegation for Members and Officers and Standing Orders was revised and approved by Council in May, 2013. The Council's Code of Conduct for Members was revised and approved by Council in April, 2013. The Council's Policy in respect of the Regulation of Investigatory Powers Act 2000 [RIPA] has been revised to take into account the changes made by the Protection of Freedoms Act 2012. <p>A review of Financial Regulations is in progress following Council restructuring</p>	Director of IA&AM / Director of L&DS	October 2013
B4	Clear, Practical and Accessible Policies and Procedures to be in place.				
C1	Do we have a zero-tolerance policy towards fraud?	Complete	This is clearly stated in the Council's Anti-Fraud & Corruption Strategy & Policy documents.	n/a	Complete
C2	Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	In progress	The publication of the Government's 'Fighting Fraud Locally' strategy document was delayed. Relevant policies and strategies will reflect the strategy when they are next revised.	Director of IA&AM	December 2013

Refs	Action	Status?	Comments	Officer	Target date
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Policy & Strategy

A4.2	The Council's whistle blowing Policy has recently been reviewed and updated	Complete	An effective whistle blowing policy exists which is readily accessible by staff. There are nominated senior officers to lead in whistleblowing cases. The Council's Confidential Reporting Code was revised in May, 2013 by the Director of Legal and Democratic Services and is displayed on the Council's Intranet.	n/a	Complete
C13	Do we have effective whistle blowing arrangements?				

Commitment, Awareness and Promotion

A1.1	Continue to promote the Anti-Fraud and Corruption Strategy, the revised Anti-Fraud and Corruption Policy, and other work to staff / public / Partners.	Complete	The following actions are taken to maximise awareness and encourage commitment: <ul style="list-style-type: none"> • Reports produced / presented to Members • Managers' briefings issued • Publicity on specific cases as appropriate. 	n/a	Complete
C7	Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New and existing staff • Elected members; and • Our contractors? 				
A3.1	Ensure that the Strategic Leadership Team, Standards Committee and Audit Committee endorse the revised Anti Fraud & Corruption Strategy and Policy.	Complete	The Strategy and Policy are always submitted to Audit Committee and Standards Committee for approval. In addition, the Audit Committee is kept up to date on anti-fraud developments e.g. NFI briefing December 2012. The Director of Audit & Asset	n/a	Complete
B2	Top level commitment – establishing a culture across the organisation in which fraud, corruption and bribery are				

Refs	Action	Status?	Comments	Officer	Target date
	unacceptable. Making the message clear and regularly referring to it with staff and partners. A senior officer within the organisation should take the overall responsibility for developing and implementing the programme.		Management has overall responsibility.		
Commitment, Awareness and Promotion					
A3.2	Produce an annual staff newsletter highlighting the outcome of fraud work.	Partially complete	External publicity is made through the Council's Annual Fraud report. A staff article will be produced summarising the level of fraud reported at Rotherham Council, compared with others as appropriate.	Director of IA&AM	Complete December, 2013
A4.1	Internal Audit to produce further managers' briefings following fraud investigations to highlight risks and control measures and to publicise recent Bribery legislation.	Complete	Various briefings and reminders issued	n/a	Complete
Guidance and Training					
A3.3	Refresh the anti-fraud training for Members and Officers, incorporating Bribery legislation.	Scheduled for completion	Training material is being revised to include reference to the provisions of the Bribery legislation Benefits fraud staff have recently delivered a number of tenancy / benefit fraud awareness sessions to Neighbourhood Champions.	Director of IA&AM	March, 2014

Refs	Action	Status?	Comments	Officer	Target date
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Guidance and Training

A3.4	Reintroduce an 'e-learning' fraud and corruption package to incorporate new Bribery legislation.	Scheduled for completion	A new, revised anti-fraud and corruption E-learning module has been developed and will be rolled out with other training material / publicity. A new CIPFA 'E-learning' tool is to be made available to Councils in June, 2013.	Director of IA&AM	March, 2014
B3	Internal Audit will issue guidance to all relevant officers involved in: <ul style="list-style-type: none"> Commissioning and procurement from the private sector Payments made to the voluntary sector Partnerships. Guidance will identify actions to be taken by relevant officers to develop our anti-bribery response.	Scheduled for completion	Some work has been done to Identify & review all business relationships entered into by RMBC. This needs to be completed for all services and contracts.	Director of IA&AM	October 2013

Fraud Risk

A2.1	Produce an up-to-date Corporate Fraud Risk Register.	Complete	Internal Audit has produced a corporate fraud risk register.	n/a	Complete
B1	Risk Assessment – Internal Audit should produce a Corporate Fraud and Corruption [F&C] risk register, including reference to bribery.		Provisional guidance by CIPFA suggests the high risk areas are: 'Gifts & Hospitality, Operational Functions, Contracting & Purchasing, and Use of Consultants'. The Council has robust arrangements in these areas.		

Anti-Fraud and Corruption Action PlanAppendix A

Refs	Action	Status?	Comments	Officer	Target date
C4	Do counter-fraud staff review all the work of our organisation?	Complete	Benefits fraud staff review benefits fraud, whilst IA staff review fraud within the rest of the organisation. The IA Plan is a risk -based plan covering all Council activities and includes emerging risks. Fraud risk areas are subject to a rolling review programme.	n/a	Complete
C5	Do we receive regular reports on fraud risks, action plans and outcomes?	Complete	IA produces reports regularly to the Audit Committee. The IA Plan shows planned work. The IA Annual Report and IA Annual Fraud Report show outcomes.	n/a	Complete
C6	Have we assessed our management of counter-fraud work against good practice?	Complete	Three checklists have been used to show compliance with best practice: the CIPFA Better Governance Forum; "Protecting the Public Purse" [Audit Commission; and "The 6 Principles of Bribery Prevention" [Secretary of State for Justice].	n/a	Complete
Fraud Risk					
C8	Do we work appropriately with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Complete	IA attends the South and West Yorkshire [SWY] regional Chief Auditor and Fraud groups where fraud issues are discussed. IA receives electronic bulletins from various sources e.g. National Anti-Fraud Network [NAFN], and the Audit Commission's National Fraud Initiative [NFI].	n/a	Complete

Refs	Action	Status?	Comments	Officer	Target date
			<p>Regular pro-active fraud intelligence gathering from various sources exists e.g. CIPFA, including a new CIPFA on-line fraud discussion forum.</p> <p>IA and Benefits fraud staff regularly attend specialist fraud seminars.</p>		
C9	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Complete	<p>IA shares knowledge and data (where allowed) through the SWY Fraud group.</p> <p>The Council participates in the NFI.</p>	n/a	Complete
C15	Have we reassessed our fraud risks since the change in the current financial climate?	Complete	<p>IA has carried out an exercise to evaluate internal control following spending cuts.</p> <p>More generally, IA revises its audit plan every 6 months as a minimum. Emerging risks are recorded for potential inclusion in the IA Plan and IA takes account of important fraud publications e.g. the Audit Commission's 'Protecting the Public Purse'.</p>	n/a	Complete
Fraud Risk					
C16	Have we amended our counter-fraud action plan as a result?	Complete	The counter-fraud action plan is kept under constant review and reported 6 monthly to the Audit Committee.	n/a	Complete

Refs	Action	Status?	Comments	Officer	Target date
C17	Have we relocated staff as a result	n/a	Not necessary, as adequately trained and qualified staff exist within IA and the Benefits Fraud team	n/a	n/a
Resources					
C3	Do we have dedicated counter-fraud staff?	Complete	<p>This largely comprises a Benefits Fraud Team and an Internal Audit Division with fraud training.</p> <p>All Benefits fraud staff are qualified for investigating fraud. All IA staff are professionally qualified or hold the accounting technician qualification. A member of IA has obtained the CIPFA Certificate in Investigative Practice.</p> <p>Further counter-fraud work is performed by the Blue Badge Enforcement Team and the Trading Standards Unit.</p>	n/a	Complete
Monitoring & Review					
B5	Embedding anti-bribery in internal controls, recruitment and remuneration policies, operations, communications and training on practical business issues.	Complete	Actions that are being taken on an ongoing basis are reflected in this action plan, and help to embed and demonstrate application of any updated procedures.	n/a	Complete
B6	There is monitoring and review of financial controls that are sensitive to bribery.	Complete	Internal Audit carries out an annual programme of testing which is risk-based.	n/a	Complete

Refs	Action	Status?	Comments	Officer	Target date
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Monitoring & Review

C10	Do we identify areas where our internal controls may not be performing as well as intend? How quickly do we then take action?	Complete	Any weaknesses are shown in the specific IA reports and all areas where significant inadequate controls exist are summarised annually in the IA Annual Report and Annual Governance Statement. IA reports are issued promptly to management containing agreed Action Plans with timescales for compliance.	n/a	Complete
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Other

C11	Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on the matches investigated?	Sheduled for completion	IA has commenced work on NFI 2012/13 matches. IA is currently involved in a pilot exercise involving Direct Payments' claimants. IA regularly monitors the on-line progress reports to ensure all relevant matches are investigated.		December 2013 December 2013
C12	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Complete	A 'Financial Regulations Guidance Note' exists for money laundering. This explains to staff what to do when fraud is suspected. Additionally, IA has issued a "Manager's Briefing Note" in this area.	n/a	Complete

Refs	Action	Status?	Comments	Officer	Target date
C14	Do we have effective fidelity insurance arrangements?	Complete	All staff are covered to the value of £15m. This is in line with other comparable Local Authorities.	n/a	Complete
Current Specific Risks and Issues					
	Housing Tenancy				
C18	Do we take effective action to ensure that social housing is allocated only to those who are eligible?	Complete	The Council reviews the relevant NFI matches in this area. The IA Plan includes work this area. A dedicated whistle blowing 'hotline' for suspected tenancy fraud exists. Cases are investigated by Neighbourhoods staff.	Director of IA and AM	Complete
C19	Do we ensure that social housing is occupied by those who are allocated properties?	Scheduled for completion	As above. Additionally, the IA Plan includes housing tenancy allocation which will cover this.	Director of IA and AM	March, 2014
	Procurement				
C20	Are we satisfied our procurement controls are working as intended?	Complete	Recent IA review concluded controls were adequate. This area is reviewed annually by IA.	Director of IA and AM	Complete
C21	Have we reviewed our contract letting procedures since the investigations by the OFT into cartels and compared them with the best practice?	Complete	Contract terms and conditions were amended in EDS to take account of this.	Director of IA and AM	Complete

Refs	Action	Status?	Comments	Officer	Target date
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	Recruitment				
C22	<p>Are we satisfied our recruitment procedures achieve the following:</p> <ul style="list-style-type: none"> Do they prevent the employment of people working under false identities; Do they confirm employment references effectively; Do they ensure applicants are eligible to work in the UK; and Do they ensure agencies supplying us with staff undertake the checks that we require? 	Complete	<p>Robust procedures are in place and have recently been audited.</p> <p>The NFI matches concerning eligibility to work in the UK are always reviewed.</p>	Director of IA and AM	Complete

Current Specific Risks and Issues

	Personal Budgets				
C23	Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced proper safeguarding arrangements proportionate to risk and in line with recommended good practice?	Partial	IA is currently participating in the Audit Commission's new "NFI Flexible Data Matching Service" covering personal budgets. This service provides high-quality regional results instantaneously.	Director of IA and AM	December, 2013
	Council Tax				
C25	Are we effectively controlling the discounts and allowances we give to council tax payers?	Complete	The Council reviews this as part of the NFI exercise, approximately £200k savings were identified in last NFI.	Director of IA and AM	Completed

Refs	Action	Status?	Comments	Officer	Target date
			Additionally, in 2012/13 £564k Council Tax SPD was identified through a partnership with Northgate.		
	Housing and Council Tax Benefit				
C26	When we tackle housing and council tax benefit fraud do we make full use of: <ul style="list-style-type: none"> • The National Fraud Initiative [NFI]; • Department for Work and Pensions; Housing Benefit Matching Service; • Internal data matching; and • Private sector data matching? 	On-going	IA fully utilises the NFI and the Benefits Fraud Team make full use of the Housing Benefit Matching Service. £717k fraud was identified in 2012/13.	Director of IA and AM	Continuous

Note for references:

A = RMBC former Anti-Fraud and Corruption Action Plan

B = Bribery Act Action Plan

C = Audit Commission 'Protecting the Public Purse' Action Plan

Director of IA&AM= Director of Internal Audit & Asset Management

Director of L&DS = Director of Legal and Democratic Services

Appendix B

Audit Commission fraud and corruption survey

2012/13

Fraud detected in RMBC

<u>Type of fraud</u>	<u>Total</u>		<u>Cases involving employees or Councillors</u>	
	<u>Numbers</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
Housing benefit and council tax benefit fraud	331	717,930	1	2976
Council Tax SPD fraud	1954	563,915	No	No
Procurement fraud	1	3,500	No	No
Economic and third sector support fraud [false payment of grants, loans etc to any 3rd party]	1	1,200	No	No
Payroll and employee contract fulfilment fraud	5	NR		
Other fraud - employees / public	2	1,784	1	1206
Blue Badge	13	n/a		
Fraud and Corruption Prosecutions	29	n/a	1	n/a
Frauds over £10,000 and all incidents of corruption [included within the above data]	8	n/a	No	No
Total value of fraud detected	2,307	1,288,329		

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE
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1.	Meeting:	Audit Committee
2.	Date:	12 June 2013
3.	Title:	Draft Annual Governance Statement 2012/13
4.	Directorate:	Environment & Development Services

5 Summary:

The attached draft Annual Governance Statement for 2012/13 outlines the Council's view of the application of good governance standards in Rotherham MBC.

The approach to the completion of the Statement has once again included the certification of statements of assurance by Cabinet Members and senior management. The process has, however, been expanded and improved this year, involving Cabinet Members and senior management recording key issues considered during the year. This change is a positive one and is in line with current good practice and a recommendation of the Audit Committee. It enables the Council to show many significant issues it has faced during the course of the year and shows that the issues have been addressed effectively and without any significant weakness in governance.

The overall position is positive, with very good progress being made on the significant issues raised in last year's Statement and no new issues have arisen this year.

Recommended practice requires the Leader of the Council and the Chief Executive to sign the statement, prior to its publication with the Statement of Accounts, in September 2013.

6 Recommendations

The Audit Committee is asked:

- **To approve the 2012/13 draft Annual Governance Statement**
- **To note the requirement for the Leader and the Chief Executive to sign the statement prior to the publication of the Council's accounts.**

7 Proposals and Details

7.1 General principles

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal control in place, which facilitate the effective exercise of the Council's functions and which include arrangements for the management of risk.

The Accounts and Audit Regulations 2011 require local authorities to:

“conduct a review at least once in a year of the effectiveness of its system of internal control” (Reg 4(2)), and

“following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control” (Reg 4(3)).

The Audit Committee is delegated by the Council to approve the Annual Governance Statement (AGS).

‘Proper practice’ requires the Leader and the Chief Executive to sign the statement to confirm their satisfaction with the governance framework and the procedures for reviewing it, and their acceptance of the significant issues highlighted in the statement, along with actions for tackling the issues raised. This should be done after the approval of the Statement and prior to its publication.

The approved and certified AGS must be published alongside the Council's accounts in September 2013.

7.2 Structure of the Annual Governance Statement

The draft AGS is attached to this report at **Appendix A**. The format used is in line with proper practice as set out by CIPFA. There are 5 sections:

- Section 1: Scope of the Council's responsibility
- Section 2: Purpose of the Governance Framework
- Section 3: The Council's Governance Framework which identifies the governance arrangements in place at the Council
- Section 4: Review of effectiveness. This looks at the process that has been applied in maintaining and reviewing the effectiveness of the governance framework
- Section 5: Significant governance issues. These are the main issues that require improving.

Sections 1 and 2 are standard and replicate the CIPFA 'model' AGS. Section 3 highlights the governance arrangements in place at Rotherham and Section 4 comments on how the arrangements have operated during the year. Section 5 provides an update on the items from the 2011/12 AGS that merited additional assurances and comments on the conclusions of the 2012/13 review of internal control. The Audit Committee's attention is drawn particularly to Section 5 of the AGS.

7.3 Process for completion

The AGS outlines the Council's view of the application of good governance and internal control in Rotherham MBC in 2012/13 and up to the date of the signing of the statement.

The approach to completing the AGS has once again included the certification of statements of assurance by Cabinet Members and senior management. The process has been expanded and improved this year, involving Cabinet Members and senior management recording key issues considered during the year. This is in line with current good practice and a recommendation of the Audit Committee.

In common with recent years and recommended practice, the draft AGS is being presented to the Audit Committee to enable the Committee to carry out a review of the Statement and supporting evidence, including Cabinet Members' and senior officers' statements of assurance, prior to the Statement being signed by the Leader and Chief Executive.

Members' and officers' certificates will be available for the Audit Committee to review during its meeting, but key issues recorded on the certificates are as follows:

- Cabinet endorsed the Council's constitution, which sets down the way in which the Council manages its business in accordance with good governance.
- The Council expects to deliver its budget for 2012/13 by carefully managing spending against budgets.
- The Council has set a balanced budget for 2013/14 after identifying budget reductions while minimising the impact on service provision.
- The Council effectively manages its capital programme, including capital receipts, to deliver priority projects for the benefit of its communities.
- The Council has in place strong arrangements for managing risks. Cabinet reviewed reports relating to the corporate risk register on a regular basis during the year. All other reports presented to Cabinet highlight risks and their mitigation.
- All councillors participate in training and personal development activities to keep up to date with important developments, including relating to governance arrangements, and to ensure they can remain effective in carrying out their role.

- All councillors recognise their corporate parenting responsibilities and ensure, where relevant, any decisions consider the implications for residents who rely on the Council fulfilling its responsibility.
- Pressure on Children's Services spending is expected to be contained within the overall Council budget provision. Work is being done to bring Children's Services spending closer into line with its budget.
- Cabinet considered reports relating to the position of Digital Region Ltd and the Council's management of its commitments relating to the Company.
- Cabinet considered reports on the Government's policies relating to Welfare Reforms, localised business rates, council tax discounts and social fund and the Council's response which is designed to minimise any adverse impact on residents, businesses and the Council.
- The implications of the Government's policy relating to a reduction in benefits for under-occupancy of council housing were considered along with the Council's response which is designed to minimise any adverse impact on tenants.
- The revised funding regime for council housing has been considered, including implications for funding council housing provision.
- The implications for the provision of universal education of the creation of academies was considered along with the Council's response, designed to ensure all pupils could continue to receive a high standard of education irrespective of the service provider.
- The Council conducted a proper and effective review of Libraries Services, leading to focused and tailored provision taking into account funding limitations imposed on the Council.
- The transfer of Public Health services from the NHS into the Council has been completed successfully and a Public Health strategy has been agreed by the Council and its partners. Arrangements are in place for monitoring and ensuring progress.
- The Council continues to consider the implications of wider NHS reforms on its key partnerships with the NHS locally, with a view to maintaining a strategic approach to the provision of health and social care and ensuring local residents have access to relevant care when they need it.
- The Council agreed a major waste management contract in partnership with Doncaster and Barnsley Councils.
- The Council has produced a local plan and core strategy in accordance with Government requirements.
- The Council has continued to support the Waverley Development and ensure the development complies with all relevant planning and development requirements.

7.4 Significant governance issues

The overall position is good, with the review confirming that the Council has appropriate internal control arrangements in place and that the arrangements were found to be operating satisfactorily during 2012/13.

Considerable progress has been made on significant issues raised in recent years' Statements (see items below).

Swinton Community School

Swinton Community School had accumulated a deficit of over £876,000 at 31 March 2011.

Following a collective approach to the management of the situation involving the School, the Council's Financial Services function and the Children and Young People Services Directorate, the School has made substantial progress and anticipates achieving a balanced position for the 2013/14 financial year.

2010 Rotherham Ltd

Legacy financial issues relating to the former ALMO have all now been fully resolved. A positive financial outcome has been achieved for the Housing Revenue Account in 2012/13.

Children and Young People's Services

There continues to be significant financial pressure on Children's Services. Investment in placement services and improved commissioning of contracts has resulted in significant cost avoidance.

There continues to be a focus on the move towards a more cost-effective prevention and early intervention approach which should achieve further cost reductions in to the longer term.

Health and Wellbeing

During 2011/12 two of the Council's establishments – Treefields Resource Centre and Quarry Hill Resource Centre - had some areas of non-compliance with the Care Quality Commission's (CQC) standards. As a consequence, they were subject to improvement plans and the requirement to be re-inspected by the CQC.

They were re-inspected in 2012/13 and both were deemed to be fully compliant with the CQC's standards. The CQC reports are available for public inspection via the CQC website.

Following the review of arrangements during 2012/13 and any issues arising, no further significant weaknesses have been added this year.

7.5 Review and monitoring

The Audit Committee will monitor progress on actions to improve areas included in the 2012/13 statement and will review the effectiveness of governance arrangements during 2013/14.

8 Finance

There are no direct financial implications. Any financial implications arising from any future development of internal controls would feature in subsequent reports to Members.

9 Risks & Uncertainties

Failure to apply sound internal controls and good governance places the Council at greater risk of fraud and/or error. The Council could also suffer significant reputation damage caused by any actual incidences arising out of weaknesses in its arrangements.

Failure to produce an Annual Governance Statement would leave the Council subject to criticism by the external auditor and potential action by the Department for Communities and Local Government.

10 Policy & Performance Agenda Implications

Good Governance is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11 Background and Consultation

This report has been informed by the views of the Chief Executive, Strategic Directors, Service Directors and the External Auditor.

Following consideration and agreement by the Audit Committee, the Chief Executive and the Council's Leader will be asked to sign the statement before its publication in September 2013.

Contact Names:

Colin Earl, Director of Audit and Asset Management, Ext 22033

Andrew Shaw, Insurance and Risk Manager, Ext 22088

Appendix A

Annual Governance Statement 2012/13

APPENDIX A

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2012/13

1 SCOPE OF RESPONSIBILITY

Rotherham Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rotherham Metropolitan Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rotherham Metropolitan Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:

<http://intranet.rotherhamconnect.com/C6/Risk%20Management/Strategic%20Documents/CIPFA-SOLACE%20Delivering%20Good%20Governance%20Framework.pdf>

This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the

risks to the achievement of Rotherham Metropolitan Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rotherham Metropolitan Borough Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts

3 THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The Council keeps up to date its corporate plan and strategy which set out what the priorities will be for the borough and how the Council aims to contribute to these.

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners including local businesses, South Yorkshire Police, Voluntary & Community Sectors, and the Health Service.

3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements

The Council periodically updates its vision, objectives and performance targets. Progress on key priorities is monitored and reported to Members on a regular basis.

3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

The Council's performance management and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS).

The Council's performance management system is linked to corporate priorities and reports are aligned to corporate plan priorities.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council operates what is known as the "strong leader" model of local government following changes arising from the Local Government and Public Involvement in Health Act 2007.

The Council's Constitution sets out how the Council operates regarding how decisions are made and the procedures that are followed to ensure that these

are efficient, transparent and accountable to local people. The Constitution sets out the basic rules governing the manner in which the Council conducts its business.

The Constitution includes a Scheme of Delegation whereby functions and decision-making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards and committees and officers.

The Council has a Member/officer protocol which has been provided to all Members of the Council and forms an appendix to the Officer Code of Conduct. The protocol encourages the effective transaction of business by setting out the respective roles of Members and officers and guidelines for good working relationships between them.

The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet, and Chief Officers under their delegated powers.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behavior for members and staff

The Localism Act abolishes the requirement for councils to have a statutory standards committee, although it is still a statutory requirement to have a code of conduct for councillors, the only stipulations being that the code when viewed as a whole must comply with the seven principles of public life (the Nolan Committee principles) and contain appropriate provisions in relation to pecuniary and non-pecuniary interests.

The Council has resolved to have a voluntary standards committee to replace its statutory standards committee when the standards provisions in the new Act come into force, and its standards arrangements are currently being reviewed in light of the changes made by the Act.

The Council's current statutory Standards Committee comprises of Councillors, Parish Council Representatives and Independent Members. It is cross-party and has 18 members comprising of:

- 8 Councillors (6 Labour and 2 Conservative)
- 5 Independent Members
- 5 Parish Council Representatives

3.6 Reviewing and updating Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The financial management of the Council is conducted in accordance with the rules set out in the Constitution, Standing Orders and Financial Regulations. The Council has designated the Director of Financial Services as the officer responsible for the proper administration of the Council's financial affairs in

accordance with Section 151 of the Local Government Act 1972.

The Council has in place a 3-year Medium Term Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

The Council is required to set a budget in line with its objectives which is both balanced and sustainable, and takes account of advice given by the Director of Financial Services on the appropriateness of the level of the Council's reserves following an assessment of the risks inherent within the proposed budget. Once the budget has been agreed each service area monitors and manages its spending and income to remain within the allocated budget.

Asset management planning optimizes the utilization of assets in terms of service benefits and financial return.

The Council has a robust system for identifying, evaluating and managing all significant risks. The Council maintains and reviews a register of its corporate business risks linking them to strategic objectives and assigning ownership for each risk. All service plans identify risks which service directors are actively managing.

3.7 Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Council's Chief Financial Officer:

- Is a key member of Leadership team, helping it to develop and implement strategy and resource to deliver the Council's strategic objectives sustainably and in the public interest
- Is actively involved in and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the Council's financial strategy
- Leads the promotion and delivery by the whole organization of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- Leads and directs the finance function that is resourced to be fit for purpose
- Is professionally qualified and suitably experienced.

3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council's Audit Committee provides independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment. The Audit Committee also oversees the financial reporting process and provides independent scrutiny of the Council's financial and non-financial performance.

3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council has designated the Director of Legal and Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations.

All reports to Cabinet requiring decisions take account of a range of control factors including risks and uncertainties, financial implications, and policy and performance implications.

3.10 Whistle-blowing and for receiving and investigating complaints from the public

The Council has a Confidential Reporting code for staff and a comprehensive Complaints Procedure.

3.11 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme. Individuals' targets are derived from service and team plans.

Induction courses and e-learning packages are available for new Members and officers. A comprehensive programme of development activities (including induction) and training are specifically designed to improve the knowledge, skills and abilities of elected Members in their individual or collective roles in meeting the Council's corporate objectives. The programme is also designed to ensure that all Members are fully supported to carry out their increasingly complex roles. Members' individual development needs are identified in personal development plans.

A Programme of seminars is run each year on topical governance issues for both Members and officers.

3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council entered into a range of public consultation exercises in developing the vision for Rotherham. The Corporate Plan reflects important issues identified by local communities.

Rotherham's Communications and Marketing Strategy is aimed at ensuring that citizens link continuous service improvements with the Council's core and associated brands, leading to increased satisfaction rates and enhanced reputation.

3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

The Council has issued comprehensive guidance to Directors covering expected good practice in respect of managing the four key areas of Partnerships risk:

- Governance Arrangements
- Financial Management Arrangements
- Performance Management Arrangements
- Ethical Arrangements

4 REVIEW OF EFFECTIVENESS

Rotherham Metropolitan Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers within the authority who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below in relation to the role of:

4.1 The Strategic Leadership Team

The Council's Strategic Leadership Team (SLT), chaired by the Chief Executive, is responsible for putting in place corporate governance arrangements that will safeguard the Council's financial transaction, its assets and its reputation.

SLT reviews all key reports before they are presented to Members, including many of the reports listed below, to ensure the Council's standards, policies and procedures are complied with.

4.2 The Executive (Council / Cabinet)

Cabinet has continued to update the Corporate Plan and the Council's Policy Framework is reviewed annually.

Cabinet received regular Revenue and Capital Budget Monitoring Reports throughout the financial year. The Council responded positively to the Credit Crunch and the Economic Downturn, including making budget provision to support the response.

Cabinet receives regular progress reports on the implementation of the Local Development Framework, which that is a key driver to delivering sustainable development.

During 2012/13 the Cabinet considered and reviewed the following good governance related issues:

<p>Vision / Strategy:</p> <ul style="list-style-type: none"> • Amendments to the Scheme of Delegation • Publication Core Strategy • Update on the Sheffield City Region Local Enterprise Partnership LEP • Public Health Functions of RMBC • The Localisation of Business Rates – Statement of Intent May 2012 • Discharge of Homelessness Statutory Duty • Localisation of Support for Council Tax (Council Tax Benefit) and Council Tax Technical Changes • Interim Waste Management Contract with Sterecycle • Public Health Contracts • Groundwork Trusts/ Groundwork Trusts Panel • Housing Strategy • Rotherham's Joint Health and Wellbeing Strategy • Local Plan Next Steps • Focused Changes to Rotherham's Core Strategy • Rotherham's Strategic Tenancy Policy • Housing Rent Increase 2013/14 • Sheffield Region Combined Authority • Health Protection and Local Government • Healthcare Public Support to Rotherham Care Commissioning Group 2012-15 • Local Welfare Provision – Fund for Change • Digital Region • Council Tax Discretionary Relief Policy 13A(1)(C) <p>Corporate Governance :</p> <ul style="list-style-type: none"> • Localism Act 2011 and Code of Conduct for Members and Co-opted Members • Localism Act 2011 and Standards Regime • Welfare and Benefits Reform • Annual Governance Statement • Supporting People Programme – Proposed Governance Arrangements <p>Commissioning / Procurement :</p> <ul style="list-style-type: none"> • Maltby Academy – Procurement of Maltby Academy Capital Project 	<p>Financial Management :</p> <ul style="list-style-type: none"> • Capital Receipts Update • Capital Programme Outturn 2011/12 and Updated Estimates 2012/13 to 2014/15 • Revenue Account Outturn 2011/12 • CYPS Budget 2012/13 • Delegation of Power – Revenues • Budget Setting Process – Report of Self-Regulation Budget Sub-Group • Revenue Budget Monitoring • Capital Programme Monitoring 2012/13 and Capital Programme Budget 2013/14 to 2014/15 • EU Funding and Priorities for the 2014-20 Programme • NNDR1 Return • Treasury Management Strategy & Prudential Indicators 2013/14 • RBT Liquidation • Award of Insurance Contracts <p>Inspections / Reviews :</p> <ul style="list-style-type: none"> • Health Inequalities Scrutiny Review BMI>50 • Scrutiny Review Regeneration Funding and Neighbourhoods Renewal • Discretionary Rate Relief Review • Review of the Library and Information Service • Local Development Framework Spotlight Review • Sheffield Region Governance Review • Review of Enabling Service • Scrutiny Review – Role of School Governors • Ofsted Inspection of Local Authority Arrangements for the Protection of Children • Scrutiny Review of Continuing Healthcare • Scrutiny Reviews of RMBC'S District Heating Schemes • No Stone Unturned in Pursuit of Growth – The Heseltine Review • Scrutiny Review – Fuel Poverty • Celebratory Services – Relocation and Fees Review • Magna Trust Loan Request <p>Risk Management :</p> <ul style="list-style-type: none"> • Corporate Risk Register <p>Internal Audit :</p> <ul style="list-style-type: none"> • Audit Committee Annual Report 2011/13
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Performance Management : <ul style="list-style-type: none"> Members Training and Development Panel 	
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4.3 The Audit Committee

During 2012/13 the Audit Committee provided independent assurance about the following good governance related issues:

Internal Control, Corporate Governance & Risk Management : <ul style="list-style-type: none"> Annual Fraud Report Risk Management Update Localism Act Update Managing the Risk of Fraud – Anti Fraud and Corruption Arrangements /Strategy Anti-Fraud and Corruption Action Plan Corporate Risk Register Annual Governance Statement Transfer of Public Health Services to the Council – Risk and Risk Management Arrangements Risk Management and Mitigation in the Housing Revenue Account 30 Year Business Plan Welfare Reform Impact on Rotherham Annual Review – Insurance and Risk Management Performance Internal Audit : <ul style="list-style-type: none"> Audit Committee Work Plan Audit Committee Annual Audit Report Internal Audit Annual Report Audit Commission - National Fraud Initiative – Review and Developments Audit and Inspection Recommendations Update Report Internal Audit Progress Report 	Financial Management : <ul style="list-style-type: none"> Treasury Management Report, Actual Prudential Indicators/ and Investment Strategy Mid-Year Treasury Management Report Prudential Indicators Final Accounts Closedown Statement of Accounts Budget Settlement External Audit : <ul style="list-style-type: none"> KPMG Annual Audit Letter KPMG External Audit Plan KPMG Grants Report KPMG Interim External Audit Report External Auditor's Annual Governance Report External Audit Fees Letter
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4.4 Overview and Scrutiny Management Board

During 2012/13 the Overview and Scrutiny Management Board considered and reviewed the following good governance related issues:

Vision / Strategy : <ul style="list-style-type: none"> Scrutiny and Health Reforms Preparing Overview and Scrutiny for the “New Localism” 	Performance Management : <ul style="list-style-type: none"> Safer Rotherham Partnership – Performance Update
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<ul style="list-style-type: none"> • Scrutiny Review – Winter Weather • Scrutiny Review – Private Rented Sector in Rotherham • Scrutiny Annual Report • Learning Lessons from Serious Case Reviews • Scrutiny Review of the Council's Budget Setting Process • Sheffield City Region Combined Authority <p>Corporate Governance :</p> <ul style="list-style-type: none"> • Localism Act 2011 • Housing Benefit Reform • Legislative Programme 2012/13 <p>Communications and Engagement :</p> <ul style="list-style-type: none"> • Equality Act • Scrutiny Review of Regeneration Funding and Neighbourhoods Renewal 	<p>Financial Management :</p> <ul style="list-style-type: none"> • Economic Downturn • Fuel Poverty – Review of Fuel Poverty • Department for Education Consultation – Improving Assurance System for Financial Management in Local Authority Maintained Schools • Department for Education Consultation on Reform of Alternative Provision and School Funding Reform • Budget Report from the Self-Regulation Select Commission • Revenue Budget and Council Tax Setting 2013/14 <p>Risk Management :</p> <ul style="list-style-type: none"> • Corporate Risk Register • Draft Local Flood Risk Management Strategy for Rotherham
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4.5 The Standards Committee

During the last year the Standards Committee considered and reviewed the following good governance related issues:

<p>Corporate Governance :</p> <ul style="list-style-type: none"> • Localism Act and Standards Regime • Revised Code of Conduct/ Amendments to Code of Conduct • Monitoring Officer Update – Ballot of Parish Councils, Dispensations and the report of the Committee on Standards in Public Life, Standards Matter/Referral of matters under the Code of Conduct 	<p>Capacity and Capability :</p> <ul style="list-style-type: none"> • Draft Report on the Standards Regime
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4.6 Internal Audit

During 2012/13 Internal Audit reviewed all the Council's main financial systems, i.e. Council Tax; Business Rates; Creditors; Debtors; Payroll; Housing and Council Tax Benefits; Housing Rents. Internal Audit concluded that the overall control environment was satisfactory in all of these systems.

An overall inadequate opinion in one area was reported during the period. This was relating to the Community Care Direct Payments system. Direct Payments are made to people who have been assessed as needing Social Services support, but who have chosen to arrange their own care instead of receiving this from a local authority provided or commissioned service. The audit highlighted that insufficient checks were being undertaken on the usage of Direct Payments

and, as a result, there is an increased risk that the Council could fail to detect instances where monies were not being used on their intended purpose. An Action Plan has been agreed with management that will be monitored closely to ensure improved procedures are implemented.

4.7 External Audit (and other external review / assurance mechanisms)

KPMG carried out an interim audit and highlighted only one process weakness regarding control over access to systems to the Audit Committee.

KPMG has still to complete its audit of the Council's accounts.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Follow up on the 2011/12 significant governance issues

The 2011/12 AGS highlighted three significant issues remaining from earlier years that merited further assurances, plus one new issue. Considerable progress has been made in these areas during 2012/13, as follows:

Swinton Community School

Swinton Community School had accumulated a deficit of over £876,000 at 31 March 2011.

Following a collective approach to the management of the situation involving the School, the Council's Financial Services function and the Children and Young People Services Directorate, the School has made substantial progress and anticipates achieving a balanced position for the 2013/14 financial year.

2010 Rotherham Ltd

Legacy financial issues relating to the former ALMO have all now been fully resolved. A positive financial outcome has been achieved for the Housing Revenue Account in 2012/13.

Children and Young People's Services

There continues to be significant financial pressure on Children's Services. Investment in placement services and improved commissioning of contracts has resulted in significant cost avoidance.

There continues to be a focus on the move towards a more cost-effective prevention and early intervention approach which should achieve further cost reductions in to the longer term.

Health and Wellbeing

During 2011/12 two of the Council's establishments – Treefields Resource Centre and Quarry Hill Resource Centre - had some areas of non-compliance with the Care Quality Commission's (CQC) standards. As a consequence, they

were subject to improvement plans and the requirement to be re-inspected by the CQC.

They were re-inspected in 2012/13 and both were deemed to be fully compliant with the CQC's standards. The CQC reports are available for public inspection via the CQC website.

5.2 Review of arrangements 2012/13

Following the review of arrangements during 2012/13 and any issues arising, no further significant weaknesses have been added this year.

6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT

We are satisfied that this Annual Governance Statement fairly reflects the governance arrangements in place at Rotherham Council and the operation of the arrangements during the year.

We are satisfied that there are no significant weaknesses to be reported in the Statement.

Signed
Councillor Roger Stone, Leader, Rotherham Metropolitan Borough Council

Signed
Martin Kimber, Chief Executive, Rotherham Metropolitan Borough Council