

**You are hereby summoned to a meeting of the Audit Committee
to be held on:-**

**Date:- Tuesday, 5 May 2015 Venue:- Town Hall, Moorgate Street,
Rotherham. S60 2TH**
Time:- 4.00 p.m.

AUDIT COMMITTEE AGENDA

1. To consider whether the press and public should be excluded from the meeting during consideration of any part of the agenda.
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 11th March, 2015 (Pages 1 - 4)
4. Internal Audit Annual Report 2014/15 (Pages 5 - 24)
5. External Auditor's Final Annual Audit Letter 2013/14 (Pages 25 - 34)
6. Internal Audit Plan 2015/16 (Pages 35 - 73)

**AUDIT COMMITTEE
11th March, 2015**

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

Apologies for absence:- Apologies were received from Councillor Rushforth.

N34. MINUTES OF THE PREVIOUS MEETING HELD ON 18TH FEBRUARY, 2015

The minutes of the previous meeting of the Audit Committee held on 18th February, 2015, were discussed.

Resolved:- That the minutes of the previous meeting be accepted as a correct record.

N35. EXTERNAL AUDITOR'S VALUE FOR MONEY CONCLUSION 2013/14

Further to Minute No. 22 of 19th November, 2014, Stuart Booth, Interim Strategic Director, Resources and Transformation, reported that KPMG had now considered the findings of the OFSTED inspection into Children's Services, the Independent Inquiry into Child Sexual Exploitation and the recently published Corporate Governance Inspection.

They had concluded that the Council had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2014 and, therefore, issued an adverse Value For Money Conclusion.

Rashpal Khangura, KPMG, reported that, having considered the findings and conclusions of the 3 inspections together with their audit evidence, they were satisfied that it provided evidence that key elements of the Authority's corporate governance arrangements were not operating to challenge how it secured economy, efficiency and effectiveness in its use of resources.

In terms of implications going forward, KPMG would now complete the initial risk assessment for the 2014/15 Value for Money. The governance issues identified in the DCLG report would be taken into consideration and whether those arrangements had changed. KPMG would then need to be satisfied that there were effective arrangements in place to provide an unqualified conclusion.

The deadline to informally produce the Value For Money conclusion was September. Planning work would be undertaken in April with key officers and the Commissioners to understand what the processes were in terms of how the organisation had changed, develop Key Lines of Enquiry etc..

Discussion ensued with the following issues raised/highlighted:-

- The work of Internal Audit
- Interim Audit Letter
- Inspections going forward and the progress against the Improvement Plan

The Committee also considered a report setting out the statutory responsibilities of KPMG in their capacity as External Auditors and identifying what their approach was to issues raised that fell outside their responsibilities.

Resolved:- That the Value For Money conclusion reached by KPMG in respect of 2013/14 be noted.

N36. CLOSURE OF ACCOUNTS 2014-15

Simon Tompkins, Finance Manager, reported on the changes to accounting standards and disclosure requirements that had taken place during 2014/15 together with their effect on the Council's accounting policies. It also highlighted the steps being taken to achieve earlier closure in response to the Government's stated intention of bringing forward the Local Government Reporting Timetable in 2017/18 whilst still maintaining high quality Financial Statements that were fully compliant with the Code of Practice on Local Authority Accounting (the Code).

Local Authority accounting operated in a dynamic environment which was subject to ongoing changes to accounting standards and legislative requirements which impacted on local government financial reporting. It was important that the Council continued to respond to the changes promptly and effectively to ensure that the financial information used by management and stakeholders represented the Council's true financial position.

The Government had signalled its intention to bring forward the date by which the Council's annual Statement of Accounts must be prepared and published. Current Regulations required unaudited accounts to be prepared by 30th June and audited accounts to be published by 30th September. New regulations which were likely to be laid in 2015 were expected to bring the dates forward to 31st May and 31st July respectively. The new Regulations were expected to come into effect for the 2017/18 financial year but authorities were being strongly encouraged to bring about the transition earlier so they were fully geared up in advance of the change.

Accordingly, the 2014/15 closedown timetable had been designed to carry out procedures previously undertaken at year end in year wherever possible and to review and re-engineer year end processes where necessary to achieve a quicker closedown.

The other key changes in 2014/15 and action taken to address them were set out in Appendices 1 and 2 of the report submitted.

Prior to 2010/11 the Accounts and Audit Regulations had required that the unaudited Financial Statements be approved by Members by 30th June and the audited Financial Statements by 30th September. The Accounts and Audit Regulations 2011 removed the requirement for members to formally approve the unaudited Financial Statements. The Audit Committee had agreed that, in order to maintain strong governance over financial reporting, it would receive the unaudited Financial Statements for information after they had been authorised and release for publication. Accordingly, the unaudited Financial Statement must be authorised for publication by the Interim Strategic Director of Resources and Transformation by 30th June, 2014, presented to the July Audit Committee and the audited 2014/15 Financial Statements submitted to the September meeting for formal approval following presentation of KPMG's ISA 260 report.

Discussion ensued on the new Regulations and the implications of bringing forward the requirement to produced unaudited accounts by 31st May with the following raised/highlighted:-

- The Authority was currently on course to achieve the new deadline
- Earlier closure was being achieved by bringing work forward in year and by greater use of estimation techniques. This has required cultural change as well as procedural
- The increased use of estimation has introduced a greater element of risk of misstatement but this was being mitigated through quality assurance being undertaken by Finance teams on information before it was provided to the Central Team and further checks by the Central Team on its receipt. This should ensure the high standard of previous years was maintained and prevent material misstatements occurring in the accounts presented for audit
- Any errors identified by KPMG above a certain level that did arise would be submitted to the Committee for consideration

Resolved:- (1) That the changes to the Council's accounting policies be noted.

(2) That the requirement for the Audit Committee to formally approve the audited 2014/15 Financial Statements at the September meeting be noted.

(3) That the unaudited Financial Statements be submitted to the July meeting.

N37. ANNUAL REVIEW - INSURANCE AND RISK MANAGEMENT PERFORMANCE

Further to Minute No. 20 of the meeting of the Audit Committee held on 18th December, 2013, consideration was given to a report presented by Colin Earl, Director of Transformation, which set out details of the numbers and cost of insurance claims made against the Council.

It was noted that the Council continued to have a very good and improving record in most areas. Proactive Risk Management measures were helping to reduce the number of claims made against the Council and effective monitoring and inspection systems were enabling the Council to successfully defend many claims that were received.

The report highlighted areas where risk management action was helping to achieve the greatest savings in support of the Council's Medium Term Financial Strategy.

Reference was made to the summary of claims received by the Council over the past ten years, relating to the five main areas of insurance risk

On average, the Council had paid £1.52m per year on insurance claims over the last ten years. The need to continue to invest in reducing the costs of accidents via improved management systems, work environment and training could not be overstated.

Following discussions which commenced in 2012, agreement was reached with the South Yorkshire Passenger Transport Executive that with effect from 1st April, 2015, their insurance claims would be handed by the Governance Section. Whilst the income generated was comparatively modest it illustrated that the Governance Section was capable of leading services for other organisations and of the confidence of others in the Authority's service.

The Committee welcomed this report and the work taking place to improve performance. It was also noted that consideration was being given to promoting the work of the Governance Section to outside bodies.

Resolved:- (1) That the generally very good performance in relation to the management of risk and minimisation of insurance claims costs be noted.

(2) That the premium savings achieved for 2015/16 across various insurance policies and claims handling charges be noted.

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| ROTHERHAM BOROUGH COUNCIL - REPORT TO AUDIT COMMITTEE |
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|----|---------------------|---|
| 1. | Meeting: | Audit Committee |
| 2. | Date: | 5th May 2015 |
| 3. | Title: | Internal Audit Annual Report 2014/15 |
| 4. | Directorate: | Resources and Transformation |

5. Summary.

This report provides information on the role of Internal Audit, the work undertaken by the Service during the 2014/15 financial year and the Director of Transformation's overall opinion on the Council's control environment.

Based upon the work undertaken and taking into account the Professor Jay Report, Corporate Governance Inspection and Ofsted Inspection, the Director of Transformation has concluded that the Council's control environment for 2014/15 was inadequate and did not operate satisfactorily during the year.

6. Recommendation

The Audit Committee is asked to note the Internal Audit Annual Report for 2014/15, including our opinion that the Council's control environment was inadequate and did not operate satisfactorily during the year

7. Proposals and Details.

It is a requirement of the UK Public Sector Internal Audit Standards (UKPSIAS) that an annual report is produced setting out the work performed by Internal Audit and the opinion of the *Chief Audit Executive* on the Council's internal control environment.

At Rotherham, the Chief Audit Executive is the Director of Transformation (formerly the Director of Audit and Asset Management), who is responsible for ensuring that there is an effective internal audit function. He is supported by the Chief Internal Auditor who is responsible for the operational management of the Internal Audit function.

The annual report is attached at **Appendix 1**. The report describes the body of evidence that has been taken into account in forming our overall opinion on the Council's control environment. It includes the following information:

- The audit planning process
- The basis of the Director of Transformation's audit opinion on the Council's control environment
- A summary of findings from internal audit reviews completed in the year
- A summary of other evidence considered in reaching a control environment opinion.

Headlines from the report include:

- Delivery of our planned work during 2014/15 was hindered by a number of factors, including limiting our work in the Children and Young People Services Directorate because of the Directorate's need to support the Professor Jay review and Ofsted and Corporate Governance Inspections, and a high level of demand for 'responsive' internal audit work following the series of critical reports received by the Council during the year
- Notwithstanding the above, we have carried out sufficient work to enable us to form a view on the Council's control environment
- Our work concluded that the control environment was inadequate in six areas audited during the year;
- We also investigated various allegations of fraud throughout the year, none of which had material implications for our assessment of the Council's control environment
- Based upon the Internal Audit work undertaken, considering the work of the External Auditor, and taking into account the Professor Jay Report, the Corporate Governance Inspection and the Ofsted inspection, **the conclusion of the Director of Transformation is that the Council's control environment for 2014/15 was inadequate and did not operate satisfactorily during the year.**

The Corporate Governance Inspection report stated that the audit function at Rotherham operated 'within acceptable norms' but also raised concerns about the overall approach to audit. We have changed our approach to audit for 2015/16 in response to this and to ensure full compliance with the requirements

of the UK Public Sector Internal Audit Standards. The scale of change will be challenging. We will review the future needs and how existing resources can be used to meet these needs. Where relevant we will invest in training and development and, where necessary, we will commission external specialist support to ensure we can meet our audit responsibilities.

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 and Transformation 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.

UK Public Sector Internal Audit Standards
Accounts and Audit Regulations, 2011

Contact Names:

Colin Earl, Director of Transformation, ext. 22033

Marc Bicknell, Chief Internal Auditor, ext. 23297

Appendix 1: Internal Audit Annual Report 2014/15



Rotherham Metropolitan Borough Council

Internal Audit Annual Report 2014/15

Resources and Transformation Directorate

Internal Audit Annual Report 2014/15

1. Purpose of the Report.

- 1.1 The purpose of the report is to present the Director of Transformation's overall opinion on the Council's control environment, which supports the Council's Annual Governance Statement (AGS).

2. Introduction.

- 2.1 The UK Public Sector Internal Audit Standards (UKPSIAS) and the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Local Government Application Note require that an annual report is produced by the 'Chief Audit Executive' on the work undertaken by Internal Audit during the year. The 'Chief Audit Executive' is the term used to describe the person responsible for managing the internal audit activity in accordance with the internal audit charter and professional standards. Previous standards referred to the 'Head of Internal Audit'.
- 2.2 At Rotherham, the Chief Audit Executive is the Director of Transformation (formerly the Director of Audit and Asset Management), who is responsible for ensuring that there is an effective internal audit function. He is supported by the Chief Internal Auditor who is responsible for the operational management of the Internal Audit function.
- 2.3 It is not the intention of this report to give detailed information on each of the audits that have been undertaken during the year. These details have been provided in quarterly progress reports to the Audit Committee. This report provides a summary of the work done, the main issues that have arisen and the overall opinion on the Council's control environment.

3. Legislation Surrounding Internal Audit.

- 3.1 The provision of Internal Audit is a statutory requirement for all local authorities that for the year under consideration is set out in the Accounts and Audit (England) Regulations 2011. These state that each local authority:

"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."

From 1st April 2015, these were replaced by the Accounts and Audit (England) Regulations 2015.

- 3.2 Internal Audit also has an important role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are that:

"each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"

3.3 In order to deliver its functions as determined by statute and professional standards, Internal Audit has unrestricted coverage and access to all employees, records and assets of the Council. Additionally, it has unrestricted access to, and the freedom to report to, the Chief Executive (in Rotherham's case this is now the Commissioner Managing Director); the Other Commissioners appointed by the Secretary of State DCLG; the Responsible Financial Officer, the Monitoring Officer and the Audit Committee. These requirements are set out in the Internal Audit Charter, which has recently been reviewed in line with the UKPSIAS.

4. Audit Planning Process.

4.1 The 2014/15 Audit Plan was produced taking account of the following:

- Analysis of the Council's risk registers
- Examination of revenue and capital budgets
- Cumulative audit knowledge and experience of previous work undertaken
- Review of both Corporate and Service Plan objectives and priorities
- Discussions with Strategic Directors and Directors
- Knowledge of existing management and control environments
- Professional judgement on the risk of fraud or error.

5. Basis of Audit Opinion on the Council's Control Environment.

5.1 Delivery of our planned work during 2014/15 was affected by a number of factors, some of which were exceptional, including:

- Our planned work in 2014/15 within the Children and Young People Services Directorate was hindered by the Directorate's need to support the Professor Jay review and subsequently the Ofsted and Corporate Governance Inspections(CGI).
- Following the publication of the Professor Jay Report and CGI Reports, there was a substantial increase in 'responsive' demand for Internal Audit work i.e. requests for support from the leadership management, such as in the investigation of irregularities.
- Resources available were reduced by virtue of one member of the team being on maternity leave for most of the year and another leaving the Council's employment in July 2014.

5.2 Notwithstanding the above, we have carried out sufficient work to enable us to form a view on the Council's control environment (see 6 below).

5.3 In forming the overall opinion on the control environment, we have taken into account other assessments of the Council's performance and its controls (see 7 below).

6. Summary of Findings from Audit Reviews.

6.1 Internal Audit Opinion

Internal Audit provides an 'opinion' on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall opinion on the Council's control

environment. An 'inadequate' opinion is given in any area under examination where one or more concerns of a 'fundamental' nature are identified in the area.

6.2. Audit Areas with Inadequate Control Environment

Summary conclusions in all significant audit work undertaken during the year are set out in **Appendix A**. Our work concluded that the control environment was inadequate in six areas listed below.

| Directorate / Audit Area | Report to mgt | Summary of Significant Issues |
|---|----------------------|---|
| CYPS Contract for School Improvement Activity | 15/08/14 | The Council and schools had put insufficient arrangements in place to ensure they were receiving value for money from outsourced school improvement work and to effectively manage this work. |
| CYPS Children's Homes | 19/03/15 | There were significant weaknesses in the arrangements for administering Children's personal monies and Disability Living Allowance at one of the Council's Children's homes. |
| CYPS Transport of looked after children | 13/03/15 | Internal Audit found that there was not a consistent arrangement for the provision of taxis for transporting Looked After Children outside of the Home to School contracts. We have made recommendations to strengthen arrangements, all of which have been accepted by management. |
| EDS Highways Contracts | 14/07/14 | Arrangements within EDS Streetpride for verifying non fixed-price contract costs during the currency of a contract and at final account stage were inadequate, exposing the Council to unnecessary financial risk. |
| EDS Blue Badge Scheme | 16/09/14 | Assessments carried out on applications for blue badges designed to check the validity of applicants' details did not fully meet with national guidance. |
| EDS Taxi Licensing | 06/03/15 | Our work confirmed weaknesses identified in the Corporate Governance Inspection and we made detailed recommendations, which have been actioned by management, to strengthen arrangements. |

7.3 In addition to our assurance work, we also investigate allegations of fraud, corruption or other irregularity. Details of significant investigations completed in the year are set out in **Appendix B**. None of these investigations have material implications for our assessment of the Council's control environment.

8. Summary of Other Evidence taken into Account for Control Environment Opinion

7.1 In forming our opinion, we also take into account the findings from external reviews of the Council's activities. The key external reviews that had a material impact on our opinion for 2014/15 are set out below:

| Review | Key Conclusions |
|--|---|
| KPMG LLP (External Auditors to the Council) | KPMG issued an adverse opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (known as the VFM Conclusion). This was reported to the Council's leadership team and Audit Committee in early March 2015. |
| Professor Jay Report | <p>The Independent Enquiry by Professor Jay highlighted collective failures of political and officer leadership in addressing the crime of child sexual exploitation. It found that the scale of the problem had been underplayed by the Council.</p> <p>The report stated that the child sexual exploitation team struggles to keep pace with the demands of its workload. The report also highlighted that good risk assessment was absent from too many cases in Children's social care and that there was not enough long term support for victims.</p> |
| OFSTED | <p>This report concluded:</p> <p><i>"there are widespread or serious failures that result in children being harmed or at risk of harm. In the delivery of services for looked after children and care leavers these failures result in the welfare of these children not being safeguarded and promoted. Leaders and managers have not been able to demonstrate sufficient understanding of failures and have been ineffective in prioritising, challenging and making improvements."</i> OFSTED report, 19th November 2014.</p> |
| Corporate Governance Inspection (CGI) | <p>The CGI report was commissioned by the Secretary of State for DCLG in accordance with s.10 of the Local Government Act 1999. Its main conclusions were as follows:</p> <ul style="list-style-type: none"> • Rotherham Metropolitan Borough Council is not "fit for purpose". • It is failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions. • In particular, it is failing in its duties to protect vulnerable children and young people from harm. • There were past and present failures to accept, understand and combat the issue of Child Sexual Exploitation (CSE), resulting in a lack of support for victims and insufficient action against known perpetrators. |

| Review | Key Conclusions |
|--------|---|
| | <ul style="list-style-type: none"> • The Council's culture is unhealthy: bullying, sexism, suppression and misplaced 'political correctness' have cemented its failures. • The Council is currently incapable of tackling its weaknesses, without a sustained intervention. |

8. Management Response to Audit Reports.

- 8.1 Following the completion of audit work, draft reports are sent to the managers to obtain their agreement to the report and commitment to the implementation of recommendations. After agreement, a formal action plan containing agreed actions is issued to the Service Director of the service under review. Internal Audit subsequently seeks assurance from management that recommendations are implemented. There is active follow up of recommendations made following the identification of fundamental weaknesses.
- 8.2 Currently there are no significant issues where responses are giving cause for concern.

9. Assessment of the Control Environment for Year to 31st March 2015.

- 9.1 Based upon the audit work undertaken and the external reviews of the Council's arrangements in carrying out its activities it has been possible to produce a summary assessment of the Council's overall control environment.
- 9.2 Taking account of the planned and responsive Internal Audit work undertaken, and in particular the significance of the findings and conclusions from the Professor Jay Report, the Corporate Governance Inspection and the Ofsted inspection, and the External Auditor **the conclusion of the Director of Transformation is that the Council's control environment for 2014/15 was inadequate and did not operate satisfactorily during the year.**

10. Work for outside bodies

- 10.1 During the year Internal Audit provided audit services on a fee earning basis to the following academy schools:
- Wingfield Academy
 - Maltby St. Marys's Academy
 - Herringthorpe St. Mary's Academy
 - Dalton Listerdale Academy
 - Anston Greenlands Academy.
- 10.2 Since academies are separate legal entities to the Council, this work does not have any impact on our overall opinion of the Council's control environment.

11. Corporate Governance Inspection and Impact on Audit Approach 2015/16

- 11.1 The Corporate Governance Inspection report stated that the audit function at Rotherham operated 'within acceptable norms' but highlighted a need to review the overall audit approach. To this end, we have reviewed our approach in planning and formulating our 2015/16 Audit Plan and to ensure full compliance with the requirements of the UK Public Sector Internal Audit Standards (UKPSIAS).
- 11.2 In line with the UKPSIAS, the 2015/16 audit plan will enable Internal Audit to maximise the value and assurance it provides the Council's Commissioners, the leadership team and Audit Committee , while ensuring it fulfils its statutory obligation to review and report on the Council's internal control environment.

Summary of Audit Work Undertaken

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|--|--|---------------------|-----------------------|--|
| CHILDREN AND YOUNG PEOPLE SERVICES (CYPS) | | | | |
| Contract for School Improvement Activity | To assess the monitoring arrangements around a contract with a school company to delivery school improvement activity. | 15/08/14 | Inadequate | <p>The Council and Schools had put insufficient arrangements in place to manage and assure themselves that they were receiving value for money from the externalised school improvement work.</p> <p>A number of recommendations were made and agreed with CYPS Leadership Team.</p> |
| Secondary Schools | To assess the robustness of financial administration and governance arrangements. | 17/10/14 | Adequate | <p>Internal Audit identified weaknesses in one secondary School's budgetary control and governance arrangements, which had resulted in the provision of inaccurate financial information to Governors. The School had also failed on several occasions to fully comply with the competitive procurement requirements of Financial Regulations for Schools in the award of contracts.</p> <p>We have made recommendations to address these issues, all of which have been agreed with the School.</p> |
| Primary Schools | To assess the robustness of the School's financial administration and governance arrangements. | 22/01/15 | Adequate | Arrangements were found to be adequate. |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|---|---|---------------------|-----------------------|--|
| Children's Centres | To assess the adequacy of income collection arrangements at Children's Centres. | 23/01/15 | Adequate | Arrangements were found to be adequate. |
| Adoption Allowances | To assess the robustness of arrangements for paying adoption allowances. | Draft report issued | Adequate | Arrangements were found to be adequate. |
| Children's Homes | To assess the robustness of financial administration arrangements. | 19/03/15 | Inadequate | There were significant weaknesses in the arrangements for financially administering Children's personal monies and Disability Living Allowance at one of the Council's Children's homes. We have made recommendations to strengthen arrangements, all of which have been accepted by management. |
| Transport of looked after children | To assess arrangements for dealing with safeguarding concerns. | 13/03/15 | Inadequate | Internal Audit found that there was not a consistent arrangement for the provision of taxis for transporting Looked After Children outside of the Home to School Transport contracts. We have made recommendations to strengthen arrangements, all of which have been accepted by management. |
| Children's Social Care Emergency Payments | To assess the robustness of financial administration arrangements. | 13/03/15 | Adequate | Arrangements were found to be adequate. |
| | | | | |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|--|--|---------------------|-----------------------|--|
| ADULT SOCIAL CARE | | | | |
| Davies Court Care Home | To assess the robustness of financial administration arrangements. | 21/07/14 | Adequate | Arrangements were found to be adequate. |
| Lord Hardy Court Care Home | To assess the robustness of financial administration arrangements. | 01/10/14 | Adequate | Arrangements were found to be adequate. |
| Parkhill Lodge Residential Care Home (learning disability) | To assess the robustness of financial administration arrangements. | 04/11/14 | Adequate | In general, arrangements were found to be adequate. We did, however, identify areas for improving the arrangements, including the process by which clients pay their contributions towards care costs. We made several recommendations, which were agreed by management. |
| Quarryhill Resource Centre (learning disability) | To assess the robustness of financial administration arrangements. | 09/02/15 | Adequate | Arrangements were found to be adequate. |
| ENVIRONMENT AND DEVELOPMENT SERVICES | | | | |
| Home to School Transport | To assess the arrangements for ensuring the safety of children transported under taxi contracts. | 13/03/15 | Adequate | This audit identified a need to strengthen arrangements for carrying out spot checks on vehicle maintenance, the use of passenger escorts and provision of specialist equipment on the vehicle to ensure compliance with health and safety requirements. Management has agreed the recommendations made. |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|--------------------------------------|--|---------------------|-----------------------|--|
| Integrated Housing Management System | To assess the project risks arising from the implementation of the new Integrated Housing Management System. | Draft report | Inadequate | <p>We have identified significant problems with the implementation of this system, including with specific aspects of its functionality, security and its interface with other Council systems. These have resulted in delays to implementation. Council officers are working with the developer to address these prior to go live.</p> <p>We made several recommendations which were accepted by management.</p> |
| Grants to the voluntary sector | To assess the robustness of arrangements for making grants to the voluntary sector. | 20/01/15 | Adequate | We highlighted a need for improvements with regard to the procurement and monitoring of funding made under the Single Infrastructure Grant. Recommendations made to management have been agreed. |
| Blue Badge Scheme | To assess arrangements to test eligibility for a blue badge. | 16/12/14 | Inadequate | Assessments carried out on applications for blue badges designed to check the validity of applicants' details did not fully meet with national guidance. A recommendation made by Internal Audit was rejected by management on the grounds of insufficient budget and the fact that this would require significant business process reengineering. We continue to work with management to address the risks will report back to Audit Committee at its next meeting. |
| Highways Contracts | To assess arrangements for the verification of expenditure on major contracts. | 14/07/14 | Inadequate | <p>We identified that arrangements for verifying non fixed-price contract costs during the currency of a contract and at final account stage were in need of strengthening.</p> <p>We made recommendations to ensure more robust checks on contract cost certificates are implemented moving forward, and these have been agreed.</p> |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|--------------------------------------|--|---------------------|-----------------------|--|
| Taxi Licensing | To ensure that necessary checks are performed before issuing licences for drivers, vehicles and operators. | Draft report | Inadequate | Our work confirmed weaknesses identified in the Corporate Governance Inspection and we made detailed recommendations, which have been or are being actioned by management, to strengthen arrangements. |
| Parks and Green Spaces | To assess arrangements for the security of cash income. | 25/11/14 | Adequate | Arrangements were found to be adequate. |
| Customer Service Centres | To assess arrangements for income collection at customer service centres. | 02/05/14 | Adequate | Arrangements were found to be adequate. |
| Cashiers Service | To assess arrangements for income collection by the Cashiers Service. | 25/07/14 | Adequate | Arrangements were found to be adequate. |
| Maintenance of former landfill sites | To assess procurement arrangements for contracts relating to the maintenance of former landfill sites. | 09/09/14 | Adequate | Using comparative information, Internal Audit examined the Council's contractual arrangements for the maintenance of its former landfill sites and found the work had not been subjected to competitive tender for a number of years. We recommended to management that the contract should be subject to a formal competitive procurement process. The Corporate Procurement Team has initiated such an approach, with a view to awarding a new contract, to commence in early 2015/16. |
| Commercial Property Portfolio | To assess the arrangements for the management of the Council's non-operational property portfolio. | 17/06/14 | Adequate | Arrangements were found to be adequate. |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|-----------------------------|---|---------------------|-----------------------|---|
| Hire of Plant and Equipment | To assess the Council's arrangements for making payments under the hire of plant and equipment contracts. | 17/09/14 | Adequate | Arrangements were found to be adequate. |
| Business Centres | To assess the adequacy of financial administration arrangements at Business Centres. | 10/10/14 | Adequate | Arrangements were found to be adequate. |
| Cultural Services | To assess the adequacy of financial administration arrangements within Cultural Services, focusing specifically on the Museum and the Civic Theatre. | 15/15/14 | Adequate | Arrangements were found to be adequate.e |
| Country Parks | To assess the adequacy of financial administration arrangements at country parks. | 01/10/14 | Adequate | This audit highlighted weaknesses in controls over cash income, particularly with regard to car parking charges, at Rother Valley Country Park. We have made recommendations to strengthen arrangements, all of which have been accepted by management. |
| Carbon Reduction Commitment | To establish if the RMBC "Evidence Pack" complies with guidance as set out in the CRC Energy Efficiency Scheme guidance as published by the Environment Agency. | 13/01/15 | Adequate | Arrangements were found to be adequate. |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|------------------|---|---------------------|-----------------------|---|
| Markets | To assess the arrangements for income collection by the Markets Service. | 21/11/14 | Adequate | Arrangements were found to be adequate. |
| BDaR Waste PFI | To carry out internal audit work as required by the external auditor, BDO. | 10/06/14 | Adequate | Arrangements were found to be adequate. |
| RESOURCES | | | | |
| Debtors | Ensure that the Council has proper arrangements for the collection of debt. | 24/02/15 | Adequate | Arrangements were found to be adequate. |
| Payroll | Ensure that the Council has proper arrangements for the payment of wages, salaries and expenses to employees. | 27/03/15 | Adequate | Arrangements were found to be adequate. |
| NNDR | Ensure that the Council has proper arrangements for the collection of national non domestic rates. | Draft report | Adequate | Arrangements were found to be adequate. |
| Benefits | Ensure that the Council has proper arrangements | Draft report | Adequate | Arrangements were found to be adequate. |

| Audit Area | Assurance Objective | Final Report to mgt | Overall Audit Opinion | Summary of Significant Issues |
|--------------------------|---|---------------------|-----------------------|--|
| | for the administration of Housing Benefits and Council Tax Support. | | | |
| GRANTS | | | | |
| Troubled Families Grant | Audit in accordance with grant funding body requirements. | 20/02/15 | Adequate | The grant was found to be accurately compiled and in accordance with grant criteria. |
| 16-19 Bursary Grant | Audit in accordance with grant funding body requirements. | 31/10/14 | Adequate | The grant was found to be accurately compiled and in accordance with grant criteria. |
| Rotherham Active Ability | Audit in accordance with grant funding body requirements. | 13/05/14 | Adequate | The grant was found to be accurately compiled and in accordance with grant criteria. |
| Cluj Napoca | Audit in accordance with grant funding body requirements. | 08/12/14 | Adequate | The grant was found to be accurately compiled and in accordance with grant criteria. |
| Flood Recovery Scheme | Audit in accordance with grant funding body requirements. | 30/09/14 | Adequate | The grant was found to be accurately compiled and in accordance with grant criteria. |

Investigations

| Audit Area | Assurance Objective | Status | Overall Audit Opinion | Summary of Significant Issues |
|---------------------|--|----------|-----------------------|--|
| Supported Living | To investigate suspicions of financial abuse of vulnerable adults. | 16/07/14 | n/a | We identified several areas relating to the use of clients' personal monies which we have referred to Management to follow-up. Senior management are working with the relevant service provider to clarify and resolve the areas raised. |
| Car Parking Income | To investigate a series of losses of cash income from pay and display machines. | 09/01/15 | n/a | The audit identified weaknesses in the arrangements for the storage of cash income at Riverside House following collection from pay and display machines. Recommendations have been made to strengthen arrangements, which have been accepted by management. |
| Facilities Services | To investigate a whistleblowing allegation that caretakers employed within Facilities Services had not paid over to the Council proceeds from the sale of Council scrap metal. | 05/09/14 | n/a | Internal Audit was able to substantiate the allegation made. Following a disciplinary hearing, the Director issued a final written warning to the employees concerned. The employees paid back to the Council the sum of money involved. |
| Car Parking | To investigate an allegation that a parking warden was working elsewhere whilst drawing sickness pay from the Council. | 14/01/15 | n/a | Internal Audit was able to substantiate the allegation made. The employee resigned from the Council. |

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| ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS |
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| | | |
|-----------|---------------------|---|
| 1. | Meeting: | Audit Committee |
| 2. | Date: | 5th May, 2015 |
| 3. | Title: | External Auditor's Final Annual Audit Letter 2013/14 |
| 4. | Directorate: | Resources and Transformation |

5. Summary

The Interim Annual Audit Letter 2013/14 presented to Audit Committee on 19 November 2014 informed members that KPMG had not been able to issue their Value For Money (VFM) Conclusion pending consideration of the scope and outcomes from the inspection work commissioned following the independent inquiry into child sexual exploitation.

Subsequent to this, KPMG have completed their work and reported their VFM Conclusion to Audit Committee on 11 March 2015.

The adverse conclusion they reached that the Council has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014 is reflected in the Final Annual Audit Letter attached to this report.

The VFM Conclusion was formally issued on 26 March 2015 and the 2013/14 audit has now been concluded.

6. Recommendations

That the Audit Committee notes the Final Annual Audit Letter 2013/14 presented to the Council by its external auditors, KPMG LLP, and approves its publication on the Council's website.

7. Proposals and Details

The purpose of the Annual Audit Letter (AAL) is to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considers should be brought to the attention of the Council.

The Interim Annual Audit Letter 2013/14 presented to Audit Committee on 19 November 2014 informed members that KPMG had not been able to issue their VFM Conclusion pending consideration of the scope and outcomes from the inspection work commissioned following the independent inquiry into child sexual exploitation.

Subsequent to this, KPMG have completed their work and reported their VFM Conclusion to Audit Committee on 11 March 2015.

The adverse conclusion they reached that the Council has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014 is reflected in the Final Annual Audit Letter attached to this report.

The remaining headline messages contained in the Final Annual Audit Letter are unchanged from the Interim.

It is worth noting, that, although an adverse VFM Conclusion has been issued, KPMG have not felt it necessary to issue any high priority recommendations relating to Value for Money as the Council is in the process of developing an improvement plan to address the weaknesses identified in the corporate governance inspection.

8. Finance

The planned audit fee for 2013/14 was £186,300. However, KPMG are seeking approval from Public Sector Audit Appointments Ltd (the successor body to the Audit Commission set up by the Local Government Association to manage public sector audit appointments following the Audit Commission's abolition on 31 March 2015) for an increase in the fee of £9,834. This is to cover the additional audit work undertaken to reach and report on their Value for Money conclusion.

9. Risks and Uncertainties

The proposed audit fee for 2014/15 of £186,300 was based on the assumption that the general level of risk in relation to the audit remains unchanged. KPMG are reviewing their risk assessment, in the light of the adverse VFM Conclusion reached in 2013/14, which may impact on the

scale of the work they need to perform in 2014/15 and, hence, the audit fee.

A revised 2014/15 Audit Plan will be presented to the Council in due course once KPMG have had an opportunity to complete their review.

10. Policy and Performance Agenda Implications

As the improvement plan being developed by the Commissioners following their appointment on 26 February 2015 is not due to be put into effect until early 2015/16, there has been little opportunity to address the weaknesses identified by the corporate governance inspection published on 4 February 2015 and this may have a negative impact on the VFM Conclusion reached by KPMG in 2014/15.

11. Background Papers and Consultation

KPMG Final Annual Audit Letter 2013/14
KPMG Annual Audit fee Letter 2014/15
Audit Committee – 19 November 2014
Audit Committee – 11 March 2015

Contact Name:

*Stuart Booth, Interim Strategic Director of Resources and Transformation, ext 22034, stuart.booth@rotherham.gov.uk, and
Simon Tompkins, Finance Manager (Accountancy Services), ext 54513 simon.tompkins@rotherham.gov.uk*



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Annual Audit Letter 2013/14

Rotherham Metropolitan Borough
Council

27 March 2015



The contacts at KPMG in connection with this report are:

Trevor Rees

Partner

KPMG LLP (UK)

Tel: 0161 246 4063

trevor.tees@kpmg.co.uk

Rashpal Khangura

Director

KPMG LLP (UK)

Tel: 0113 231 3396

rashpal.khangura@kpmg.co.uk

Amy Warner

Assistant Manager

KPMG LLP (UK)

Tel: 0113 231 3089

amy.warner@kpmg.co.uk

Report sections

- Headlines

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Appendices

- 1. Summary of reports issued

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- 2. Audit fees

5

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

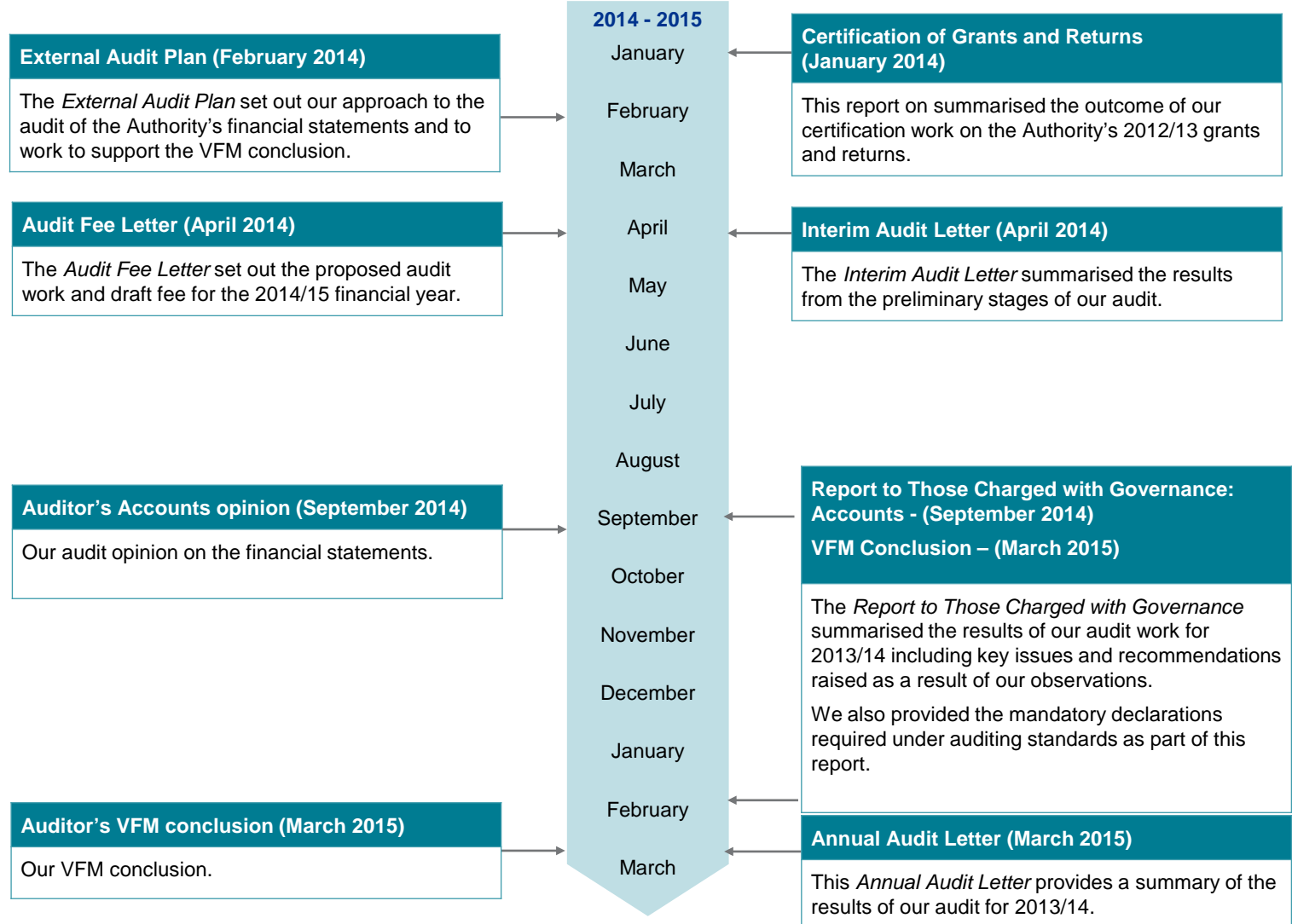
If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

| | |
|---|---|
| <p>Audit opinion</p> | <p>We issued an unqualified opinion on your financial statements on 22 September 2014. This means that in our opinion the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p> |
| <p>Financial statements audit</p> | <p>We identified no adjusted or unadjusted misstatements as part of our audit work.</p> <p>We noted:</p> <ul style="list-style-type: none"> • as in previous years, the Authority had produced the financial statements to a good standard; • Financial Services provided, or were able to provide on request, working papers which fully addressed our line of enquiry; and • Officers provided timely responses to ad hoc requests and queries which we raised throughout the audit without exception. |
| <p>VFM conclusion and VFM risk areas</p> | <p>Our initial audit planning process identified two significant risks to our VFM conclusion. These concerned the closure of Digital Region Limited, and the Authority's savings plans for reductions in funding. During the course of the audit a third risk emerged regarding governance arrangements. These areas are addressed below.</p> <p><u>Digital Region Limited (DRL)</u></p> <p>We have reviewed the work carried out by the Authority in relation to the closure of DRL. The decision to close was taken on a reasonable and evidence based approach and is being managed appropriately. As such, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in the closure of DRL.</p> <p><u>Savings Plans</u></p> <p>We have reviewed the Authority's medium term financial plan forecasts and we note that this has taken into consideration the potential funding reductions and it is sufficiently robust to ensure the Authority can continue to provide services effectively given the funding reductions. This includes a risk assessed approach to managing reserves to ensure financial risks are managed.</p> <p><u>Governance arrangements</u></p> <p>In November 2014, OFSTED published its judgement that Children's Services were overall inadequate. This therefore questioned the Authority's arrangements to deliver quality services for children. In February 2015, the Report of the Inspection of Rotherham Metropolitan Borough Council was published and highlighted significant governance weaknesses. Specifically it reported the Authority was not fit for purpose and failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions.</p> <p><u>Overall conclusion</u></p> <p>In the context of our VFM conclusion, the significant weaknesses identified in the Authority's arrangements mean we were unable to be satisfied the Authority has arrangements to secure economic, efficient and effective use of resources and therefore we issued an adverse conclusion on 26 March 2015.</p> |

| | |
|-------------------------------|--|
| Annual Governance Statement | We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding. |
| Whole of Government Accounts | We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements. |
| High priority recommendations | We identified no high priority recommendations as a result of our 2013/14 financial statements audit work. Although we issued an adverse VFM conclusion, we did not feel it was appropriate to issue any VFM recommendations, as the Authority is in the process of developing an improvement plan, to address weaknesses in arrangements, following the Directions issued under the Local Government Act 1999 and Education Act 1996. |
| Certificate | We issued our audit certificate on 26 March 2015. |
| Audit fee | Our fee for 2013/14 is £186,300 to date (excluding VAT), however we are in the process of agreeing a fee variation with both the Authority and Audit Commission regarding the additional work in relation to our VFM Conclusion . See Appendix 2 for further details. |

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our fees for 2013/14.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our fee for the 2013/14 audit is £186,300 to date (excluding VAT). This is in line with our planned audit fee and less than the 2012/13 fee, which was higher due to work in relation to DRL. However, we note we are in the process of agreeing a fee variation with the Authority and Audit Commission in relation to the additional work we have had to complete relation to our VFM Conclusion.

Certification of grants and returns

Our fee for grants work in 13/14 was £19,733. This was confirmed through our report on the *Certification of Grants and Returns 2013/14* which was issued in January 2015.



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| ROTHERHAM BOROUGH COUNCIL - REPORT TO AUDIT COMMITTEE |
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| | | |
|-----------|---------------------|-------------------------------------|
| 1. | Meeting: | Audit Committee |
| 2. | Date: | 5th May 2015 |
| 3. | Title: | Internal Audit Plan 2015/16 |
| 4. | Directorate: | Resources and Transformation |

5. Summary

This report refers to the draft Internal Audit Plan for 2015/16.

The report explains Internal Audit's approach to the development of the plan, as well as detailing the specific activities we plan to review over the year.

We have made some significant changes to our approach to planning. These have been reflected in the resulting audit plan, which now more fully reflects a risk based assessment using the Council's risk registers, budget documentation and other key plans. The plan also reflects discussions with directors and the Strategic Leadership Team on their views of key risks and areas for audit coverage.

The programme includes coverage in many areas criticised in the Jay, Ofsted and Casey reports.

6. Recommendation

The Audit Committee is asked to support the Internal Audit Annual Plan for 2015/16

7. Proposals and Details

Internal Audit is required to comply with the UK Public Sector Internal Audit Standards. The Standards require Internal Audit's plans to be risk based.

The Casey Report published in February 2015 stated that the audit function at Rotherham operated 'within acceptable norms' but also raised concerns about the overall approach to audit. As a result, we have reviewed our approach to ensure compliance with the requirements of the Audit Standards. The Internal Audit Plan for 2015/16, which is attached at **Appendix 1**, describes how we have done this.

The plan has been prepared after a full refresh of the 'audit universe' (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough risk assessment of the Council's activities. It has also taken into account:

- financial information from budgets and key financial systems
- review of key plans and policies
- consultation with the Council's Directors and Strategic Leadership Team
- known major upcoming changes in key systems and governance arrangements
- views on the risk of fraud and error
- cumulative audit knowledge and experience.
- external requirements (including requirements to audit and sign off grant claims for the government).

As well as identifying all of the proposed pieces of work to be carried out during the year, the plan:

- explains the statutory requirements for Internal Audit
- describes the approach and methodology adopted in producing the plan
- shows the level of resources available to deliver the plan is 1,405 days, based on an establishment of 8.4 FTE
- identifies the Audit Universe subject to audit
- includes high level risk assessments for each Council service
- includes a contingency to use in responding to requests for advice / assistance that arise throughout the year. Client feedback tells us that Internal Audit's ability to respond promptly to unforeseen issues of this nature is highly valued. With finite resources though, we will need to carefully review our involvement in any issues presented to us.

In line with UK auditing standards, the plan does not become fixed when it is approved. It remains flexible and will be revised to take into account any significant emerging risks facing the Authority.

The scale of change in audit approach and resulting audit plan will be challenging for Internal Audit to deliver. We will review the resources needed and invest in the service as necessary to enable it to successfully deliver the audit plan.

8. Finance

The Internal Audit net budget is £399,000 and is contained within the budget for the Resources and Transformation Directorate.

9. Risks and Uncertainties

The Council must provide an effective internal audit if it is to meet its statutory obligations.

Failure to deliver an evidenced opinion on the control environment which complies with the new UK Public Sector Internal Audit Standards, and meets the expectations of the Council's External Auditors, KPMG, could lead to criticism from them.

The Interim Strategic Director of Resources & Transformation is required to make proper arrangements for financial administration. As part of these arrangements, Internal Audit is required to review all major financial systems and arrangements. Failure to do so will prevent the Interim Strategic Director of Resources & Transformation from meeting his and the Council's statutory responsibilities.

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
Strategic Leadership Team, 28 April 2015
Corporate and Service Risk Registers
Budget and financial information
Corporate and service policies and plans.

Contact Names:

Colin Earl, Director of Transformation, ext. 22033
Marc Bicknell, Chief Internal Auditor, ext. 23297

Appendix 1: Internal Audit Plan 2015/16

Rotherham Metropolitan Borough Council

Internal Audit Plan 2015/16

Contents

1. Introduction, Approach and Methodology

2. Audit Universe

3. Risk Assessment

4. Summary Annual Internal Audit Plan

Appendix 1: Risk assessment criteria

1. Introduction, Approach and Methodology

Introduction

This document provides details of the Internal Audit annual plan for 2015/16.

Definition of Internal Audit

The UK Public Sector Internal Audit Standards defines Internal Audit as follows:-

“Internal audit is 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.”

Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (England) Regulations 2015:

“Accounts and Audit Regulations 2015 – to ensure that an adequate and effective internal audit of the Council’s accounting records and of its system of internal control is undertaken in accordance with the proper practices in relation to internal control.”

Annual Internal Audit Opinion

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

S.151 officer responsibility

Internal Audit also has an important role to support the Interim Strategic Director of Resources & Transformation in discharging his statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

Changes to audit planning following Corporate Governance Inspection

The Corporate Governance Inspection report stated that the audit function at Rotherham operated ‘within acceptable norms’ but also raised concerns about the overall approach to audit. We have reviewed our approach to audit planning in response to the criticisms and to ensure compliance with the requirements of the UK Public Sector Internal Audit Standards.

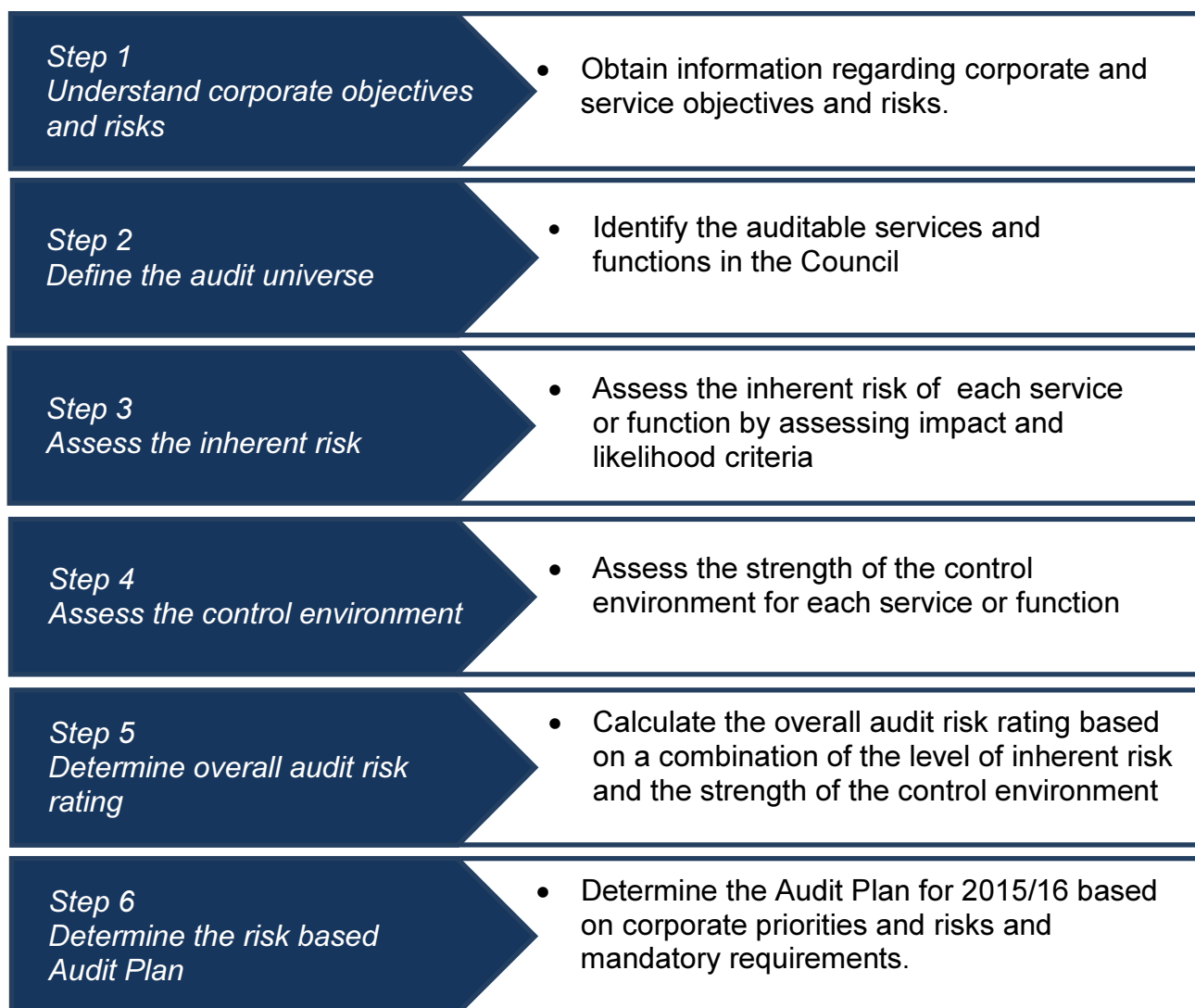
This plan has been prepared after a full refresh of the ‘audit universe’ (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough risk assessment of the Council’s activities. The process has involved a review of key plans and priorities, analysis of risk registers and discussions with directors and strategic directors.

In line with the UKPSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council’s Executive / Commissioners, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment.

It should be noted that this is an iterative plan that will be kept under review on an ongoing basis. Any significant changes to it will be reported to the Audit Committee for consideration and approval.

Approach

A summary of our approach to the development of the Audit Plan for 2015/16 is set out below.



Methodology

The internal audit service will be delivered in accordance with the Internal Audit Charter. The Internal Audit Charter has recently been revised in accordance with the UKPSIAS. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is focussed on the achievement of the Council's key objectives and priorities and the risks that may hinder the Council from meeting these.

Step 1 – Understand corporate objectives and risks

Approach

We have undertaken a review of the Council's risk registers, draft corporate improvement plan, minutes of Council, Cabinet, Scrutiny and other Council Committees. We have reviewed the findings from recent external reviews, including the Corporate Governance Inspection, Professor Jay, and OFSTED reports. We have held meetings with all of the Council's Strategic Directors and Service Directors. We have consulted with the Council's Responsible Finance Officer and Monitoring Officer regarding their statutory governance responsibilities. We have also used sector knowledge to gain a wider understanding and perspective on risk.

Step 2 – Define the audit universe

Approach

We have identified the auditable services and functions within the Council through analysis of the Council's revenue and capital budgets and through examination of the organisational structure and service plans. Some services and functions have been grouped together to make for a more efficient audit approach.

Step 3 – Assess the inherent risk

Approach

This is a function of the estimated impact and likelihood of risk occurring for each auditable unit within the audit universe. It has been determined by:

- Mapping the entries on the risk registers to Council services and functions in the audit universe
- Our cumulative audit knowledge and experience of the Council and the findings of external reports
- Discussions with Strategic Directors, Service Directors and statutory officers.
- Assessment of financial materiality through analysis of revenue budgets and the current 3 year capital programme and
- Consideration of susceptibility of an auditable area to fraud or corruption

The scoring is from 1 to 5 where 1 is very low inherent risk and 5 is very high inherent risk.

| Impact Rating | Likelihood Rating | | | | |
|---------------|-------------------|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 |
| 5 | 5 | 5 | 4 | 4 | 4 |
| 4 | 5 | 5 | 4 | 4 | 3 |
| 3 | 4 | 4 | 3 | 3 | 2 |
| 2 | 4 | 3 | 3 | 2 | 2 |
| 1 | 3 | 3 | 2 | 2 | 1 |

Step 4 – Assess the control environment

Approach

This is an assessment of the adequacy of the management control arrangements in a service or function.

It has been determined by:

- Review of previous audit work undertaken
- Findings from other providers of assurance e.g. external audit, OFSTED
- Discussion with service directors, M3 managers and statutory officers about their views of the control environment.

The scoring is from 1 to 5 where 1 indicates a very good control environment and 5 indicates a very poor control environment.

Step 5 – Determine overall audit risk rating

Approach

This is an arithmetical multiplication of inherent risk and control risk to provide an overall risk rating. It is this rating that is used to determine priorities for the Audit Plan. Scores over 16 are deemed to be red risks, over 9 are amber and under 9 are green respectively.

Step 6 – Derive Risk Based Internal Audit Plan

Approach

The risk rating (red, amber, green) is used to determine the overall frequency of audit activity over a 3 year cycle.

Resourcing of Audit Plan

The level of available resources for the internal audit service for 1 April 2015 to 31 March 2016 is 1,405 days. This number is based on an establishment of 8.4 FTE.

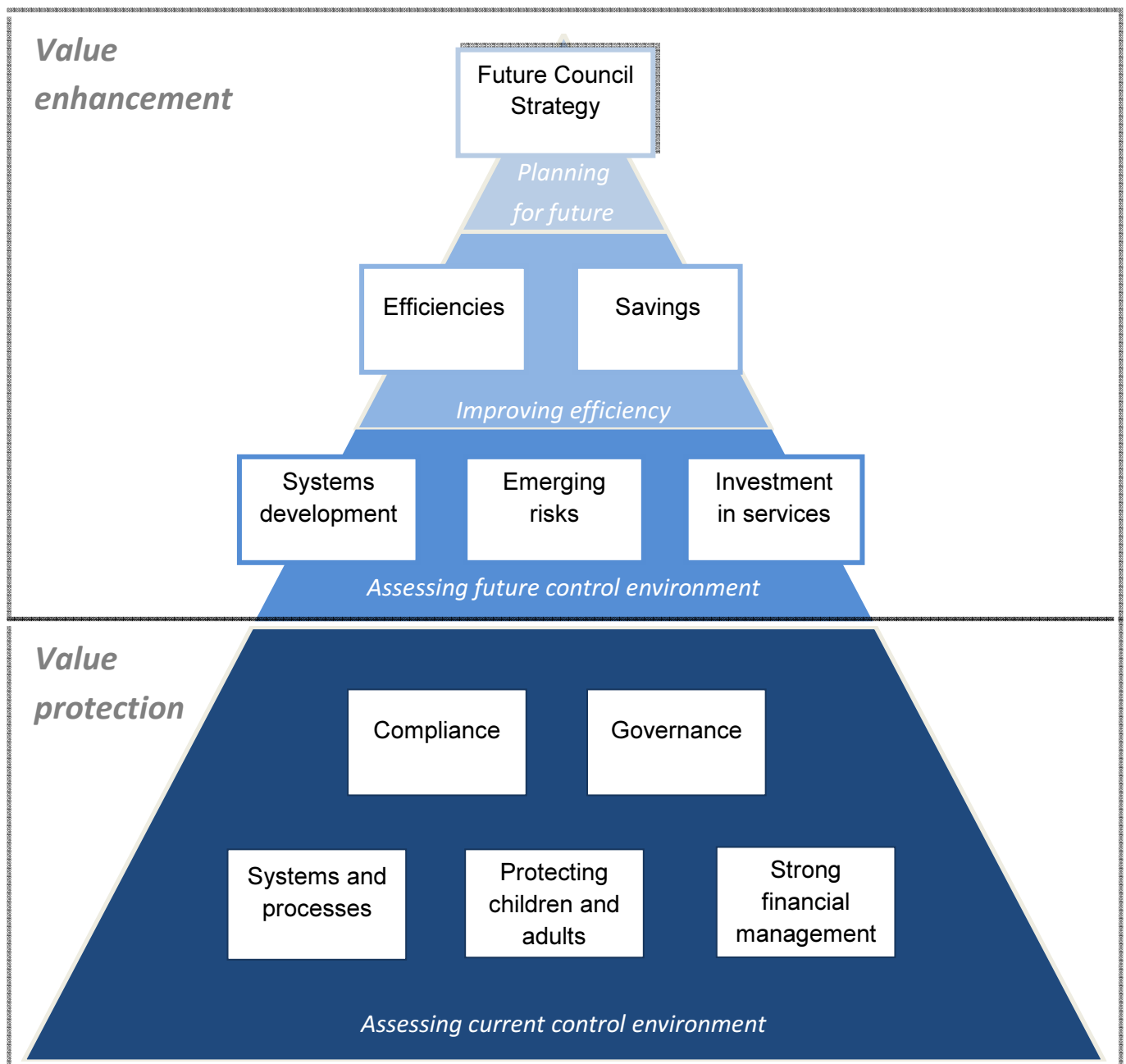
We have targeted available resources to those areas we have deemed to be high risk following our risk-based assessment of the Council's 'Audit Universe'. However, in doing so, we have adopted a high risk threshold for including work within our Plan, with some areas of with high income or expenditure levels not scheduled to be covered in the year unless, for any reasons, the risk in these areas escalates, in which case they would be re-considered for coverage.

Ongoing revision of Audit Plan

It is important to note that this Plan has been produced based on our understanding of the Council's risks and priorities at a point in time in April 2015. The Corporate Improvement Plan has not yet been finalised. It is therefore possible that the shape and focus of the Plan may need to change again in the near future. We will review our risk assessment on an ongoing basis and formally report any significant alterations to the content of the Audit Plan back to Audit Committee on a quarterly basis.

Value of Internal Audit

Internal Audit activity can be broadly split into two categories, namely value protection and value enhancement.



Value Protection refers to the assurance we provide on the Council's internal control and governance arrangements. This includes our work on assessing the management of the key risks currently facing the Council. For 2015/16, our programme of work will be significantly influenced by the Council's previous failings in Children's Services and the wider governance failures as referenced in the CGI report. Value Protection also includes mandatory work on fundamental financial systems that helps the s.151 officer to fulfil his statutory responsibilities for proper financial administration and control.

Value Enhancement refers to our work on supporting the continuous improvement with regard to its corporate and service performance, delivering savings and more efficient ways of working as part of Council's Medium Term Financial Planning and, providing assurance on new significant change projects and systems developments, and helping with providing assurance on future plans and strategies.

Given the urgent need for the Council to secure major improvements in certain core services and develop its corporate capacity and future governance arrangements, the primary focus of our work in 2015/16 will be directed more towards the Value Protection category.

Basis of our annual audit opinion for 2015/16

Internal audit work will be performed in accordance with the UK Public Sector Internal Audit Standards (UKPSIAS) and Local Government Application Note (LGAN).

Our annual internal audit opinion will be based on the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. Progress against our Plan will be reported to the Audit Committee on a quarterly basis during the year,

In producing this Plan, we have considered carefully the level of audit coverage required to be able to form an evidenced annual internal audit opinion. There are a number of risks to the delivery of this Plan:

- Following its recent failings and the subsequent appointment of Commissioners, the Council is embarking on the most fundamental and wide ranging change programme of its 40+ year history. This means that an assessment of risk now might be very different to one later in the year. Accordingly, we will continually revisit our risk assessment during the year.
- Following the publication of the Jay Report and CGI Report, there has been a substantial increase in 'responsive' demand for Internal Audit work i.e. requests for support from management such as in the investigation of irregularities. Audit work undertaken includes investigations into the Risky Business files, the Key Players Group minutes, Home to School Transport, Taxi Licensing and a financial administration of children's personal monies at a Children's Home. We will need to manage the 'responsive audit' demand to ensure that we are focusing on areas of key significant risks and not undertaking functions that are properly the role and responsibility of either line management or the enabling / support functions such as Human Resources, Legal Services or Finance.
- The scale of change in audit approach, in particular the areas that require audit input, will be challenging for the Internal Audit team. We will invest in training and development to support colleagues through this and commission additional external

specialist support where appropriate to do so.

Internal sources of assurance

In developing our internal audit risk assessment and plan we have taken into account other sources of internal assurance and have considered the extent to which reliance can be placed upon these other sources. These include the Council's Performance and Quality team. It is pleasing to note that in some areas these arrangements have been significantly strengthened recently, for example the creation of a specific quality audit function in Children's Social Care. We will work with the other providers of assurance to maximise our effectiveness and avoid duplication of effort.

External sources of assurance

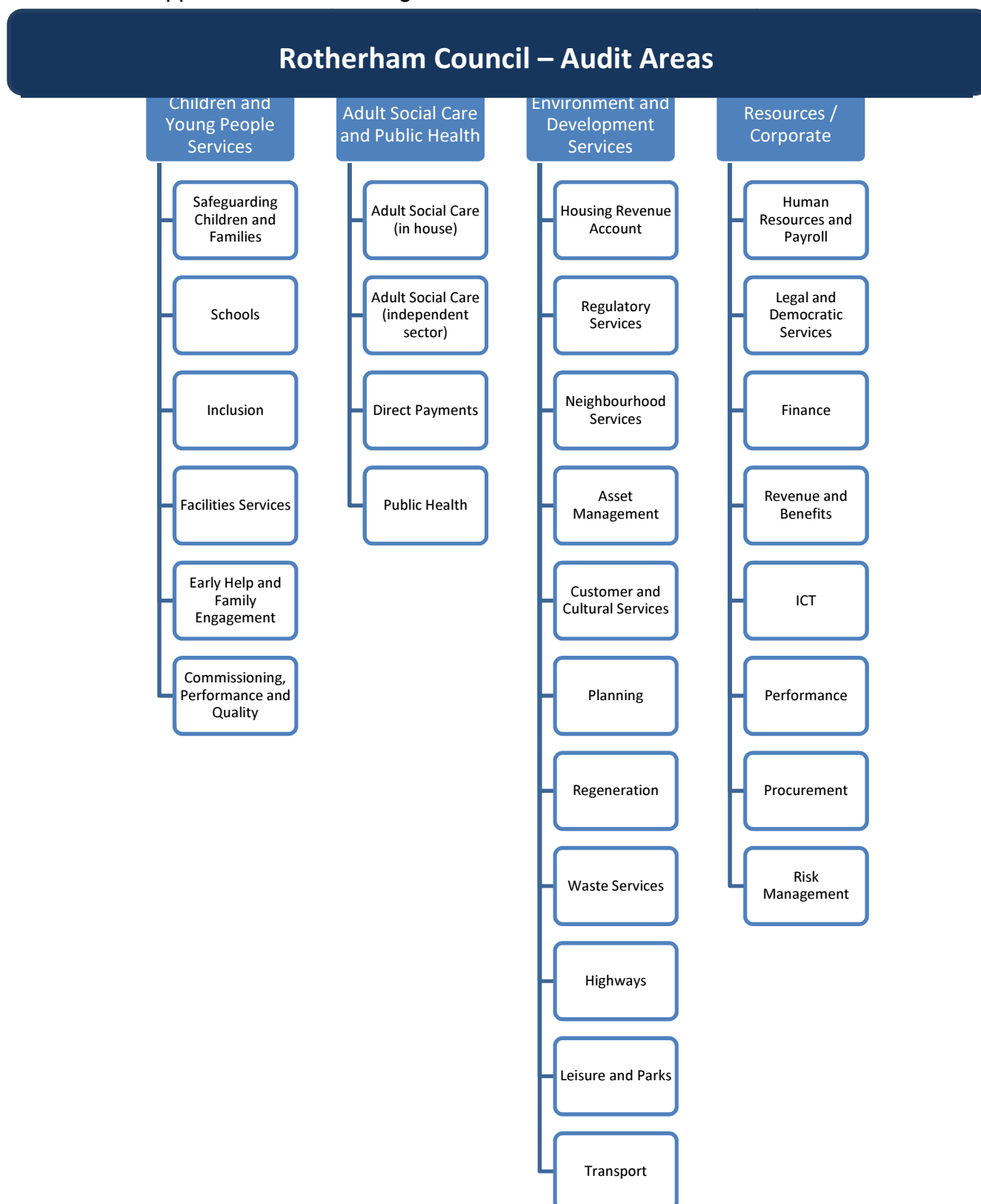
In developing our internal audit risk assessment and plan we have taken into account sources of external assurance and have considered the extent to which reliance can be placed upon these other sources.

The main other sources of assurance for Rotherham Metropolitan Borough Council are as follows:

- External inspections such as those undertaken by OFSTED and the Care Quality Commission.
- External audit (KPMG)

2. Audit universe

The diagram below represents the high level auditable units within the audit universe of Rotherham Metropolitan Borough Council. These units form the basis of the internal audit plan. This may change during the year as the Council continues to develop and changes its structure and approach to the challenges it faces



3. Risk assessment

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment. The results are summarised in the table below.

| Ref | Auditable Unit | Inherent Risk | Control Environment | Overall Risk Score | Overall Risk RAG |
|---|---|---------------|---------------------|--------------------|---|
| <i>Children and Young People Services</i> | | | | | |
| 1 | Safeguarding Children and Families * | 5 | 5 | 25 |  |
| 2 | Schools | 4 | 3 | 12 |  |
| 3 | Inclusion | 4 | 3 | 12 |  |
| 4 | Facilities Services | 3 | 2 | 6 |  |
| 5 | Early Help and Family Engagement | 5 | 3 | 15 |  |
| 6 | Commissioning, Performance and Quality | 5 | 4 | 20 |  |
| <i>Adult Social Care and Public Health</i> | | | | | |
| 7 | Adult Social Care (in house delivery) | 4 | 3 | 12 |  |
| 8 | Adult Social Care (independent sector) | 5 | 3 | 15 |  |
| 9 | Direct Payments | 4 | 3 | 12 |  |
| <i>Environment and Development Services</i> | | | | | |
| 14 | Housing Revenue Account | 4 | 4 | 16 |  |
| 15 | Regulatory Services (including Licensing) | 5 | 5 | 25 |  |
| 16 | Neighbourhood Services | 3 | 3 | 9 |  |
| 17 | Asset Management | 4 | 3 | 12 |  |
| 18 | Customer and Cultural Services | 4 | 3 | 12 |  |
| 19 | Planning | 3 | 2 | 6 |  |

| <i>Ref</i> | <i>Auditable Unit</i> | <i>Inherent Risk</i> | <i>Control Environment</i> | <i>Overall Risk Score</i> | <i>Overall Risk RAG</i> |
|------------------------------|--|----------------------|----------------------------|---------------------------|-------------------------|
| 20 | Regeneration | 3 | 4 | 12 | ● |
| 21 | Waste Services | 3 | 3 | 9 | ● |
| 22 | Highways | 3 | 4 | 12 | ● |
| 23 | Leisure and Parks | 2 | 2 | 4 | ● |
| 24 | Transport | 3 | 3 | 9 | ● |
| <i>Resources / Corporate</i> | | | | | |
| 25 | Human Resources and Payroll | 4 | 3 | 12 | ● |
| 26 | Legal and Democratic Services | 4 | 4 | 16 | ● |
| 27 | Finance (including Council's financial resilience) | 5 | 3 | 15 | ● |
| 28 | Revenues and Benefits | 4 | 2 | 8 | ● |
| 29 | ICT | 4 | 4 | 16 | ● |
| 30 | Performance | 4 | 4 | 16 | ● |
| 31 | Procurement | 4 | 3 | 12 | ● |
| 32 | Risk Management | 4 | 5 | 20 | ● |

Key to frequency of audit work

| <i>Audit Requirement Rating</i> | <i>Frequency</i> |
|---------------------------------|-------------------|
| ● | Annual |
| ● | Every two years |
| ● | Every three years |

The audit requirement rating drives the frequency of internal audit work for each auditable unit.

The internal audit resource allows for 1,405 days. The audit plan is a rolling programme aiming to ensure all auditable units are subject to an internal audit at least once in a three year cycle.

4. Summary Annual Internal Audit Plan 2015/16

The internal audit plan has been broken down as shown below to reflect the core areas of our Internal Audit programme determined our risk assessment process.

Through discussions with senior management we produced a list of proposed audit areas for discussion with the Commissioner Managing Director, Strategic Leadership Team, the Responsible Financial Officer and ultimately the Audit Committee. Some of the audits came from discussions with Directors/Strategic Directors of the collectively from Directorate Leadership Teams, whereas others were identified through our own cumulative audit knowledge and experience (CAKE). Some of the audits were identified through our review of external reports.

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|---|----------------------------------|--|-------------------|
| CHILDREN & YOUNG PEOPLE'S SERVICES – Total 295 Audit Days | | | | | |
| Children's Social Care | | | | | |
| Children's Social Care Performance and Quality Standards | <p>Ensure that children receive the care from the Local Authority that they need.</p> <p>Inspection reports, including the Jay Report and CGI report, have highlighted serious weaknesses in Children's Social Care at Rotherham.</p> | <p>Audit Risk Assessm't</p> <p>External reports</p> <p>CYPS DLT</p> | ● | <p>Audit of compliance with the contact, assessment and referral processes, which provide the framework for much of social care activity.</p> <p>We will closely co-ordinate our work with newly established CYPS Audit function to maximise the effectiveness of our assurance and avoid duplication of effort.</p> | 20 |
| Children Leaving Care | <p>Ensure that older young people receive the care they need. This Service has recently been brought back in house, having previously been commissioned</p> | <p>External reports</p> | ● | <p>Audit to ensure compliance with pathway planning requirements.</p> | 15 |
| Child Sexual Exploitation | <p>Ensure compliance with revised CSE practice guidance and procedures.</p> | <p>External reports</p> | ● | <p>Audit to check the consistent application of and compliance with expected practice standards.</p> <p>We will closely co-ordinate our work with newly established CYPS Audit function to maximise the effectiveness of our assurance and avoid duplication of effort.</p> | 25 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|-------------------------------------|--|--|----------------------------------|---|-------------------|
| CYPS Risk Management Arrangements | <p>Ensure that the Council is managing its key risks.</p> <p>Risk management highlighted as a weakness by CGI.</p> | <p>Audit Risk Assessm't</p> <p>CYPS DLT</p> | ● | <p>Review of the processes for the identification, assessment, classification, monitoring and reporting of major risks.</p> <p>Audit to include processes for recording information on the Council's risk management system, JCAD and reporting of risk through the organisational hierarchy through to Commissioners and elected members.</p> | 15 |
| Children in Care Placements Process | <p>Ensure that children receive the care they need through the placements process.</p> | <p>Audit Risk Assessm't</p> <p>External reports</p> <p>s.151 officer</p> | ● | <p>Review of the Council's procedures around the commissioning of external social care placements. To provide assurance over the processes in place to ensure children's needs are met through robust contract compliance activity.</p> <p>Also, to provide assurance that value for money is obtained through compliance with competitive procurement rules.</p> <p>We will undertake a specific review of the placements process for Out of Authority placements given that this is a very high spend area.</p> | 25 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|------------------------|----------------------------------|---|-------------------|
| Fostering and Adoption Allowances and Payments | Ensure that payments made to fosterers and adopters are correct. | Audit Risk Assessm't | ● | <p>A review to assess the adequacy of arrangements for paying those providing foster care and adoption within the borough.</p> <p>We will also examine the arrangements for administering expenditure on home adaptations for fosterers. The audit will also include special guardianship and residency order payments.</p> | 15 |
| New Children's Social Care Information System | <p>Ensure that Children's Services are supported by an information system that enables them to delivery statutory functions.</p> <p>Weaknesses in the current system were highlighted by the CGI report.</p> <p>A new system is to be implemented. Delivery of this is crucial to the Improvement Plan.</p> | CYPS DLT | ● | Through proactive involvement in the system development, Internal Audit will highlight to senior management risks and advise on their mitigation. | 20 |
| Effective Strategic Partnerships | <p>Ensure that RMBC is working effectively with its partners to keep children safe from harm.</p> <p>CGI report criticised the lack of quality relationships between RMBC and partner agencies in tackling the issue of child sexual exploitation.</p> | External reports | ● | Review of the Council's governance of relationships with key partner agencies relating to children and young people, including the Rotherham Safeguarding Children Board, the Health and Wellbeing Board, South Yorkshire Police, the Rotherham Partnership etc. | 20 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|--|------------------------|----------------------------------|--|-------------------|
| Children's Social Care Capacity | Ensure that the Council has sufficient capacity to meet future demand for children's services. | Audit Risk Assessm't | ● | Review of strategic planning for the provision of children's social care. We will assess the assumptions and sensitivities behind the projected demand levels. We will take into account the relative costs of different placement settings, including the balance between early intervention and more intensive forms of care. | 15 |
| Children's Homes | Ensure that systems are in place to ensure proper financial administration at children's homes. A home has recently received critical reports from OFSTED and Internal Audit. | Audit Risk Assessm't | ● | We will carry out 'spot check' visits to two children's homes to assess compliance with procedures. This will include assessing arrangements for the proper administration of children's personal monies e.g. those in receipt of disability living allowance. | 20 |
| Troubled Families Grant | Ensure Council meets claims grant properly. | Mandatory | ● | Two mandatory audits in accordance with grant certification requirements. | 10 |
| <i>Schools and Lifelong Learning</i> | | | | | |
| Safeguarding Policies in Schools | Ensure that schools and the Council are working together to protect children from harm. | Director | ● | Review to ensure that schools have safeguarding policies and arrangements in place to monitor compliance with them. | 10 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|---|---|----------------------------------|---|-------------------|
| Audit of individual school budgets: Financial Administration | Ensure that the finances of maintained schools are being administered properly. | Audit Risk Assessm't Director | ● | We will visit four schools/pupil referral units to check that they are managing their delegated budgets in accordance with proper financial administration arrangements. Our work will include checking compliance with Financial Regulations for Schools and the Fair Funding Scheme. | 20 |
| Management of school deficit and surplus balances | Ensure that schools are managing within agreed budgets. | Audit Risk Assessm't Director s.151 officer | ● | Audit to assess the robustness of the Council's arrangements for dealing with schools that have large deficit or surplus balances, including compliance with Fair Funding Scheme requirements around licensed deficit agreements. We will check how the Council mitigates the risk of a potential adverse impact on the Council's general fund if a school in deficit converts to academy status. | 20 |
| A Secondary School Budget Management | Ensure that the school has a robust plan to operate within budget. | Audit Risk Assessm't Director s.151 officer | ● | Audit of the robustness of the deficit reduction plan for a specific secondary school. This will include an examination of the assumptions and sensitivities used in the plan, including pupil numbers, inflation rates, staffing structures for teachers and administrative staff. We will also liaise with colleagues in CYPS and Finance to review progress against it during the year. | 10 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|--------------------------------------|----------------------------------|---|-------------------|
| Special Educational Needs and Disabilities | Ensure that children with special educational needs are provided with support in accordance with their needs. | Audit Risk Assessm't Director | ● | Review to test the robustness of the Council's arrangements for the production and review of Education, Health and Care Plans and the placement of children with appropriate providers. Review the impact on funding of SEN placements since the implementation of national changes in September 2014 and what is being done to manage the change. Review SLA funding arrangements with schools. | 15 |
| Children's Centres | Ensure that the RMBC's children centres are properly administered. | Audit Risk Assessm't Director | ● | Review to test the new arrangements for children's centres including business plans and income generation from childcare fees. We will take into account the ongoing major service reconfiguration, which sees the transfer of responsibility of several children's centres to maintained schools. | 15 |
| Early Years Funding | Ensure that funding for early years childcare is properly administered. | Audit Risk Assessm't | ● | Review to ensure that payments to childcare providers are made in accordance with the conditions attached to the funding. | 5 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|--|---|----------------------------------|---|-------------------|
| ADULT SOCIAL CARE – Total 125 Audit Days | | | | | |
| Care Act 2014 | Ensure that the Council has made sufficient preparation for Care Act implementation. | Audit Risk Assessm't | ● | <p>Review the Council's arrangements for implementation of the provisions of the Care Act 2014. The scope of the audit will include review of financial modelling work undertaken by Finance to assess budget implications.</p> <p>We will also assess the revised processes for undertaking financial assessments, including additional payments to carers, the cap on care costs and deferred payment arrangements.</p> | 15 |
| Independent Sector Commissioning Process | Ensure that adults receive the care they need and the Council obtains best value. | <p>Audit Risk Assessm't</p> <p>Former Director</p> <p>s.151 officer</p> | ● | Audit of compliance with commissioning framework and procurement requirements, including, EU procurement rules, Council Standing Orders and Financial Regulations, Localism and Social Value Acts | 25 |
| Contract Compliance Process | Ensure that adults receive the care they need. | Former Director | ● | Audit to assess the Council's contract compliance framework, including checks that client care records are up to date and subject to quality review. | 25 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|---|---|----------------------------------|---|-------------------|
| Independent Sector Supported Living | Ensure that adults receive the care they need. | Audit Risk Assessm't Former Director | ● | Audit to assess the Council's contract compliance framework, including checks that client care records are up to date and subject to quality review. | 10 |
| Deputyships | Ensure the Council properly looks after client funds. | Audit Risk Assessm't | ● | Audit to ensure that the Council is operating in compliance with relevant legislation such as the Mental Health Act and with the requirements of the Office of Public Guardian. | 10 |
| Adult Residential Services and Day Services | Ensure that systems are in place to monitor the quality and effective running of adult's residential homes. | Audit Risk Assessm't | ● | We will also carry out 'spot check' visits to residential homes and day centres to assess compliance with procedures. This will include assessing arrangements for the proper administration of service user monies. | 20 |
| Risk Register | Ensure that the Council is managing its key risks. Risk management highlighted as a weakness by CGI. | Former Director | ● | Review action taken by Adult Social Care management to improve use of corporate risk management system. | 10 |
| Grants | Ensure Council claims grant properly. | N/A | ● | Audit in accordance with grant funding body requirements. The grants that we will be required to audit will be determined through discussion with the Director of Adult Services and the appropriate Finance Manager. | 10 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|--|--|----------------------------------|---|-------------------|
| <i>PUBLIC HEALTH – Total 50 Audit days</i> | | | | | |
| Commissioning Process | Ensure that the Council is obtaining high quality services and value for money from its public health contracts. | Audit Risk Assessm't Former Director s.151 officer | ● | Audit of compliance with commissioning framework, including EU procurement rules, Council Standing Orders and Financial Regulations, Localism and Social Value Acts At the specific request of the former Interim Director of Public Health we will review the arrangements for recent letting of the Adult Obesity contract so that lessons can be learned when letting future public health contracts. | 20 |
| Contract Compliance | Ensure that the Council is obtaining high quality services and value for money from its public health contracts. | Audit Risk Assessm't Former Director | ● | Audit to assess the Council's contract compliance framework, including checks that client care records are up to date and subject to quality review. | 15 |
| Sexual Health Strategy | Ensure that the work of Public Health function is aligned to tackling the issue of child sexual exploitation. | External Reports Former Director | ● | We will examine the provision of referral links and information sharing arrangements to Children's Services, including monitoring of the Sexual Health Strategy. | 5 |
| Risk Register | Ensure that the Council is managing its key risks. Risk management highlighted as a weakness by CGI. | N/A | ● | Review action taken by Public Health management to improve use of corporate risk management system. | 10 |

| Audit Area | Assurance Objective | Source of Audit | Audit Priority Rating RAG | Summary of Proposed Audit Work | Audit Days |
|--|--|---|---------------------------|--|------------|
| ENVIRONMENT AND DEVELOPMENT SERVICES – Total 195 Audit Days | | | | | |
| Streetpride | | | | | |
| Licensing | <p>Ensure that the Licensing function is fit for purpose so as to contribute to:</p> <ul style="list-style-type: none"> the prevention of crime and disorder public safety the prevention of public nuisance the protection of children from harm <p>The CGI was highly critical of the taxi licensing function.</p> | <p>Audit Risk Assessm't</p> <p>External reports</p> <p>Director</p> | ● | <p>Review to ensure compliance with the new Licensing policy and procedures, including a follow up piece of work to check that licences are only issued once all essential checks (e.g. DBS) have been performed. The review will also check that the Council's new procedures around enforcement are being complied with.</p> | 20 |
| Home to School Transport | <p>Ensure that children who use home to school transport are safe.</p> | <p>Audit Risk Assessm't</p> <p>External reports</p> <p>Director</p> | ● | <p>Follow up review to ensure that actions agreed following the recent audit of Home to School Transport have been implemented.</p> | 15 |
| Waste Treatment PFI | <p>Ensure the proper financial management and governance of the new Waste Treatment facility at Manvers.</p> | <p>Audit Risk Assessm't</p> <p>s.151 officer</p> | ● | <p>Audit of compliance with contract conditions in accordance with Project Agreement.</p> | 15 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|--|----------------------------------|--|-------------------|
| Highways Contracts | Ensure that the major highways capital contracts are subject to sufficient scrutiny before payment. | Audit Risk Assessm't Director s. 151 officer | ● | Follow up review to ensure that actions agreed following the previous audit of highways contracts have been implemented. We will specifically examine the arrangements in EDS for checking payments during the currency of contracts and at final account stage. We will use the A57 highway improvement and the Pool Green roundabout and Old Flatts bridge pinch point schemes as a basis of our assessment. | 20 |
| <i>Planning, Regeneration and Culture</i> | | | | | |
| Rotherham Growth Plan | Ensure that the Council's Growth Plan is delivered. | Audit Risk Assessm't s.151 officer | ● | Review of the monitoring mechanisms in place for ensuring delivery of the Growth Plan. We will take account of the risks arising from lower levels of available funding for economic development, Sheffield City Region being main conduit for funding and damage to inward investment due to poor reputation of RMBC. We will also check that linkages have been made to the wider implications, including demand for social services and the impact on revenue from NNDR localisation. | 15 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|---|----------------------------------|--|-------------------|
| Customer Services Business Continuity | Ensure that citizens are able to access Council services. | Director | ● | Review of business continuity arrangements for the contact centre and customer services centres. | 10 |
| Registrars | Ensure that the registrars function has proper arrangements for the safe custody of records. | External reports | ● | We will review the actions taken by management in response to a recent report from the General Register Office and perform a spot check of compliance with new procedures once they have been implemented. | 5 |
| <i>Housing, Neighbourhoods and Asset Management</i> | | | | | |
| Integrated Housing Management System (IHMS) | Ensure that the Council delivers implementation of the new system. | Audit Risk Assessm't Director s.151 officer | ● | Ongoing assurance around the project risks associated with IHMS implementation. We will also specifically assess the arrangements for data migration between the old system and IHMS. | 15 |
| Housing Repairs and Maintenance Contracts | Ensure that the Housing Revenue Account receives the complete savings share to which it is entitled from the contracts. | Audit Risk Assessm't Director s.151 officer | ● | Audit of the arrangements in place within Housing to perform financial checks on the cost collection workbooks for the housing repair and maintenance contracts with Willmott Dixon Partnership and Mears. We will assess these arrangements in accordance with 'open book' accounting principles. | 15 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---------------------------------------|--|---|----------------------------------|---|-------------------|
| Housing Revenue Account Business Plan | Ensure that Housing Revenue Account Business Plan is delivered. | Audit Risk Assessm't s.151 officer | ● | Ongoing assurance around the risks associated with management of key risks in the Business Plan. Our work will include an assessment of arrangements to mitigate the risks around the impact on housing rents collection performance of welfare reform and social housing size criteria, sensitivity of assumptions around right to buy take up and potential cost overruns on schemes. | 15 |
| Universal Credit | Ensure that the Council is prepared for the implications arising from implementation of universal credit. | Audit Risk Assessm't s.151 officer | ● | Assess the Council's progress against plans for addressing the changes arising from the implementation of universal credit, including the impact on housing rent collection procedures. | 10 |
| Housing Landlord Responsibilities | Ensure that Council house tenants are safe. | Audit Risk Assessm't Director | ● | Audit of the processes and systems in place by management through Willmott Dixon and Mears to ensure compliance with statutory requirements e.g. gas safety inspections etc, | 5 |
| Housing Rents | Ensure that the Council has proper arrangements for collection of housing rents. Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c. £83 million. | Audit Risk Assessm't s.151 officer | ● | Full audit of the new Housing Rents system in accordance with CIPFA guidelines. | 15 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--------------------------|--|------------------------|----------------------------------|---|-------------------|
| CAMINO grant | Ensure the Council claims correct grant funding. | Mandatory | ● | Two audits of CAMINO grant in accordance with instructions from grant funding body. | 10 |
| Financial Administration | Ensure that the services and functions in EDS have proper financial administration arrangements. Core s.151 responsibility. | Audit Risk Assessm't | ● | Spot checks on services and functions in EDS to ensure compliance with Financial Regulations. | 10 |

RESOURCES / CORPORATE - Total 385 Audit Days

Financial Services

| | | | | | |
|---|---|---|---|--|----|
| Adult Social Care Financial Assessments Process | Ensure that the Council has proper arrangements for carrying out financial assessments. Link to audit of Care Act above. | Audit Risk Assessm't | ● | Audit of compliance with the financial assessment process, including detailed checks on a sample of assessments and deferred payment agreements. | 5 |
| Adult Social Care: Payments Processes | Ensure that the Council has proper arrangements for making payments to providers of adult social care. | Audit Risk Assessm't | ● | Review of the process for setting up service providers and ensuring payments are made accurately in accordance with contracts. | 5 |
| Purchase to Pay / Creditor Payments | Ensure that the Council has proper arrangements for making payments to suppliers for goods and services. Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c.£360 million | Audit Risk Assessm't s.151 officer | ● | Risk based audit of the Creditors systems in accordance with CIPFA guidelines. | 10 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|-----------------------------|--|--|----------------------------------|--|-------------------|
| Debtors | <p>Ensure that the Council has proper arrangements for the collection of debt.</p> <p>Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c. £59 million.</p> | <p>Audit Risk Assessm't</p> <p>s.151 officer</p> | ● | Risk based audit of the Debtors system in accordance with CIPFA guidelines. | 5 |
| Council Tax | <p>Ensure that the Council has proper arrangements for the collection of Council Tax.</p> <p>Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c. £97 million.</p> | <p>Audit Risk Assessm't</p> <p>s.151 officer</p> | ● | Risk based audit of the Council Tax system in accordance with CIPFA guidelines. | 10 |
| National Non Domestic Rates | <p>Ensure that the Council has proper arrangements for the collection of national non domestic rates.</p> <p>Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c. £74 million.</p> | <p>Audit Risk Assessm't</p> <p>s.151 officer</p> | ● | Risk based audit of the NNDR system in accordance with CIPFA guidelines. | 10 |
| Benefits | <p>Ensure that the Council has proper arrangements for the administration of Housing Benefits and Council Tax Support.</p> <p>Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c. £90million (housing) and £21million (council tax).</p> | <p>Audit Risk Assessm't</p> <p>s.151 officer</p> | ● | Risk based audit of the Benefits system in accordance with CIPFA guidelines. Our checks will include application of the recently introduced risk based verification framework. | 10 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|---|--|----------------------------------|--|-------------------|
| Managing the Finances and Resilience | Ensure that the Council delivers its budget challenge. | Audit Risk Assessm't s.151 officer | ● | We will review the Council's arrangements for ensuring delivery of budget reductions, in accordance with target operating model principles. As part of this we will assess the sustainability of the approach and the robustness of the Medium Term Financial Strategy. Where major service reconfigurations are planned, we will test, on a sample basis, whether the management of risk and the adequacy of internal controls are properly considered through the implementation phase. | 20 |
| <i>Human Resources and Payroll</i> | | | | | |
| Payroll | Ensure that the Council has proper arrangements for the payment of wages, salaries and expenses to employees. Core s.151 responsibility. Used by KPMG for audit planning purposes. Total transaction annual value of c. £147million. | Audit Risk Assessm't s.151 officer | ● | Risk based audit of the Payroll system in accordance with CIPFA guidelines. | 15 |
| DBS Checks / BPSS Compliance | Ensure that DBS checks are carried out properly where required. | Audit Risk Assessm't Director External | ● | Audit to check compliance with DBS procedures for Council employees, elected members and those areas not under direct Council control e.g. maintained schools using external HR functions. | 10 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|---|---|--|----------------------------------|--|-------------------|
| | | reports | | | |
| HR Policies and Procedures | Ensure that Council employees comply with HR policies and procedures. | Audit Risk Assessm't Director External reports | ● | Audit to check compliance with HR policies and procedures, focusing on the use of settlement agreements, compromise agreements, disciplinary procedures, grievance procedures and the PDR process. | 20 |
| <i>Legal and Democratic Services</i> | | | | | |
| Whistleblowing Procedures | Ensure that Council listens to whistleblowers and investigates their concerns properly. | Audit Risk Assessm't Director External reports | ● | Audit to provide independent assurance to Commissioners and Audit Committee over the effective application of the Council's whistleblowing arrangements. Internal Audit will also be kept informed of all whistleblowing reports so that we can consider impact they have on our overall opinion concerning the control environment. | 10 |
| Elected Member Conduct | Ensure that the conduct of elected members meets the highest standards expected in public life. | Audit Risk Assessm't Director External reports | ● | Audit to carry out checks on compliance with protocols surrounding elected members, including maintenance of declaration of interests. We will also perform sample checks on elected members' expenses to ensure compliance with policies. | 15 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|------------------------------|--|---|----------------------------------|--|-------------------|
| Information Governance | Ensure that the Council has appropriate structures, policies, procedures, processes and controls implemented to manage information | Audit Risk Assessm't s.151 officer | ● | Audit of the Council's information governance arrangements, including EDRMS, use of W drive, freedom of information requests and service access requests against best practice standards. We will also review the Council's manual records management arrangements. | 20 |
| <i>Transformation</i> | | | | | |
| ICT Governance | UK Public Sector Internal Audit Standards requirement for Internal Audit to examine ICT governance. | Audit Risk Assessm't Director | ● | Assurance that information technology governance supports the Council's strategies and objectives. | 10 |
| ICT Audit Activity | Ensure that the Council has a properly controlled ICT function that supports the delivery of Council objectives. | Audit Risk Assessm't Director | ● | Internal Audit will work with ICT on the development of a programme of ICT audits. It is suggested that the programme should address the following areas: <ul style="list-style-type: none"> • Project management / systems development processes • Business Continuity Management, including disaster recovery plans and crisis management plans • Information security, including arrangements for risk based attack and penetration assessment • Mobile devices • Cloud security reviews | 40 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|---|----------------------------------|---|-------------------|
| Corporate Issues | | | | | |
| Corporate Improvement Plan | Key corporate priority | External reports | ● | We will work with the Head of Policy, Improvement and Partnerships to determine the most effective use of Internal Audit resources in supporting delivery of the Corporate Improvement Plan. | 30 |
| Risk Management | Ensure that Council has effective risk management arrangements. | External reports s.151 officer Audit Risk Assessm't | ● | The Council's risk management arrangements are currently under review. We will contribute to this review. Once the new arrangements have been rolled out, we will audit compliance with them. | 20 |
| Business Continuity Management | Ensure the Council has effective Business Continuity arrangements. | Emergency and Safety Manager | ● | Audit of compliance by directorates with the Council's corporate business continuity arrangements, drawing upon CIPFA guidance. We will sample check a number of Council services and functions to ensure that they have up to date and tested BCPs in place. | 15 |
| Review of Internal Control Effectiveness / Annual Governance Statement | Ensure that the Council has an effective system of internal control and an evidenced AGS. | Audit Risk Assessm't s.151 officer | ● | We will undertake an audit of the effectiveness of the Council's control environment. We will review the body of evidence supporting the assertions in the Council's Annual Governance Statement, including declarations made by Service Directors and Strategic Directors. | 30 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|-------------------------|---|---|----------------------------------|---|-------------------|
| Partnerships Governance | Ensure the Council has effective governance arrangements with its partners. | Audit Risk Assessm't External reports | ● | We will assess the Council's arrangements for the governance of its relationships with partners against best practice, including CIPFA guidelines. This will include a review of how the Council and its partners hold each other to account. Partners for this purpose will include the Rotherham Children Safeguarding Board, the Health and Wellbeing Board, the Rotherham Partnership and South Yorkshire Police. | 20 |
| Organisational Ethics | Ensure that the Council upholds the high ethical standards that would be expected of a public body. | External reports | ● | Once the new policies and procedures are in place, we will review compliance with these. | 15 |
| Health and Safety | Ensure that the Council has effective health and safety arrangements. | Audit Risk Assessm't | ● | We will assess arrangements for monitoring progress against the Health and Safety Plan | 10 |
| Procurement | Ensure that the Council has effective arrangements to ensure value for money when buying goods and services. | Audit Risk Assessm't s.151 officer | ● | We will the Council's procurement arrangements, including deliverability of the Annual Procurement Plan and compliance by managers with rules on essential spend criteria. | 15 |
| Performance Management | Ensure that the Council manages performance to achieve its objectives. The CGI report criticised the Council's approach to performance management. | Audit Risk Assessm't External reports s.151 officer | ● | Through discussion with the Performance and Quality Team, we will scope a piece of work to assess compliance with the Council's performance framework once it has been revised. | 15 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|--|---|------------------------|----------------------------------|---|-------------------|
| ANTI FRAUD & CORRUPTION WORK – Total 95 Audit Days | | | | | |
| National Fraud Initiative | Mandatory requirement | N/A | ● | We will review and investigate matches generated by the National Fraud Initiative. | 30 |
| Pro-active anti-corruption activity | Ensure that the Council demonstrates a zero tolerance approach to fraud and corruption. | N/A | ● | We will use Council systems to undertake local data matching activity | 30 |
| Advice / Guidance | Ensure that the Council limits as far as possible its exposure to fraud. | N/A | ● | Provision of advice and guidance to managers in the prevention, detection and investigation of fraud. We will use e-learning to raise awareness amongst the workforce. | 20 |
| Single Fraud Investigation Service | Ensure that the Council has adequately prepared for the loss of fraud investigators. | N/A | ● | The establishment by the DWP of the Single Fraud Investigation Service will see the transfer of Benefit Fraud investigators to SFIS. This will reduce the Council's overall capacity to investigate fraud. We will work with the s.151 officer to determine the most effective response to this and ensure that the Council has capacity to carry out investigations. | 15 |
| AUDIT PLANNING, FOLLOW UP AND RESPONSIVE – Total 260 audit days | | | | | |
| Audit Planning and Reporting | To ensure audit work is planned and delivered in accordance with UKPSIAS. | N/A | N/A | Production of Annual Audit Plan and Annual Audit Report. Production of reports for Audit Committee. Quarterly revision of risk assessment for audit planning purposes. | 70 |

| <i>Audit Area</i> | <i>Assurance Objective</i> | <i>Source of Audit</i> | <i>Audit Priority Rating RAG</i> | <i>Summary of Proposed Audit Work</i> | <i>Audit Days</i> |
|------------------------|---|------------------------|----------------------------------|---|-------------------|
| Follow Up Work | To ensure that audit recommendations agreed by management are actually implemented. | N/A | N/A | Follow up work to check that actions agreed by management following audit work are actually implemented. | 40 |
| Responsive Contingency | To ensure that Internal Audit can respond to issues / concerns raised by management or Audit Committee during the year. | N/A | N/A | Investigations. Advice / guidance. Work commissioned by Audit Committee, Managing Director, Strategic Directors, Service Directors. | 150 |
| TOTAL DAYS | | | | | 1405 |

Appendix 1: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

| <i>Impact Rating</i> | <i>Assessment rationale</i> |
|--------------------------|---|
| 5 | Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation / brand of the Council which could threaten its future viability. |
| 4 | Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the Council. |
| 3 | Moderate impact on the Council's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the Council. |
| 2 | Minor impact on the Council's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the Council. |
| 1 | Insignificant impact on the Council's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the Council. |
| <i>Likelihood rating</i> | <i>Assessment rationale</i> |
| 5 | Has occurred or probable in the near future |
| 4 | Possible in the next 12 months |
| 3 | Possible in the medium term (2-5 years) |
| 2 | Possible in the longer term (5-10 years) |
| 1 | Unlikely in the foreseeable future |