

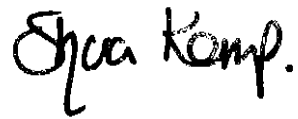
AUDIT COMMITTEE

Date:- Wednesday, 27 April 2016
Time:- 4.00 p.m.
Venue:- Town Hall, Moorgate Street,
Rotherham. S60 2TH

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. Questions from the Press and Public
4. Minutes of the previous meetings held on 10th and 25th February, 2016 (Pages 1 - 18)
5. Update on the Use and Operation of Surveillance and Acquisition of Communications Data Powers (Pages 19 - 24)
6. External Audit and Inspection Recommendations (Pages 25 - 46)
7. External Audit Plan 2015-16 (Pages 47 - 66)
8. Internal Audit Plan 2016/17 (Pages 67 - 95)
9. PwC Review of Internal Audit Action Plan Update (Pages 96 - 110)
10. Internal Audit Action Plan for Compliance with Audit Standards (Pages 111 - 134)
11. Items for Referral for Scrutiny
12. Exclusion of the Press and Public
The following items are likely to be considered in the absence of the press and public as being exempt under Paragraphs 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended March 2006) (information relates to finance or business affairs).

13. Internal Audit Annual Report 2015/16 (Pages 135 - 178)
14. Strategic Risk Register Update (Pages 179 - 192)
15. Draft Risk Register for the Regeneration & Environment Directorate (Pages 193 - 203)
16. Corporate Risk Management Update (Pages 204 - 209)



SHARON KEMP,
Chief Executive.

Membership

Chair – Councillor Wyatt
Vice-Chair – Councillor Hughes
Councillors Cowles, Ellis and Evans
Independent Person – Mr. B. Coleman

AUDIT COMMITTEE
Wednesday, 10th February, 2016

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Ellis, Evans, Hughes and Bernard Coleman (Independent Person).

Debra Chamberlain (KPMG) was in attendance.

Councillor D. Roche was in attendance for the Adult Services Risk Register and the Public Health Risk Register items.

46. QUESTIONS FROM THE PRESS AND PUBLIC

There were no members of the press or public present at the meeting.

47. COUNCILLOR S. ELLIS.

Councillor K. Wyatt welcomed Councillor S. Ellis to her first meeting of the Audit Committee. She had recently joined the Committee to replace Councillor S. Alam.

48. MINUTES OF THE PREVIOUS MEETING HELD ON 24TH NOVEMBER, 2015

Consideration was given to the minutes of the meeting held on 24th November, 2015.

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

49. RISK BASED VERIFICATION AND ELECTRONIC CLAIMS POLICIES

Rachel O'Neill, Customer and Cultural Services, submitted a report proposing the adoption of a Risk Based Verification Policy and Electronic Communications Policy which would allow the Council to streamline the administration of Housing Benefit and Council Tax Reduction claims. Customers would be encouraged to submit their applications for Housing Benefit and Council Tax Reduction electronically.

The Department for Works and Pensions had piloted Risk Based Verification with a small number of local authorities in 2011. The scheme's approach concentrated on the risk profile of each claims, enabling Council resources to be targeted at high risk claims where there was more likelihood of fraud and error and enabling low risk claims to be streamlined and fast tracked. The pilots were successful and in November, 2011, the DWP confirmed that all councils were able to adopt Risk Based Verification on a voluntary basis. It was now used in many areas of public serve as well as by businesses in the commercial world sector.

The Authority's current process for requesting and verifying evidence had been in place for some time and required every customer to submit the same amount of evidence irrespective of their circumstances. This was costly, inefficient and burdensome on the customer and could result in delays in receipt of benefit.

Changing the verification policy, supported by electronic submission of new benefit claims and changes in circumstances, would help to streamline the processes, improve accessibility, reduce the cost of administering claims and help target fraud and error.

The DWP required any council wishing to adopt risk based verification and electronic claims processes to have local formally approved policies in place.

A specialist IT system would be purchased to support the implementation of risk based verification which would be integrated with an electronic claim form and the Authority's existing benefit assessment systems. The estimated cost of the ICT system was £25,000 per annum. Funding for the project had been identified within the approved Customer Access Delivery Plan 2015/16 and would be met from available DWP Welfare Reform and New Burdens grant monies in year 1. Revenue costs from 2017/18 would be funded from Library and Customer Services revenue budgets.

An online benefit claim form had been developed and fully tested with customers. The form would enable evidence to be uploaded online removing the need for the claimant to visit Council premises. 'Assisted digital' processes would also be introduced for those customers who were unable to access online services. The online process would still be followed in those cases but would be completed on the customer's behalf by a Council representative or partner either by telephone or face-to-face visit.

Discussion followed on the proposed system: -

- Bernard Coleman asked what level of monitoring was undertaken on the low risk applications, which represented the majority of applications? – Officers could not downgrade a risk and internal quality assurance within the Team was ongoing, a minimum 10% sample each year. An annual external audit was undertaken. The tool was well-tested and used by DWP.
- Councillor Hughes asked whether any electronic transactions were currently used? None – currently all were paper based. It was anticipated that 55% low-risk customers would use the on-line tool.
- Councillor Ellis referred to the purchase of IT solutions and asked whether there was available and sufficiently tested bespoke

software on the market? Soft market testing had been undertaken and identified three key suppliers who could provide what was needed. The policy would be adopted before any tender was issued.

- Councillor Ellis asked what safeguarding would be in place to ensure that vulnerable clients would be supported to use the online tool and not feel forced into it? There were no differences between online and paper based methods in terms of questions or requirements. The Council needed to be clear that it had given applicants all relevant information. Where applicants had been helped to fill in the online questions there was the option to give the individual full copies of the information submitted. There was a tick box to indicate when the form had been filled in on an applicant's behalf.
- Councillor Hughes asked how many applications were annually processed? There was an overall caseload of 28,000 applications and in the previous year new applications amounted to just under 6,000. This was dependent on factors in the Borough and the local economy. The annual caseload was between 25,000-35,000 individuals, to the value of £90m.

Resolved:- (1) That the adoption of the Risk Based Verification Policy and Electronic Claims Policy be supported.

(2) That the report be referred to the Cabinet and Commissioners decision making meeting for adoption.

(3) That a six-month review of this process be considered by a future meeting of the Audit Committee, including an exceptions report.

50. PROGRESS ON RECOMMENDATIONS/ISSUES RAISED IN THE ANNUAL GOVERNANCE STATEMENT 2014-15

Colin Earl, Director of Finance and Corporate Services, presented a report providing an update on the progress of addressing the weaknesses reported in the 2014/15 Annual Governance Statement (AGS).

The 2014/15 AGS had reflected the exceptional circumstances applying to the Council during the year. The actions emanating from the Jay, Casey and Ofsted reports were included in the Corporate and Children's Improvement Plans progress of which would be reported respectively to the Joint and Children's Improvement Boards and would be summarised in the 2015/16 AGS.

The AGS had also included other significant issues arising from the annual assessment of governance arrangements. The Audit Committee's Prospectus included a review of progress in implementing the issues prior to the process for producing the 2015/16 AGS. The issues/updates were

as follows:-

- A failure to effectively commission and manage the delivery of school improvement activity
Funds were now formally devolved to schools in line with delegated budget arrangements and schools determined the extent to which they wished to buy-in improvement support, the processes for doing so and the demonstration of value for money. These arrangements should ensure compliance with procurement and Financial Regulations in subsequent financial years.

- Inadequate arrangements for taxi licensing
The assessment of all existing licence holders against the 'fit and proper' person was virtually complete. As a consequence, a number of taxi drivers had had their licences revoked.

The new Safeguarding Policy covering Hackney Carriages and Private Hire vehicles had also been implemented with over 85% of drivers now having received safeguarding training.

- Inadequate arrangements for minimising the risk of harm to Looked After Children when transport arranged outside of the Council's Home to School Transport contracts was used.
New protocol in place to direct CYPS to a single operator that held the biggest number of Home to School transport routes and had the greatest experience of special needs children.

Task and Finish Group had been established to look further at transport provision for Looked After Children and determine further actions/measures to be taken.

- Weaknesses in arrangements for ensuring contractors were effectively and consistently assuring the safety of tenants when carrying out gas servicing works on behalf of the Council.
The Council's Gas Supervisor now more directly monitored projects involving gas installations to ensure appropriate assurance checks were undertaken. The Council had also appointed an independent gas auditor and implemented his recommendations.

The Gas Supervisor had also undertaken practical steps including meeting contractors on site and attended 'tool-box' talks to emphasise the Council's priority in relation to safety and minimise the risk of incidences occurring.

There had been no RIDDOR reportable incidents since the enhanced arrangements.

Resolved:- (1) That the report be noted.

(2) That, following the conclusion of the Task and Finish Group relating to

Looked After Childrens' Transport provision, a report be presented to a future meeting of the Audit Committee.

51. EXTERNAL AUDIT GRANTS REPORT

Consideration was given to a report presented by Derek Gaffney, Chief Accountant, and Debra Chamberlain, KPMG, which advised the Audit Committee of the matters arising from the external audit of the Council's 2014/15 government grants and returns.

The report provided a summary of KPMG's key findings from the certification work they have carried out in 2014/15.

The main findings were:-

- KPMG were required to audit three claims and returns in 2014/15 with an aggregate value of £112 million and issued a qualification certificate for one return and unqualified certificates for the remaining two grants and returns.

The Housing Benefit Subsidy claim was subject to a qualification letter and unqualified conclusion for the Teachers' Pension Agency Return and Pooling of Housing Capital Receipts Return. No adjustments were necessary to the Council's grants and returns as a result of the certification work.

KPMG have commented that this grant was a very complex and high value grant and the relatively low number and value of amendments/qualification issues represented good performance at preparing this grant claim relative to other local authorities.

- The Council had good arrangements in place to ensure the efficient and effective preparation and submission of claims and returns and which supported the audit process. In particular, working papers were of a good standard and officers responded promptly to audit queries.

KPMG recognised that the Council continued to maintain the high standard achieved in recent years and had good arrangements in place to ensure the efficient and effective preparation and submission of claims and returns which supported the audit process. In particular, working papers were of a good standard and officers responded promptly to audit queries.

The indicative fee for KPMG's work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £16,120. The actual fee for the work was £20,663 due to additional time incurred to re-perform CAKE testing. The additional fee was subject to Public Sector Audit Appointments' approval.

Councillor Ellis asked about incorrect classification of vulnerable claimants as per section 3.2.5? None of the claimants had suffered any financial loss.

Resolved:- (1) That the External Auditor's report be noted.

(2) That, whilst the fees had increased for carrying out grant certification work due to additional testing requirements, the Council had sustained good performance in both preparing and submitting its 2014/15 grant claims and returns.

52. FINAL ACCOUNTS CLOSEDOWN ARRANGEMENTS AND REVIEW OF ACCOUNTING POLICIES

Simon Tompkins, Finance Manager, reported that under the Accounts and Audit Regulations 2015, with effect from 2017/18, unaudited financial statements would have to be published by the end of May and audited financial statements by the end of July as opposed to the current arrangements of June and September respectively. The challenge for local authorities would, therefore, be to achieve the shorter reporting timetable whilst maintaining financial statements of good quality.

The new deadlines represented a major challenge for all local authorities and would necessitate adoption of radically different approaches if the tighter deadlines were to be achieved. It would entail having to re-engineer processes to:-

- Better align in year and end of year reporting processes
- Bring forward work wherever possible
- Place greater reliance on the use of estimates
- Automate or streamline processes wherever possible

The various workstreams would be brought together and project managed over the next two years using the closure of the accounts in 2015/16 and 2016/17 as trials.

Steps being taken this year included:

- Identifying barriers to faster closure so that solutions can be found in 2016/17, and
- Removing non material disclosure from the financial statements

KPMG's views would be sought to get their assurance that the new processes and techniques being developed are satisfactory from an external audit perspective.

Officers would also look to work collaboratively with other Finance colleagues across South Yorkshire to share best practice and resources.

The Local Audit and Accountability Act 2014 conferred on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gave them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they thought an item of account may be unlawful. Previously, local electors were given at least twenty working days to inspect the accounting records up to the date appointment by the external auditor from which questions or objections could be made. Under the Accounts and Audit Regulations 2015, this was now thirty working days commencing the day after the unaudited accounts had been published. As accountability to the local electorate was an important part of the governance of the Council, notice of the inspection period would be advertised on the Council's website in advance of the unaudited financial statements being published.

The draft Annual Governance Statement and Narrative Report would also need to be published alongside the Council's unaudited financial statements on the website.

In view of the changes to the 2015/16 financial statements, Audit Committee 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.

Resolved:- (1) That the key accounting issues and main changes to the accounts in 2015/16, as listed in Appendix A of the report submitted, be noted.

(2) That the change to the Council's accounting policies that had been made as a result of changes to the Local Authority Accounting Framework, as set out in Appendix B of the report submitted, be noted.

(3) That the July meeting of the Audit Committee receive the Council's unaudited 2015/16 financial statements.

53. KPMG EXTERNAL AUDIT PLAN 2015-16

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

The Planning Summary attached outlined the financial statements' significant risk and areas of audit focus KPMG were currently considering as part of the audit planning process. The risk identification process was ongoing and as such the significant risk and areas of focus were

indicative at the present time and may change to reflect guidance and activity within the Council and generally in the sector. Currently, the five areas to be reviewed were:-

- Management override of controls
- Fraudulent revenue recognition
- Reserves and financial position
- Accounting for infrastructure assets
- Child Sexual Exploitation Claims

In developing the final Plan, KPMG would hold discussions with management and Commissioners to inform their Value for Money risk assessment and to finalise the significant risks and areas of audit focus in relation to the financial statements audit. The full Plan would be issued in April, 2016.

The 2015/16 audit fee of £140,828 represented a 25% reduction on the 2014/15 fee. The fee for 2016/17 and subsequent years would be set by the Public Sector Audit Appointments company set up by the LGA as successor body to the Audit Commission.

Resolved:- That the current position with regard to KPMG's audit planning for 2015/16 be noted.

54. PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY

Consideration was given to a report presented by Derek Gaffney, Chief Accountant, which detailed that, in accordance with the Prudential Code for Capital Finance, the Secretary of State's Guidance on Local Government Investments, the CIPFA Code of Practice for Treasury Management in Local Authorities and with Council policy, the Interim Strategic Director of Finance and Customer Services was required, prior to the commencement of each financial year to seek the approval of the Council to the following:-

- The Prudential Indicators and Limits for 2016/17 to 2018/19.
- A Minimum Revenue Provision (MRP) Statement which sets out the Council's policy on Minimum Revenue Provision.
- An Annual Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management including the Authorised Limit.
- An Investment Strategy in accordance with the Department for Communities and Local Government (CLG) investment guidance.

The report formed a key part of the financial management reporting framework and covered the Prudential Indicators and Treasury and Investments Strategies for 2016/17 and the following two financial years. It also provided an update on the indicators for the 2015/16 financial year.

It had been developed having taken account of the revised Codes and reports published during 2009 and the changes to the Department for Communities and Local Government's Investment Guidance.

The strategies had been developed taking account of the approved capital programme and the proposed Capital Strategy which was due to be considered by the Cabinet/Commissioners Decision Making meeting to be held on 23rd February, 2016.

These capital expenditure plans, the associated prudential indicators and the impact the net financing need had on the Council's Capital Financing Requirement, were highlighted.

It was also explained that the Council's CFR varies as a result of the impact of the financing of the Council's PFI and finance leases and the effect of the Minimum Revenue Provision requirement. The CFR estimates reflect the effect of the recently approved amendments to the Council's MRP policy which are set out in Appendix A.

The impact of the Council's capital expenditure plans as they affect Treasury Management and included in the Treasury Management Strategy were outlined.

It was explained that the Council will continue to remain under-borrowed for some time yet against the CFR, with new borrowing only undertaken as maturities arise. In 2016/17 a sum of just over £17.3m was due to repaid at maturity. It was considered prudent to continue with an under-borrowed position as market conditions suggested investment interest rates would remain low and there was a cost of carrying debt.

On a day-to-day basis the Council was likely to have surplus funds available for investment and the strategy for dealing with this was outlined. The primary governing principle remained security over, secondly, liquidity, and then return. Having reviewed the current and likely position it was recommended the criteria used for counterparty selection remain unchanged together with the money and time limits. Current operational guidance still operates within tighter limits in view of on-going market conditions.

As a result of the continuing prudent approach investment levels together with the anticipated interest receipts arising from these investments were expected to remain low.

Councillor Wyatt asked about a Minimum Revenue Provision holiday. - It was explained MRP was charged against the revenue budget. By amending the MRP profile on pre-2007/08 debt short-term revenue benefits had been identified up until 2030. The lower initial charges were felt to be a more prudent as they better reflected the economic use of the assets and the charges to current and future Council taxpayers were more comparable taking account of the time value of money. Cost

equalisation on the existing and revised profiles would be reached in 2057. A short-term benefit to the revenue budget could be accessed by taking a MRP holiday but only to the extent considered prudent.

Resolved: - That the Cabinet be asked to recommend to Council:-

- i. The approval of the prudential indicators and limits for 2016/17 to 2018/19 as set out in the report.
- ii. The approval of the Minimum Revenue Provision Statement (Appendix A refers) which sets out the Council's policy on Minimum Revenue Provision.
- iii. The approval of the Treasury Management Strategy for 2016/17 to 2018/19 and the Authorised Limit Prudential Indicator.
- iv. The approval of the Investment Strategy for 2016/17 to 2018/19.

55. ITEMS FOR REFERRAL FOR SCRUTINY

The Council's position on risk management would be considered at a later February meeting of the Overview and Scrutiny Management Board.

56. EXCLUSION OF THE PRESS AND PUBLIC

The following items are likely to be considered in the absence of the press and public as being exempt under Paragraphs 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended March 2006) (information relates to finance or business affairs).

57. INTERNAL AUDIT PROGRESS REPORT AND PLAN REVISIONS 2015-16

It was agreed that this report would be considered at the additional meeting on 25th February, 2016, as it complimented the special report.

58. STRATEGIC RISK REGISTER

Further to Minute No. 45 of 24th November, 2015, Simon Dennis, Interim Corporate Risk Manager, presented the Strategic Risk Register which took account of updates from Directorates and the Strategic Leadership Team as well as comments from partners, the Cabinet, Overview and Scrutiny Management Board and the Audit Committee.

The Register had also been re-aligned to link with the headings in the draft Corporate Plan. Every child making the best start in life is the first heading. Flu Pandemic is now a separate risk – 'A strong community in a clean, safe environment'.

It was still subject to further refinement as a result of experience of its operation and the bedding in of new arrangements and becoming an integrated part of the performance management process. There remained different approaches across the Directorates, which impacted on the use of the Council's reporting/monitoring software.

- Councillor Wyatt referred to some of the business objectives, such as tackling family poverty, and noted that they could not be achieved by the Council alone.
- Councillor Ellis was concerned that around half of the risks did not have a permanent owner and asked how it was ensured that the risks were made aware to the substantive owner when they commenced their employment? Simon attended SLT every six-weeks to discuss risk and could confirm that Rotherham's new Chief Executive Officer was already holding named individuals to account. This was encouraging.
- Bernard Coleman asked whether there were any services that did not have any major risks? - Every Directorate had a risk/s on the Strategic Risk Register, but not every service.

Simon Dennis asked the Audit Committee to consider the information that they wanted to be presented in these updates. He described organisational hierarchy approaches to risk management and felt that there was a long way to go before comprehensive risk management was embedded across the full organisation.

Resolved:- That the current draft of the Strategic Risk Register be noted.

59. ADULT SERVICES RISK REGISTER

Graeme Betts, Interim Director of Adult Services, and Councillor Roche, Cabinet Member for Adult Social Care and Health, were welcomed to the meeting.

Consideration was given to a report, presented by Graeme Betts, concerning the review of the Directorate's Risk Register.

The report contained, as an appendix, the latest position in relation to the Adult Services Risk Register. The Risk Register had recently been reviewed and updated to reflect the current position in relation to the Directorate and was reviewed on a monthly basis.

There were three overall categories of risk Red, Amber, Green (RAG) representing varying degrees of exposure. Each category contains a range of risk scores, resulting in varying degrees of risk within each category.

Graeme chaired monthly Senior Management Team monitoring where strategic risks relating to Adult Social Care were considered. Operational risks reviewed on a weekly basis chaired by an Assistant Director,

including ensuring that mitigation actions were taken. Councillor Roche met with Graeme on a monthly basis with a performance focus. These meetings would be extended to include Lead Commissioner Sir Derek Myers.

The current key risk areas for the Adult Services Directorate were:-

- Risks associated with the Adults Change Programme which included reliance on traditional high cost placements, inefficient personalised services and underdeveloped commissioning strategies
- Meeting the legislative requirements of the Care Act
- Meeting the legislative requirements of the Care Act to provide advocacy services
- Delivery of the budget
- Compliance with the Mental Capacity Act (MCA) incorporating the Deprivation of Liberty Safeguards (DOLS)

Members discussed the following salient issues:-

- Councillor Ellis asked for assurances that areas where risks were persistently rated as red were being addressed. Graeme explained that there were several red areas which had made real progress over the past almost year that he had been in post. These had not yet been downgraded and were still areas of concern and these will be moved on.
- Councillor Wyatt asked how the Directorate addressed issues relating to fraud. Councillor Roche explained that the Adult Social Care Working Party were timetabled to discuss fraud prevention and the anti-fraud strategy. Councillor Wyatt emphasised that the responsibility sat within each Directorate rather than sitting centrally. Graeme agreed that these risks were addressed in the way the Directorate did business. This was especially important given the level of contracting taking place.
- Bernard Coleman asked for future risk registers to contain commentary on what has happened and the actions taken since last monitoring period.
- Councillor Ellis asked whether the quality of monitoring meetings was a priority? Casey recognised that meetings were taking place but that quality was not there. Councillor Roche explained that the meetings were formally minuted by the Cabinet Support Officer.
- Councillor Wyatt asked about 006 – Compliance with Care Act. Graeme explained that it had been implemented in April 2015 and the journey from implementation was seeing risks going from red to green. There were further issues resulting from the Mental Capacity Act and Deprivation of Liberty Safeguards, including assessment of advocacy. A legal decision had increased the number of eligible people overnight.
- Councillor Wyatt asked about the position of risk assessment at the NHS's Winterbourne View. Graeme was not aware of any current

major concerns.

Discussion was held on the format of the Adult Services' Risk Register. Councillors felt that the lack of commentary, timescales and details about the ownership of risks prevented detailed and useful analysis. A useful way forward within Audit Committee meetings would be to take one risk and conduct a deep-dive analysis on it. Considering a wide-range of risks risked becoming performance management. It was felt useful for Strategic Directors and Cabinet Members to attend and present these items and there was support that this should be retained.

Resolved:- (1) That the report be received and the contents of the Adult Services Risk Register be noted.

(2) That further consideration be given to developing the Audit Committee's method of conducting Directorate Risk Register analysis.

60. PUBLIC HEALTH RISK REGISTER

Consideration was given to a report, presented by Terri Roche, Director of Public Health, concerning the review of the Directorate's Risk Register. Also in attendance were Malcolm Chiddey, Public Health Specialist, and Councillor Roche, Cabinet Member for Adult Social Care and Health.

Terri described how Public Health's Risk Register was initially subject to weekly Senior Management Team monitoring and was now reviewed monthly at the Public Health Governance meeting. It was a live document, there had been nine risks and these had recently grown to ten. Risks were owned and embedded across the Public Health Directorate. Some risks would never be removed from the Register, such as pandemic flu (this was at the top of the national register), whereas within three to six months' time, some of the other risks would be discharged. New and emerging risks would be identified as time progressed and added to the Register.

The report contained, as an appendix, the latest position in relation to the Public Health Risk Register.

There were three overall categories of risk Red, Amber, Green (RAG) representing varying degrees of exposure. Each category contains a range of risk scores, resulting in varying degrees of risk within each category.

The current key risk areas for the Public Health Directorate were:-

- To reduce the impact of any flu pandemic in Rotherham
- To reduce the impact of any communicable disease incident/outbreak in Rotherham
- To provide contingency funding and support to deal with any unplanned Public Health duties

- To ensure that Public Health continues on planned programmes of work to protect/improve the lives of the people of Rotherham

Terri was thanked for her informative presentation.

Resolved:- That the report be received and the contents of the Public Health Risk Register be noted.

61. SPECIAL MEETING

Resolved: - That the next meeting of the Audit Committee take place on Thursday 25th February, 2016, to start at 3.00 p.m. in the Rotherham Town Hall.

AUDIT COMMITTEE
25th February, 2016

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Ellis, Evans, Hughes and Bernard Coleman (Independent Member).

62. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no questions from members of the public or the press.

63. EXCLUSION OF THE PRESS AND PUBLIC

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

64. REVIEW OF INTERNAL AUDIT

Consideration was given to a report introduced by Colin Earl, Assistant Director, Audit, ICT and Procurement, which referred to a review of Internal Audit which was commissioned by the Interim Director Finance and Corporate Services. The commissioning of the review was in part based on concerns about possible weaknesses within the Service and opportunities to re-focus and improve it, in line with current expectations for modern internal audit services and following comments made to the Audit Committee during the course of the year.

An action plan had been developed which showed the steps that were now being taken to address the issues raised. The report also confirmed to the Committee the need for certain improvements was already known and early actions had already been taken to ensure statutory requirements could be met. It was also noted that some actions had already been implemented whilst the review was being undertaken

Progress was to be monitored by the Chief Executive and reported to the Audit Committee at each of its meetings in the forthcoming year, which the Committee welcomed. A further external review was proposed to be commissioned in 2016/17 which would involve a further deep dive into audit practice, including reviewing audit files, provide assurance on evidence of improvement and make any further recommendations for development.

Further information was also provided on the reasons and scope of the review, measures already put in place, assurances about improved performance, proposed structure, recommendations moving forward and the actions and the process of monitoring progress.

This was further highlighted by the representative from Price Waterhouse Cooper by some of the findings from the forensic review that was undertaken and the need for a collective team effort to ensure the changes were delivered.

The Committee explored further and asked questions about the performance process, personal development reviews and how the issues were being addressed, the reasons for resistance from some team members and were advised that these and other actions to improve productivity were now being enforced and rigorously tested.

It was recognised that the capacity and performance were affected by the budget cuts, but the implementation of a mixed delivery arrangement model, which would include a core in-house resource supplemented by specialists as required, would ensure the Service could meet statutory requirements.

The representative from Price Waterhouse Cooper gave an update on the performance management of individual staff and the recognition for this process to be undertaken effectively, the probability of sharing services, the need for increased productivity and the need for enhancements to the capability of the team which would be tested out as part of the new delivery model.

There was strong emphasis on risk management. This was being embedded and would be reflected in the 2016/17 Audit Plan.

The profile of Internal Audit needed to be raised and there was some evidence that working practices were changing and moving in the right direction.

In response to queries about a different model of delivery, staff development and to prevent any staleness in working practices, it was pointed out that there was experience within the team combined with a programme of development. The service also had an apprentice and CIPFA trainee, so there was a mixture of experienced and new staff and insights. In terms of shared working practices across South Yorkshire this was an area that would be explored further to determine whether an approach could be adopted moving forward.

The Chief Executive confirmed discussions around shared services were taking place and again reassured the Committee that there would be an external scrutiny process providing support and challenge to the action plan moving forward, supplemented with the self-assessment, which was endorsed by KPMG.

Discussion ensued on the future delivery of the Internal Audit function and management, implementation and timescale of the changes recommended, included the strengthening of planned work. The Committee wished to see the recommendations and the new structure implemented as soon as possible and the level of challenge and risk managed appropriately.

It was also noted that information about the Internal Audit function would be cascaded through the M3 Manager Briefing Sessions and would be considered by the Senior Leadership Team on a regular basis.

Resolved:- (1) That the implications of the findings and conclusions from the Review of Internal Audit completed by Price Waterhouse Cooper be received and noted.

(2) That the action plan put in place to respond to the Review be supported and reviewed regularly.

(3) That the actions already taken and improvements made be supported.

65. INTERNAL AUDIT PROGRESS REPORT AND PLAN REVISIONS 2015-16

Further to Minute No. 57 of the meeting of the Audit Committee held on 10th February, 2016, consideration was given to the report introduced by Consideration was given to a report introduced by Colin Earl, Assistant Director, Audit, ICT and Procurement, which provided a summary of Internal Audit work completed during the ten months ending 31st January, 2016 and the key issues that have arisen from it.

It also provided information regarding the performance of the Internal Audit function during the period and how back in November, 2015 it was reported that delivery of the Audit Plan was projected at 72% of the Plan by the end of the year.

As a result of various measures and significant effort 73% of the Audit Plan had been completed as at 29th January, 2016 and it was now estimated that 91% of the Audit Plan would be completed by April, 2016.

Further information was provided on the status of the 3* recommendations and it was suggested that management and the political lead be asked to supplement the work of Internal Audit to answer questions at the Audit Committee when recommendations had not been implemented.

In addition, the live auditing approach was being used successfully adding value to a more robust way of working.

Examples of work undertaken by Internal Audit were provided along with latest progress figures as part of the delivery of 2015/16 Audit Plan, which had recovered since the last reporting period.

Resolved:- (1) That the Internal Audit work undertaken during the ten months ending 31st January 2016 and the key issues that have arisen from it be noted.

(2) That the information contained regarding the performance of Internal Audit during the period, in particular the management actions taken to improve delivery of the Audit Plan be noted. As a result, Internal Audit is now expecting to deliver 91% of the Audit Plan by April 2016, including all mandatory work. This will ensure that the Assistant Director, Audit, ICT and Procurement is able to provide his statutory opinion on the adequacy of the Council's control environment.

Summary Sheet

Council Report

Audit Committee – 27th April, 2016

Title

Update on the Use and Operation of Surveillance and Acquisition of Communications Data Powers

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Resources and Customer Services

Report Author(s)

Neil Concannon, Service Manager (Litigation & Social Care), Legal Services.

Ward(s) Affected

All

Executive Summary

The Council currently has a policy governing the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA). The Council has a separate policy also under RIPA governing the acquisition and disclosure of communications data by Council officers. Those policies make provision for the Audit Committee to have oversight of the policies and the Council's use of RIPA powers, to ensure that the powers are being used consistently with the Authority's policies and that the policies remain fit for purpose. The first of those reports was received by the Audit Committee in September 2015 and this report provides the next planned update.

Recommendations

That the Audit Committee:

1. Notes the annual figures for the use of RIPA and Communications Data authorisations.
2. Notes the corporate training that has taken place with regard to the use of RIPA and Communications
3. Agrees to accept a further update report in 6 months' time.

List of Appendices Included

None

Background Papers

1. Current RIPA and Acquisition and Disclosure of Communication Data Policies
2. The Regulation of Investigatory Powers Act 2000 and associated Orders and Codes of Practice made thereunder.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Title (Main Report)

Update on the Use and Operation of Surveillance and Acquisition of Communications Data Powers

1. Recommendations

That the Audit Committee:

- 1 Notes the annual figures for the use of RIPA and Communications Data authorisations.
- 2 Notes the corporate training that has taken place with regard to the use of RIPA and Communications
- 3 Agrees to accept a further update report in 6 months' time.

2. Background

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public bodies such as local authorities, to use directed (i.e. covert) surveillance and covert human intelligence sources e.g. undercover officers and public informants (CHIS) for the purposes of the detection and prevention of crime. Any use of those powers has to be proportionate and necessary both in use and scope. In addition, any surveillance/CHIS undertaken by a local authority must relate to a serious crime (one punishable by six months' imprisonment or certain offences involving the underage sale of alcohol and tobacco) and receive prior approval from the Magistrates' Court.
- 2.2 RIPA also provides a mechanism for public bodies such as local authorities to acquire communications data where it is proportionate and necessary to do so for the purposes of the detection and prevention of crime. The Council has a separate Acquisition and Disclosure of Communication Data Policy to cover this activity. Typically this activity might include acquiring mobile phone subscriber details and details of itemised calls. As with other RIPA powers, the serious crime test must be passed and prior approval from the Magistrates' Court must be sought, before the data is acquired. All Councils must also make a request for any communication data through a single point of contact at the National Anti-Fraud Network (NAFN), who will independently scrutinise applications and advise the Council's authorising officers.
- 2.3 In September 2015, Commissioner Manzie approved the adoption of new corporate RIPA and Acquisition of Communications Data Policies, which reflect

the requirements of new codes of practice issued by the Home Office and an updated Procedure and Guidance Document on the use of covert surveillance by public authorities, issued by the Office of Surveillance Commissioners (OSC). The codes of practice require elected members to consider internal reports on the use of RIPA powers on a regular basis to ensure that they are being used consistently with the Council's policy and that the policies remain fit for purpose. The corporate policies make provision for the Audit Committee to perform those functions by receiving reports on a 6 monthly basis. An initial report was submitted to the Audit Committee in September 2015 and this is the second report for the Audit Committee.

3. Key Issues

- 3.1 The Council is required to notify the OSC of the number of directed surveillance/CHIS authorisations granted in each financial year. The annual return for 2015/2016 has now been submitted to the OSC which confirms there have been 2 authorisations granted for directed surveillance (both in relation to fly-tipping offences under the Environmental Protection Act 1990) and no authorisations for CHIS. The use of directed surveillance on those occasions did not yield any evidence to allow enforcement action to be taken.

- 3.2 The Council is also required to notify the Interception of Communications Commissioner's Office (IOCCO) of the number of authorisations for the acquisition and disclosure of communications data granted each calendar year. In January 2016 NAFN submitted the annual return on behalf of the Council for 2015 which confirms there was 1 application (for a fly-tipping offence under the Environmental Protection Act 1990). Thus far the acquisition of that data has not led to evidence being obtained to allow enforcement action to be taken. In 2016 to date, there have been no authorisations for the acquisition and disclosure of communications data.

- 3.3 The Council is required by the relevant codes of practice and the policy documents to ensure that all officers who could potentially be involved in the use and authorisation of RIPA powers, are appropriately trained. To that end, in December 2015, a successful corporate training course was arranged through a highly regarded trainer in the field, for 24 officers from various services across the Council. In addition, the Council's newly appointed Chief Executive and Assistance Director of Legal Services will undertake relevant e-learning packages on the use of RIPA powers. This is important as only the Chief Executive can authorise the use of a young or vulnerable person as a CHIS, or to undertake directed surveillance that may lead to the acquisition of confidential information (e.g. communications subject to legal privilege, communications between a member of parliament and another person on constituency matters,

confidential personal information, or confidential journalistic material). In addition, the Assistant Director of Legal Services is the Council's Senior Responsible Officer for RIPA.

4. Other considerations and recommended proposal

- 4.1 The recommendations are to note the activity around the use of RIPA powers since the previous update report in September 2016 and to receive a further report in six months' time.

5. Consultation

- 5.1 There are no consultation requirements for the purposes of this report.

6. Timetable and Accountability for Implementing this Decision

- 6.1 Further update reports will be submitted to the Audit Committee on a six monthly basis in line with the Council's policies.

7. Financial and Procurement Implications

- 7.1 The issues covered within this report are met from within existing budgets.

8. Legal Implications

- 8.1 Legal Implications are considered in the main body of this report.

9. Human Resources Implications

- 9.1 There are no human resources implications.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no direct implications for children and young people and vulnerable adults.

11. Equalities and Human Rights Implications

- 11.1 Adherence to the Council's policies and the statutory guidance in relation to the use of RIPA and the Acquisition of Communication powers should ensure that the any actions taken are human rights compliant.

12. Implications for Partners and Other Directorates

- 12.1 There are no direct implications for partners or other directorates.

13. Risks and Mitigation

- 13.1 The statutory Codes of Practice issued by the Home Office requires elected members to have oversight of the RIPA powers to ensure that they are being used consistently with policies and that the policies are fit for purpose. A failure to have such member oversight would give rise to greater legal risk and adverse reports following inspections undertaken by the OSC or IOCCO.

14. Accountable Officer(s)

Dermot Pearson, Assistant Director of Legal Services.

Approvals Obtained from:

Strategic Director of Finance and Corporate Services:

Named Officer: Peter Hudson

Human Resources

Named Officer: Simon Cooper

Director of Legal Services:

Named Officer: Neil Concannon.

Procurement

Named Officer: Helen Chambers.

This report is published on the Council's website or can be found at:-

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>

Summary Sheet

Council Report:

Audit Committee – 27th April 2016

Title:

External Audit and Inspection Recommendations

Is this a Key Decision and has it been included in the Forward Plan?

No

Strategic Director Approving Submission of the Report:

Judith Badger, Strategic Director Finance and Customer Services

Report Author(s):

Tracy Blakemore - Quality and Projects Officer, CYPS

Sue Wilson – Head of Service, Performance & Planning, CYPS

Ward(s) Affected:

All

Executive Summary:

In line with the audit committee prospectus “A fresh start”, the purpose of this report is to provide details of recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from these. The report will also summarise the progress against recommendations from across all key external audits and inspections.

Recommendations:

That the Audit Committee notes the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections.

That the Audit Committee continues to receive regular reports in relation to external audit and inspections and progress made in implementing recommendations.

List of Appendices Included:

Appendix A – Summary of Recommendations

Appendix B - Rotherham MBC corporate “Fresh Start” Improvement Plan: Eight Month Progress Update Summary Report, to January 2016

Background Papers

Ofsted Report published November 2014

Corporate Governance Inspection published

Fresh Start Improvement Plan

CYPS Improvement Plan

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Approval Required

No

Exempt from the Press and Public

No

Title – External Audit and Inspection Recommendations

1. Recommendations

- 1.1 That the Audit Committee notes the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections.
- 1.2 That the Audit Committee continues to receive regular reports in relation to external audit and inspections and progress in implementing recommendations.

2. Background

- 2.1 In line with the audit committee prospectus “A fresh start”, the purpose of this report is to provide details of recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from external audits and inspections. The report will also summarise the progress against recommendations from across all key external audits and inspections. The report covers the 2 key improvement plans – Fresh Start and the Children and Young People’s Plan plus recommendations from inspections from across the rest of the Council.

3. Key Issues

3.1 Fresh Start Improvement Plan

- 3.1.1 The “Fresh Start” Improvement Plan is Rotherham Council’s strategic, organisation-wide response to the corporate, organisation-wide aspects of the external Corporate Governance Inspection (CGI), published February 2015 and the Jay and Ofsted reports published in 2014. Section 5 of the ‘Fresh Start’ Improvement Plan outlines the association between it, and its sister document the Children and Young People’s Improvement Plan, developed in response to the recommendations from the Ofsted inspection of children’s services.
- 3.1.2 The RMBC Council meeting on 22nd May 2015 approved the Fresh Start Improvement Plan, with full cross-party support, prior to the Plan’s formal submission to the Secretaries of State for Communities and Local Government (DCLG) and Education (DfE) on 26th May 2015. The version of the Plan as submitted to Government is publicly available via the Council website and while the Plan is not intended as a public-facing document, a short, executive summary version was prepared to support wider knowledge and understanding on the Plan’s main aims amongst council’s staff, elected members, partners and the public.

3.1.3 The Plan contains a suite of actions and milestones set out in a series of tables (sections 6.7 and 6.8). These were informed by the Government appointed Commissioner's assessment of the Council's key improvement requirements in order to achieve a "fresh start"). It took into account discussions with leading elected members, senior managers and a staff corporate working group. It also drew upon elements of initial work carried out by a corporate improvement board that the Council had established with the Local Government Association (LGA) following the publication of the Professor Jay report in August 2014.

3.1.4 The Plan is divided into two phases:

3.1.4.1 An initial "transition" phase, to May 2016, focuses on ensuring the Council has the basic building blocks in place of an effective council, namely:

- Inspirational political leadership
- Robust governance, decision-making and performance management
- A culture of excellence and outstanding implementation
- Strong, high impact partnerships

3.1.4.2 The second phase of the plan from May 2016, focuses on embedding strong leadership and a new culture and follows on from the appointment of key, permanent senior staff and the 'all out elections' planned for May 2016. This is yet to be defined in detail, with most actions front loaded and focused on the key building blocks. Greater clarity over phase two will therefore emerge as phase one is implemented.

3.1.5 In terms of the implementation of the Plan and its governance arrangements, this has been overseen by a "Joint Board" of Commissioners and leading Elected Members (Labour and Opposition Groups), supported by an officer group and coordinators, with links to the Strategic Leadership Team (SLT).

3.1.6 The Joint Board has met on a broadly monthly basis since July 2015, to assess progress being made against each improvement action within the Plan. The first formal review of the Council's improvement progress to Government, submitted on 26th August 2015¹, featured an initial summary progress report based on the Joint Board's governance and performance management arrangements. The Commissioners' 12 month report, submitted to Government² on 26th February included a further performance summary, covering the period to end of January 2016, including headline achievements to date, ongoing risks and a forward look to actions that will need to also feature in "Phase Two". A copy of this performance summary is enclosed at Appendix B to this report for ease of reference.

3.1.7 A final performance summary covering the first full phase of the Improvement Plan will be reported to the Joint Board meeting on 23 May 2016, prior to the

¹ Available on the Council's website at www.rotherham.gov.uk/download/downloads/id/2645/commissioners_six_month_progress_review_-_august_2015.pdf

² See www.rotherham.gov.uk/homepage/386/commissioners_12_month_progress_review

focus shifting to a refined set of Phase Two improvement actions, which will cover the period from May 2016 to May 2017.

3.2 Adult Care and Housing

3.2.1 The Care Quality Commission (CQC) continue to undertake their programmed inspections of Rotherham MBC Adult Social Care registered providers. Below are the updates since the last report:

3.2.1.1 Treefields Close (Learning Disability Respite Service) was awarded an overall rating of Good following an unannounced inspection on 14th & 15th July 2015. In relation to “Is the service caring”, Treefields was awarded outstanding. There is one, requires improvement action in relation to “Is the service well-led”. It was found that the service was well led, however, there had been no registered manager in post for several months despite it being a condition of the home’s registration that one was needed. The registration process of the new manager has commenced and the current acting manager will be interviewed by CQC in early April to enable sign off by the CQC.

3.2.1.2 Quarry Hill Road (Learning Disability Respite Service). This service was inspected by the CQC on the 11th and 20th August 2015 and was awarded an overall rating of Good, with one area “Is the service caring” rated as outstanding. The CQC made no action or enforcement action requirements of the service. The service is now jointly managed with Treefields and formal sign off that the manager has been registered is awaited from CQC pending the interview scheduled for early April.

3.2.1.3 Netherfield Court (intermediate care provider) was awarded an overall rating of Good following an unannounced inspection on 7th & 8th October 2015. There is one, requires improvement action in relation to “Is the service effective”. It was found that the service was effective, although improvements could be made in the way consent was obtained and recorded. Service response to this will be monitored during quality assurance follow ups ahead of next scheduled CQC inspection.

3.2.1.4 Park Hill (Learning Disability Residential care provider). This service was inspected by the CQC on the 10th and 13th November 2015 and was awarded an overall rating of Good. The CQC made no action or enforcement action requirements of the service.

3.2.2 Overall Adult Services have a satisfactory compliance record with standards subject to inspection. Work has commenced to review current inspection governance arrangements including the stronger practices now implemented in Children & Young People’s Services to further strengthen its arrangements for preparing for inspections and responding to their outcomes.

3.3 Children and Young People's Improvement Plan

3.3.1 CYPS Improvement Plan

3.3.1.1 Following recommendations from the CYPS Improvement Board in March 2016, and following an intense period of change and improvement within Children's Services, the CYPS Improvement Plan is currently under review.

3.3.1.2 The revised Improvement Plan will provide a refocus on the priority actions to ensure they map against all key Ofsted judgements, recommendations, findings and have realistic RAG ratings. In addition the refreshed plan will build on the actions completed to clearly identify and evidence the impact and differences the changes have made to the lives and experiences of the children, young people and families.

3.3.1.3 The 26 recommendations from the OFSTED inspection will remain in place and "open" in the refreshed plan until the secretary of state from the Department for Education has made a decision for Rotherham to come out of intervention and is satisfied that all the requirements have been met.

3.3.1.4 The focus of the improvement plan is to put in place a sustainable approach enabling CYPS to meet aspirational objectives and provide a continuous improvement cycle to enable movement to become a child centred borough with outstanding services.

3.3.1.5 The refreshed plan will be live ready for the next Improvement Board in May 2016.

3.3.2 CYPS Improvement Plan Governance

3.3.2.1 The governance of the CYPS Plan is through Children's Improvement Board which meets monthly. It is chaired by the Children's Commissioner and attended by the Director and Assistant Directors of Children's Services, Chair of Rotherham Safeguarding Childrens Board (RSCB) and key partners including health, police and schools.

3.3.2.2 A key responsibility of the Children's Improvement Board is to oversee progress through monitoring, challenging and supporting the actions of the Children and Young People's Improvement Plan. The Board considers the areas of greatest risk first, and lays the foundations for effective and sustained improvement. This includes challenging whether sufficient progress is being made, i.e. the right amount of progress in the right direction at the right pace.

3.3.2.3 A Performance Board will be established from May 2016 which aims to sharpen even further the senior stakeholder oversight of children's services performance. Membership of this Board will be the Chief Executive, The Lead Member for Children's Services, the Director of Children's Services and the Independent Chair of the Safeguarding Board in addition to Assistant Directors and Heads of Service from across the Service

3.3.3 Ofsted Improvement Visits

3.3.3.1 Since August 2015 there has been 4 visits from Ofsted as part of their improvement offer and these have looked at the MASH, Duty & Assessment, Child in Need, Child Protection, Leadership, Management & Governance, CSE and missing children. There is a further Ofsted improvement visit planned in April which will focus on Early Help. These are also supplemented by two regional Sector Led Peer Reviews looking at Leadership Management & Governance in June 2016 and Looked After Children and Care Leavers in September 2016.

3.3.3.2 Ofsted improvement visits do not generate a formal published report but verbal and written feedback is received from inspectors. The feedback received was encouraging in respect of improvements in Duty and Assessment, effective responses on CSE with a continued child centred approach to CSE and a robust MASH where the quality of decision making and signposting continues to improve. Feedback from the inspectors also identifies key learning points which included:- the voice of the child needs to be influential at all levels in children's services, children's plans need to routinely include the use of contingency plans and be SMARTer and there are significant challenges in terms of the broader understanding of thresholds.

3.3.3.3 Ofsted have recently consulted on their approach to re-inspecting inadequate children's services, their proposal is to re-inspect no earlier than two years following the publication of the action plan, this for Rotherham was published in February 2015.

3.4 Rotherham Residential Children's Units

3.4.1 Rotherham Metropolitan Borough Council now has 3 children's homes following the closure of Woodview (Closed October 2015) and St Edmunds (Closed January 2016).

A Review of Residential service was completed on the 31/01/2016. The future of the service will be informed by the recommendations from this report which is currently subject to ratification by the senior leadership within RMBC.

3.4.1.1 Cherry Tree House Children's Home is a 5 bed long-term home for young people with Learning Disabilities.

3.4.1.2 Liberty House Short Breaks Children's Home is for young people with disabilities; The Home has 9 beds however staffing capacity dictates the number of young people able to access an overnight short break which is currently at 37. The number of nights a child accesses the home within the month is varied and subject to their assessed needs.

3.4.1.3 Silverwood Children's Home is a 5 bed long-term home for young people with emotional and behavioural difficulties.

3.4.2 The Current Ofsted ratings for the homes are provided below with an overview provided of the action taken regarding the closure of Woodview and St Edmunds Children's Home.

3.4.2.1 Cherry Tree was judged as 'Requires Improvement on the 18/08/2015; at the Interim Inspection on the 23/03/2016 the Home received a judgement of improved effectiveness.

3.4.2.2 Liberty House was judged as 'Good' on the 27/01/2016; at the Interim Inspection undertaken on the 17/03/2016 the Home received a judgement of sustained effectiveness.

3.4.2.3 Silverwood was judged as 'Good' on the 30/06/2015; at the Interim Inspection undertaken on the 29/02/2016 the Home received a judgement of declined effectiveness.

3.4.2.4 Woodview was judged as 'Inadequate' on the 09/06/2015; 29/07/2015; and 22/09/2015. The Service Director and Responsible Individual applied to Ofsted for voluntary closure of Woodview. The Home closed in October 2015.

The home had already been judged by Ofsted to be 'declining in effectiveness' when a number of complaints from young people, residential care staff and various other professionals were received during the early months of 2015; highlighting a number of core concerns directly related to poor leadership and management at Woodview since around 2009 which had resulted in an entrenched negative culture within the home. Staff are currently redeployed within the Leaving Care and Children's Home service following the formal investigation commissioned by the Strategic Director.

3.4.2.5 St Edmunds – was judged as 'Inadequate' on the 12/10/2015 following an Interim judgement on the 22/09/2014 which judged the Home as 'declined in effectiveness'. A detailed Action Plan was submitted to Ofsted following the Inspection which took place on 12 October 2015. A further inspection was due to take place within six to eight weeks when, given robust management action taken, an improvement was anticipated. However the decision to close the Home was made on the 12/01/2016 following a full consultation and the Home closed on the 31/01/2016.

3.5 Regeneration and Environment Services

3.5.1 The external peer health checks programme led by the LGA has commenced and the Directorate had verbal feedback on the transport; highways, waste and planning inspections. These reports, once received, are now being used to formally update future Audit Committee reports and are being included in the Improvement Plans.

3.5.2 The directorate has also committed to review current inspection governance arrangements including the stronger practices now implemented in Children & Young People's Services to further strengthen its arrangements for preparing for inspections and responding to their outcomes.

3.6 Finance and Corporate Services

3.6.1 Each year the External Auditor issues a range of reports relating to the work to be undertaken and these are presented to Audit Committee:

3.6.1.1 External Audit Plan which outlines the audit approach and identifies areas of audit focus and planned procedures.

3.6.1.2 Interim Audit Report (if required), which details control and process issues and identifies improvements required prior to the issue of the draft financial statements and the year-end audit.

3.6.1.3 Report to those charged with Governance (ISA260 report) which:

- Details the resolution of key audit issues.
- Communicates adjusted and unadjusted audit differences
- Highlights recommendations identified during the audit
- Comments on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (Value for Money)

3.6.1.4 Annual Audit Letter which summarises the outcomes and key issues arising from the audit work specifically in relation to:

- Audit of accounts
- Value for Money Conclusion
- Any other matters the external auditor is required to communicate

3.6.2 Any recommendations made by the External Auditor in relation to issues identified and the management responses to those recommendations are highlighted in the reports presented to Audit Committee. In carrying out the audit work each year the External Auditor examines progress in addressing previous recommendations made and comments on progress within future reports.

3.6.3 There were no recommendations made in relation to the audit of the 2013/14 financial year.

3.6.4 Three low priority recommendations were raised within the Report to those charged with Governance (ISA260 report) in relation to the 2014/15 financial year. These have been discussed and agreed with the Auditor and measures have been put in place to address the issues raised. Any recommendations are addressed by Financial Services and signed off at the interim visit by KPMG and then completion reported in the final year-end report.

3.6.5 Each local authority's external auditor is required to certify that the annual claim for reimbursement by the Government of Housing Benefit (a means tested benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP)) is fairly stated and to report any errors/adjustments to the DWP in a covering letter that accompanies the claim.

3.6.6 Whilst the DWP have no formal inspection process it does reserve the right to carry out an inspection if circumstances warrant it, i.e. if a Local Authority's performance causes concern.

3.6.7 KPMG, who carries out the audit on behalf of DWP, checks the financial validity of the housing benefit subsidy claim and, depending upon their findings, can:

3.6.7.1 Where, no errors are found during their audit, certify the claim as fairly stated (i.e. provide an unqualified opinion on the Council's return).

3.6.7.2 Where minor errors are found, agree adjustments to the claim with the Council and make no reference to errors in their opinion to the DWP (without qualification).

3.6.7.3 For more significant errors, either in process or figures, the external auditor is likely to qualify the opinion on the Council's return and explain the reasons for doing so to the DWP, who will then determine what action, if any, needs to be taken on any points raised by the auditor.

3.6.8 The audit of the Council's 2014/15 was completed on the 10th November 2015. As in previous audits, the Council received only very minor qualifications resulting in amendments being made to the final claim in accordance with the DWP arrangements.

4. Options considered and recommended proposal

4.1 Audit Committee consider the detail of the report including Appendix A which provides a high level summary of the current position of inspection recommendations.

5. Consultation

5.1 Not applicable to this report.

6. Timetable and Accountability for Implementing this Decision

6.1 The timescales for each inspection recommendation differs and is included in Appendix A.

7. Financial and Procurement Implications

7.1 There are no financial implications.

8. Legal Implications

8.1 There are no legal implications.

9. Human Resources Implications

9.1 There are no Human Resources implications.

10. Implications for Children and Young People and Vulnerable Adults

10.1 The recommendations in relation to inspections in both Children and Young People's Services and Adult Social Care have direct implications on the quality of services provided to children, young people and vulnerable adults. Completing the recommendations will improve outcomes for these groups.

11. Equalities and Human Rights Implications

11.1 Equality Assessments are undertaken in relation to any new policies or strategies that are developed as a result of the work being undertaken to improve services.

12. Implications for Partners and Other Directorates

12.1 Partnership approaches are key to improving services, particularly in relation to Children and Young People's Services, the Improvements need to be of a multi-agency nature and owned cross the partnership. The CYPS Improvement Board is made up of senior officers from partner organisations.

13. Risks and Mitigation

13.1 There is a risk that actions are reported as completed without substance, it is important that arrangements are in place as part of the respective quality assurance regimes and monitored through performance management, evidencing not just completion of actions, but the associated outcomes. As governance arrangements are strengthened, these risks become mitigated.

14. Accountable Officer(s)

- Graeme Betts – Interim Strategic Director of Adult Care and Housing
- Ian Thomas – Strategic Director Children and Young People's Services
- Caroline Bruce – Interim Strategic Director Regeneration and Environment Services

Approvals Obtained from:-

- Judith Badger, Strategic Director Finance and Customer Services

This report is published on the Council's website or can be found at:

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>

APPENDIX A

Summary of Recommendations from “Active” Inspection and Audit Action Plans

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Corporate							
Corporate “Fresh Start” Improvement Plan (Further details included in Appendix C)	DCLG and DfE	132	18 (Nov 15)	46 (this is to end of Jan 2016)	68 (ongoing)	1 st phase to May 2016 2 nd phase from May 2016 to May 2017	On track – formal 6 month report submitted to Secretaries of State February 2016 Next report due to Government from Commissioners July 2016
Adult Care and Housing							
Adult Social Care – Inspection of Netherfield Court Intermediate Care provider October 2015	CQC	1	0	0	1	Sept 2016	Service improvement response commenced and sign off by CQC awaited.
Adult Social Care – Inspection of Treefields Close Learning Disability Respite Service July 2015	CQC	1	0	0	1	April 2016	Registration process commenced and sign off by CQC awaited.
Children and Young Peoples Services							
Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board	OFSTED	26	0	0	26	May 2016	Ongoing
Finance and Corporate Services							
External Auditor’s Report on the Accounts 2014/15	KPMG	3	0	3	0	Mar 2016	Complete
Regeneration and Environment Services							
NIL	n/a	0	0	0	0	n/a	n/a

APPENDIX B

Rotherham MBC Corporate “*Fresh Start*” Improvement Plan: Eight Month Progress Update Summary Report, to January 2016

Purpose of this report

1. In line with the Secretary of State’s reporting requirements, this Appendix provides the Departments for Communities & Local Government and Education with a progress update on the implementation of the corporate “*Fresh Start*” Improvement Plan, through to the end of January 2016. It follows the initial three-month progress update that was included in the Commissioners’ report of 26th August 2015.

Background: requirements of the original Directions of 26 February 2015

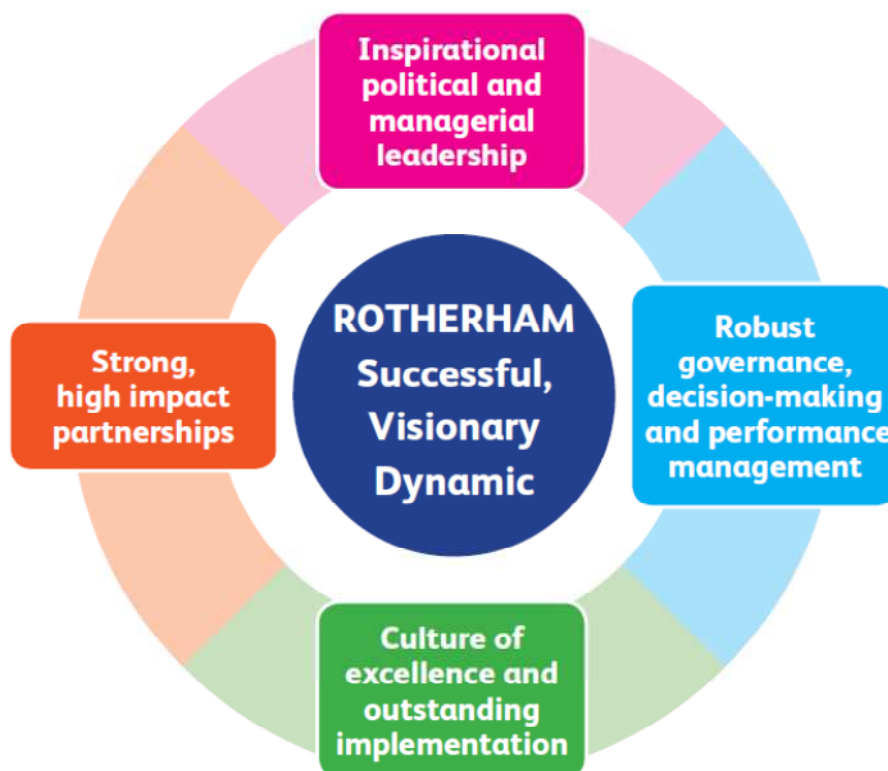
2. The Secretary of State Directions of 26th February 2015 required, under the direction of the Managing Director Commissioner and Children’s Social Care Commissioner, improvement plans to be prepared and submitted to Government within 3 months (i.e. by 26 May 2015). The Directions go on to specify that the plans must set out the *“measures to be undertaken, together with milestones and delivery targets against which to measure performance, in order to deliver rapid and sustainable improvements in governance, leadership and culture in the Authority, in the Authority’s exercise of its overview and scrutiny functions and in its performance of services, thereby securing compliance with the best value duty and securing the performance of the Authority’s children’s social care functions to the required standard”*.
3. A detailed improvement plan for specific improvements in Children’s Social Care at the Council was prepared and first submitted to Ofsted in February 2015, under the direction of the Commissioner for Children’s Social Care, Malcolm Newsam (who was first appointed by the Secretary of State for Education to the Council in October 2014). Following the formal appointment of other Commissioners to Rotherham after the 26 February 2015 Directions, a further, corporate improvement plan was prepared – “*A Fresh Start*” – covering the improvements required across the entire organisation following the findings of Louise Casey’s Corporate Governance Inspection (CGI) report.
4. The Directions also set out a specific requirement for the Secretaries of State to be provided with progress reports on the plans, agreed with the Lead and other Commissioners, at 6 monthly intervals following the date of the Directions; with the first progress report on the corporate “*Fresh Start*” plan provided as part of the Commissioners report to Government dated 26th February 2015.

Links to the Commissioners’ “*Mission Statement*”

5. In light of the requirements in the Directions, a key outcome identified in the Commissioners’ *Mission Statement* for their work in Rotherham, published 4 March 2015, is (Outcome 7): *“A successful Improvement Plan. Others care about Rotherham’s progress. We want to ensure credible, honest progress is recognised”*.

Rotherham’s corporate Improvement Plan: “A Fresh Start” (May 2015)

6. The organisation-wide ‘Fresh Start’ Improvement Plan was therefore developed as the “sister plan” to the Children and Young People’s Services Improvement Action Plan, through a process led by Commissioners in consultation with Elected Members, senior management, wider council staff, key partners and external advisors on behalf of the Local Government Association (LGA). A final draft of the Plan was submitted to the Secretaries of State for Communities & Local Government and for Education on 26 May 2015.
7. The Plan’s improvement actions are grouped in line with the following four themes, recognised as essentials of an effective, modern local authority:



8. The Plan covers a two year period, through to May 2017, with 2015/16 a “transition” year where the focus has been on putting in place the basic building blocks that the Council has required, to move towards a culture of continuous improvement in line with its best value duties. The actions in “Phase 2”, from May 2016 - as the stronger leadership and new, more positive culture is embedded - will be reviewed and reported on in the coming weeks.

Implementing the “Fresh Start” Improvement Plan (Phase 1, “Transition”)

9. The Council developed an implementation strategy for the “Fresh Start” Plan, building on the outline governance arrangements set out within the Plan document itself – i.e. a “Joint Board” of Commissioners and Members to oversee and challenge progress, drawing upon a supporting Officer Group. The Joint Board has

been meeting on a monthly basis since July 2015¹ to review progress, seek clarification on actions being taken and, where justified, agree any amendments to delivery timescales. Its membership includes all Commissioners alongside the Leader and Deputy Leader of the Council, and the leaders of the two opposition political groups. It is chaired by the Lead Commissioner, Sir Derek Myers.

10. The delivery strategy for the Plan also includes appropriate “RAG” ratings for each specific action, to demonstrate practical achievement of key outputs and milestones and help manage the implementation of change. These have been used in the monthly Joint Board reporting as well as within this report to help provide an overall summary of the progress being made. As set out in detail in the Commissioners report of 26 August 2015, clear and accountable project leads are in place for each action, alongside supporting project documentation. Support has also been made available through the Local Government Association (LGA) to help monitor the progress being reported and contribute to ensuring open and honest assessments of the genuine level of improvement being achieved.

Summary of overall progress to 31st January 2016 – Headlines

11. In total, there are 132 Improvement Plan project actions, each with its own RAG-rating. The following overall assessment of progress was reported to the most recent Joint Board meeting (15th February 2016), reflecting activity over the eight month period from the end of May 2015 to the end of January 2016:

Amber – on track	60	45%
Green – completed	64	48%
Red – at risk/missing target	7	5%
N/A – not yet due to start	1	1%

12. At this stage of implementation of Phase 1 (“Transition”), 48% of the identified actions are now complete, with required milestones met or outputs produced. This represents a steady and consistent positive trend of action completions throughout the Phase 1 period to date (e.g. with 14 projects completed since the December 2015 report to the Joint Board). Of the 60 projects rated “on track”, 19 (around a third) have ‘ongoing’ timescales without a specific completion date. A number of other projects are ‘on track’ with a scheduled completion date of end of March 2016, when it may be anticipated that a further, significant tranche of projects will to move to ‘Green’ in line with expected timescales.

Key, tangible achievements to date

13. Some of the key achievements and significant areas of progress reported to the Joint Board since the Commissioners’ six-month report of 26th August include the following:
- i. **Agreeing the new senior management structure**, which was first agreed by full Council on 3 June 2015. Work has taken place since the summer of 2015 to advertise, recruit and appoint to a larger number of key senior positions,

¹ Public records of the Joint Board meetings are made available on the RMBC website at www.rotherham.gov.uk/info/200009/performance/998/see_our_plan_to_improve_rotherham/2

including the Chief Executive, Assistant Chief Executive a number of new Strategic Directors and Assistant Directors across all parts of the council. Final appointments are now being made, including the new Strategic Director for Finance and Customer Services (in post from 1st April 2016); and a process is underway to go out to the market for a second time for the new Strategic Director of Adult Services and Housing. The new Director for Regeneration, Damien Wilson, starts on the 25th April. This will then complete the new senior leadership team.

- ii. **Consulting citizens, businesses and partners on a new vision for Rotherham.** The successful delivery of an ambitious programme of public and partner consultation workshops to set a new vision for the council and the borough as a whole was a key priority from May to September 2015. The priority was to maximise reach into community groups, businesses and partner organisations, and provide as many people as possible the opportunity to express their views. In total, around 1,800 people were engaged through this programme - 804 roadshow attendees, 337 online responses, 578 further responses at the Rotherham Show and around 100 people engaged across two business-focused events. The results were presented in a final “Views from Rotherham” report² and were drawn upon by the Leader of the Council in setting out the new vision for the Council, presented at a public meeting of Commissioners and Elected Members on 28th October 2015.
- iii. **Agreeing with partner agencies the foundation of a new, expanded local strategic partnership for Rotherham – “Rotherham Together”** – so that the council can work more effectively with other public services (health, police, fire) as well as businesses, the community and voluntary sector, colleges and nearby universities. How the Council previously conducted itself in its dealings with partners was a key criticism in the CGI report and the new “Rotherham Together” partnership is a critical step in helping changing the culture of the council and how it works with its key partners in improving outcomes for the people of Rotherham. The expanded and reconstituted partnership met for the first time on 23 September 2015 and is due to set out a shared action plan for 2016/17 at an event on 17th March 2016, which will include further public engagement and the eventual finalisation of a new Community Strategy for Rotherham.
- iv. **A re-invigorated Health and Wellbeing Board (HWB)**, with new Chair and Vice Chair arrangements, which has agreed a new Health and Wellbeing Strategy for the borough. This, in particular, is ensuring positive and focused joint working with partners in health services, so critical for the future success of the Council and for Rotherham’s citizens.
- v. **Strengthening links between the Children and Young People’s Partnership and Health & Wellbeing Board (HWB) with the Adult and**

² See www.rotherham.gov.uk/downloads/download/240/views_from_rotherham_-_consultation_reports

Children's Safeguarding Boards – new Independent Chairs have been appointed to the two safeguarding boards, with scheduled liaison meetings (and will attend the HWB to present their Annual Reports and relevant strategies – e.g. the report of the Children's Board was presented to the HWB in January 2016).

- vi. **Finalising a programme of peer service review health checks** in partnership with the LGA - for the services areas of housing, waste, highways/transport and leisure, sport and culture - to ensure that Commissioners and Elected Members received an independent, external view of how services are being run throughout the organisation. These health check reports were all completed by November 2015 and brought to the Joint Board for consideration. The findings and recommendations are now informing service-level improvement work through associated business and service planning, in many cases led by new Strategic and Assistant Director oversight.
- vii. **Governance arrangements and transformation programme agreed for Adult services modernisation** – An Adult Social Care Programme Board has been set up, supported by project boards and a member working party established to support the programme. Radical change to these services is now underway, which will continue over the next three years, delivering both efficiencies and improved service outcomes for residents.
- viii. **Improvements in the numbers of staff with active Performance Development Review plans (PDRs)**, which were increased from around 60% to around 96% of the workforce by September 2015; with an audit taking place to check on their quality.
- ix. **Report produced on different governance models** – a member task and finish group has produced a final draft report, which the Independent Chair will share with the Lead Commissioner, and submit to the Council to shape the Council's approach to governance and decision making from the 2016/17 municipal year (i.e. following the May local elections).
- x. **Rotherham 'Be a Councillor' campaign** – which successfully attracted interest from members of the public becoming councillors from the all-out local elections in May 2016. In total, information and development sessions were provided to 69 potential candidates.
- xi. **Improved financial management** – an outline Medium Term Financial Strategy (MTFS) was agreed by full Council on 9th December, a revised version for final consideration was agreed at the full Council meeting on 2 March 2016. This provides the Council a better basis upon which to deliver its priorities and plans and address the transformation and savings it needs to deliver, over the next three years (and beyond).
- xii. **Developing and embedding new approaches to the budget process** – which have generated a much more rigorous approach, fully engaging

members and the council's formal scrutiny processes (as well as trade unions) in all budget-related proposals (both revenue and capital programmes), as part of setting out the new MTFS and Budget from 2016/17.

- xiii. **Council agreement to first versions of new Performance Management Framework and Corporate Plan**, which were agreed by elected members at full Council on 9th December 2015 and are now in the process of being finalised for 2016/17 onwards under the leadership of the new Chief Executive and senior leadership team.
- xiv. **New Member Code of Conduct** – developed by a Standards Committee Working Group and supported by a supplementary local code, this was also approved by Full Council on 9th December and sets out the high standards to be upheld by elected members as they work together with officers and the public, and as representatives of the authority.
- xv. **Risk management** – the corporate risk management framework has been renewed. A new Risk Management Policy & Strategy has been agreed, underpinned by revised Strategic and Directorate risk registers.
- xvi. **Use of Directors and “M3” (middle managers) group to discuss staff management and related issues** – the use of these groups to share information and explore issues has become an established way of doing business in Rotherham.

Actions delayed or at risk of slippage

- 14. At this stage 5% of actions (7 out of 132) are assessed as behind schedule, where the target completion date has been or is likely to be missed. This has been a consistent, relatively low level of slippage, which has been broadly regarded by the Joint Board as an acceptable situation, in part because some of the factors have been beyond the direct control of the Council (e.g. the inability to appoint to the Strategic Director for Adult Services and Housing following the first recruitment exercise). It also reflects that the fact that, in a minority of cases, original timescales set in May 2015 were not always fully deliverable in practice; or where some actions have not been able to be progressed because of interdependencies with other activity (e.g. where key senior officer appointments have been required to be finalised before wider changes in those service/policy areas can be delivered).
- 15. A key issue in this respect is around developing the Council's new approach to neighbourhood-level working (part of the Plan's "Strong, high impact partnerships" theme). This work is underway, with the Managing Director Commissioner undertaking a review of the current structure and approach prior to her departure at the end of January 2016. This work has now been handed over to the new Chief Executive and recently appointed lead Advisory Cabinet Member for this service area, with a view to introducing new ways of working during the 2016/17 municipal year.
- 16. Other areas where there has been some particular slippage are reviewing the Council's long term approach to Personal Development Reviews, which is linked to the finalisation of the council's new Workforce Strategy, Corporate Plan and

Performance Management Framework (part of the Plan's "Robust governance and performance management" theme). Similarly, there have been delays in creating a new cross-council performance team, which is now to be taken forward following the appointment of the new Chief Executive and Assistant Chief Executive (and an initial review of this function carried out by the Managing Director Commissioner). There has also been a delay in finalising a new, rolling communication and engagement plan for the Council, in part due to a fundamental restructure of the Communications Team. A draft of this plan has, however, now been produced so that it can come into effect from 2016/17.

Looking ahead to "Phase 2" of the Improvement Plan (from May 2016)

17. There are a number of projects within the first phase of the Plan's delivery which will necessarily need to be carried forward into Phase 2– i.e. from May 2016 – either because they have a long term original timeframe, or there has been some slippage in delivery and consequent revision by the Joint Board to target timescales. The original Improvement Plan document also included some outline actions for Phase 2, to take forward and embed strong leadership and a new culture throughout the organisation (see Item 5 on this agenda), which are now in the process of being reconsidered in the Council's current context (including a new Corporate Plan).
18. There are also a number of projects with timescales specified as 'ongoing', mainly because they relate to the embedding of new processes, procedures and ways of working into 'business as usual'. These will also need to be critically reconsidered in terms of whether any need to continue as specific projects under the aegis of the corporate Improvement Plan.
19. In summary, projects which may need to be carried forward, subject to the remaining projects being delivered to expected timescales, are:

Theme	Project	Reason
Inspirational political and management leadership	2.1.1b – Reinforcement of leadership and management values	Completion date August 2016
	4.3.2 – Review and revise Council equality policies and strategies	To embed new policies and strategies into day to day business once they are agreed
	4.3.3 – Wide ranging discussions around community leadership etc. in the context of equalities and diverse communities	Completion date July 2018 (a long term programme)
	5.2.1 – Creation of programme of citizen engagement, linked to rolling annual communication plan	Original target for completion by Dec 2015 deferred
Culture of excellence and outstanding implementation	17.8.4 Review of customer services and libraries	To implement agreed approach, linked to Customer Services strategy and implementation of new Environment and Regeneration structures (and associated new Strategic Directors)
	20.1.2 Agree strategic view of next stages of Customer Service access	To implement new strategy, following appointment of Strategic Director, Finance & Customer Services (April 2016)
Strong, high impact partnerships	22.1.1 – Review of council and partnership teams acting in neighbourhoods 22.1.2 – Review of Area Assemblies 22.1.3 – Proposed future approach to Council neighbourhood services	Slippage from original target date and need to involve incoming senior managers/elected members (as well as Governance review findings). Revised completion date to be agreed as part of Phase 2 Plan, but anticipated to be from end of June 2016 onwards.

29. The expectation is that a number of these projects need to be re-formatted and re-scoped in the context of moving forward from May 2016 - with a new Political Executive and a complete senior leadership team - as part of Phase 2 of the Improvement Plan. Actions arising from the completed service health checks and other reviews of corporate services may also need to be included in the next phase of the Plan.

Conclusion

30. This reports aims to summarise the key headlines of the implementation of the corporate “Fresh Start” Improvement Plan between the end of May 2015 and the

end of January 2016 – 8 months of the first 12 months of associated activity. In general, consistent and positive progress is being made, with ongoing challenge and oversight being provided via the Joint Board; and specific areas of delay or slippage have been regarded as acceptable to date (but nevertheless subject to ongoing, focused management action).

31. Oversight of the delivery and implementation of the “Fresh Start” Improvement Plan from February 2016 is being handed over to the new Chief Executive and senior strategic management team. At this time initial focus is also being given to the production of the Phase 2 Improvement Plan, linked to the “normal running” of the Council through a Performance Management Framework (to be embedded) and a new Corporate Plan. This will also now need to take account of part-roll back of powers from February 2016, to ensure that improvement actions enable members to discharge these responsibilities effectively with appropriate officer support. The roll-back of powers is itself, however, wider evidence of the Council’s improvement efforts starting to re-build confidence in the authority.

Summary Sheet

Council Report

Audit Committee

Title

External Audit Plan 2015/16

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger – Strategic Director of Finance and Customer Services

Report Author(s)

Simon Tompkins (Finance Manager)
Finance and Customer Services Directorate
01709 254513 simon.tompkins@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary

The Council's external auditor, KPMG, has a duty to:

- Give an opinion on the Council's financial statements, and
- Conclude on whether the Council has arrangements in place to secure value for money in the use of its resources

The External Audit Plan attached as Appendix 1 sets out the audit approach KPMG are planning to take to discharge these duties.

Recommendation

That Audit Committee approves KPMG's External Audit Plan, noting the proposed areas of audit identified.

List of Appendices Included

Appendix 1 – External Audit Plan 2015/16

Background Papers

Code of Audit Practice 2015

Audit Fee letter 2015/16

Audit Commission work programme and scale of fees 2015/16

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

External Audit Plan 2015/16

1. Recommendation

That Audit Committee approves KPMG's External Audit Plan, noting the proposed areas of audit identified.

2. Background

2.1 The Code of Audit Practice 2015 (the Code) published pursuant to Schedule 6 paragraph 2 of the Local Audit and Accountability Act 2014 sets out the way in which the external auditor should discharge their statutory duties under the Code. The Code (now maintained by the National Audit Office following the demise of the Audit Commission in March 2015) applies with effect from 2015/16.

2.2 Schedule 1 to the Code sets out the external auditor's statutory responsibilities as being to:

(i) Give an opinion on whether the Statements of Accounts give a true and fair view of the Council's financial position and financial performance for the year being reported on and whether they have been prepared in accordance with proper practice, and

(ii) Conclude on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (known as the Value for Money conclusion).

2.3 The second of these duties is reflective of the fact that the audit of a public sector organisation is wider in scope than that of the private sector requiring public stewardship and the use of resources to be audited in addition to giving an opinion on the financial statements.

2.4 The Code requires that external auditors' work should be risk-based and proportionate to meeting their statutory responsibilities and tailored to the local circumstances of the Council and the risks this gives rise to. The External Audit Plan sets out the approach to the audit of the financial statements and Value for Money conclusion and the risks that have been identified.

3. Key Issues

3.1 Audit of the Financial Statements

3.1.1 Materiality is key to financial reporting as it determines the amount by which items or disclosures within the Statement of Accounts would need to be misstated or omitted before it would reasonably influence a reader of the accounts. It also therefore acts as a guide to what audit procedures need to be performed to determine whether the Statement of Accounts are free from material misstatement. As set out on Page 1 of the External Audit Plan and as explained in greater detail on Page 5, KPMG have set an overall materiality of £10 million for 2015/16. KPMG have also specified the "triviality" threshold below which uncorrected misstatements or omissions would not normally be reported to Audit Committee – this threshold is £500,000 in 2015/16.

3.1.2 Page 4 of the External Audit Plan sets out the significant risks and areas of audit focus that KPMG have identified from their planning process which will require closer audit attention and the work they intend to carry out in relation to these items.

3.1.3 KPMG will report the outcomes from their audit of the financial statements in a report to Audit Committee in September (ISA 260 report).

3.2 Value for Money Conclusion

3.2.1 As set out on Page 6 of the External Audit Plan, the adoption of the new Code in 2015, has not fundamentally affected the approach external auditors should take in reaching their Value For Money conclusion but there is a subtle change to the criteria that are being used.

3.2.2 Page 9 of the External Audit Plan sets out the risks KPMG have identified requiring special audit attention, namely:

- Governance arrangements, in particular, the improvements made since the Council made its “Fresh Start”
- Financing Child Sexual Exploitation claims and
- Financial pressures the Council finds itself under from having to make substantial savings

3.2.3 KPMG will report their Value For Money Conclusion findings in the ISA 260 report that will go to Audit Committee in September.

4. Options considered and recommended proposal

4.1 Having an audit under the Code is a statutory requirement. As such there is no discretion on whether or not to comply.

5. Consultation

5.1 Close liaison continues to be maintained with the Council’s External Auditors to ensure that there is a clear understanding of the risks identified in the External Audit Plan and supporting information KPMG will require to evidence that they have been addressed satisfactorily.

6. Timetable and Accountability for Implementing this Decision

6.1 Page 11 of the External Audit Plan sets out the timetable for reporting formally key stages of the audit. The ISA 260 report has been scheduled for September to enable the Council to meet the statutory deadline for publishing its audited financial statements of 30 September.

7. Financial and Procurement Implications

7.1 As set out on Page 10 of the External Audit Plan, the planned audit fee is £140,828. This is in line with the published work programme and scale of fees for 2015/16 set by the Audit Commission prior to its demise. This represents a 25% reduction on the 2014/15 audit fee.

8. Legal Implications

- 8.1 None, other than to note that the External Audit Plan has been prepared to meet external auditors' statutory responsibilities under the Local Audit and Accountability Act 2014 and Code of Audit Practice 2015

9. Human Resources Implications

- 9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

- 11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

- 12.1 Partners, stakeholders, the media and general public may take an interest in the Value For Money Conclusion as an independent assessment of the progress that the Council has made over the course of 2015/16.

1. Risks and Mitigation

- 13.1 Steps have been taken to ensure that appropriate and sufficient evidence is provided for the significant risks and areas of audit focus identified in the External Audit Plan.

14. Accountable Officer(s)

Judith Badger (Strategic Director of Finance and Customer Services)

Approvals Obtained from:-

Assistant Director of Finance:- Stuart Booth



External Audit Plan 2015/2016

Rotherham Metropolitan Borough Council

19 April 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£10 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£500k**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- The new housing management system.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Child Sexual Exploitation Claims; and
- Accounting for the Better Care Fund.

See pages 3 to 5 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Governance Arrangements;
- Financing Child Sexual Exploitation Claims; and
- Reserves and Financial Position.

See pages 6 to 9 for more details.

Logistics



Our team is:

- Tim Cutler – Partner
- Debra Chamberlain – Senior Manager
- Thilina De Zoysa – Assistant manager

More details are on **page 12**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 11**.

Our fee for the audit is £140,828, see **page 10**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the findings of our VFM risk assessment.



Financial Statements Audit Planning

Our planning work took place during December 2015 to April 2016. This involved the following key aspects:

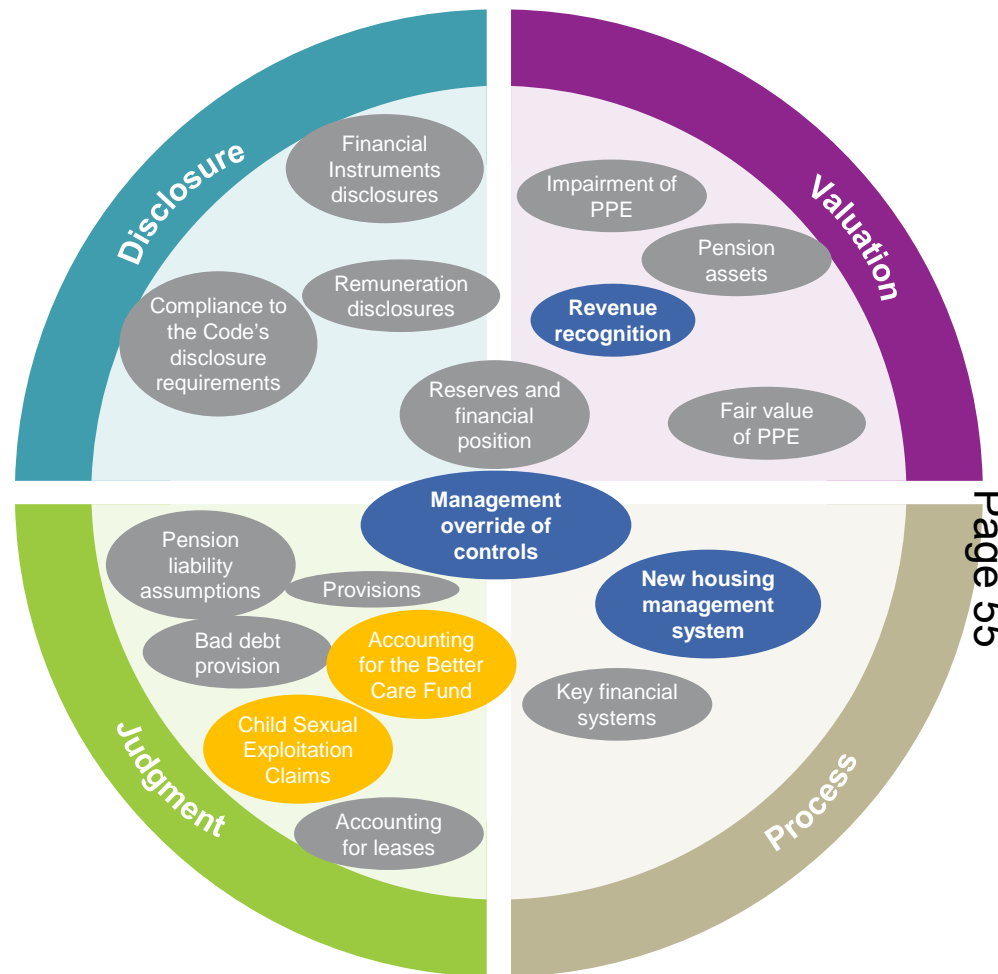
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

New Housing Management System

- The Council implemented a new housing management system in the year. OHMS operated for the first part of the year and was then decommissioned with the UH (IHMS) system going live from October 2015.
- Income and expenditure in relation to housing is a significant proportion of the Council's activities. There is a risk that the transfer of data between systems could lead to a misstatement in the Council's financial statements if this has not been completed in a robust and controlled manner.
- We will review the data migration between the old system and the new system and gain assurance that controls have been put in place to ensure that the data that has been migrated is both accurate and complete. We will also assess the general IT controls in place on UH to gain assurance that these are designed appropriately and operating effectively.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Child Sexual Exploitation Claims

- The number of Child Sexual Exploitation (CSE) cases has increased since the prior year end. This remains an area of audit focus to provide assurance over the accounting treatment and valuation of these claims in the financial statements.
- We will review the process for identifying and evaluating potential claims to provide assurance over the completeness of the balances included within the financial statements. We will also review the treatment of CSE claims within the financial statements and consider this against the criteria in IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which provides guidance for the appropriate accounting treatment when there are uncertainties over claims.

Accounting for the Better Care Fund

The Better Care Fund (BCF) came into operation on 1 April 2015 with £3.46 billion of NHS England's funding to Clinical Commissioning Groups (CCGs) ring-fenced for the establishment of the fund in 2015/16 (£23.3m of this fund is assigned to Rotherham). The Care Act 2014 requires a pooled fund to be established between CCGs and local authorities in the form of a section 75 agreement. Local BCF arrangements may be complex and varied, involving a number of valid commissioning and accounting arrangements that raise risks of misunderstanding, inconsistencies and confusion between members of a BCF pooled budget.

As part of our audit, we will:

- understand how the fund operates and the processes in place to capture financial reporting information;
- assess compliance with the 2015-16 Code of Practice and financial reporting implications for the Authority, including agreement of the application of gross and net accounting with the CCG; and
- check that governance issues have been appropriately considered and disclosed in the Annual Governance Statement.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £10 million, which equates to 1.3 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

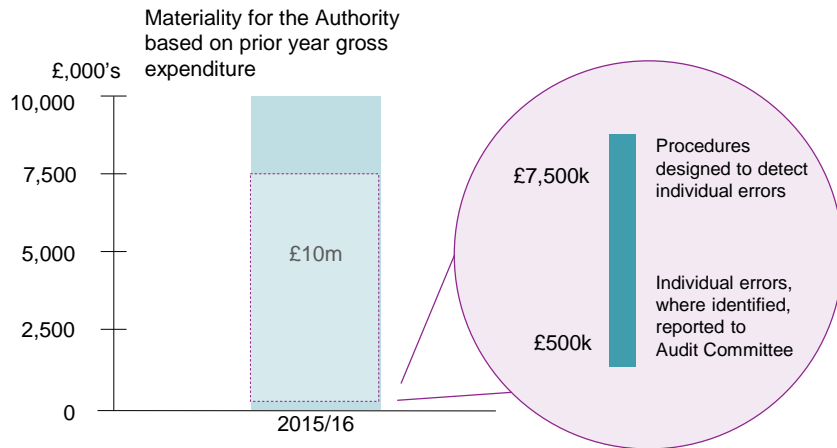
Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £500k

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

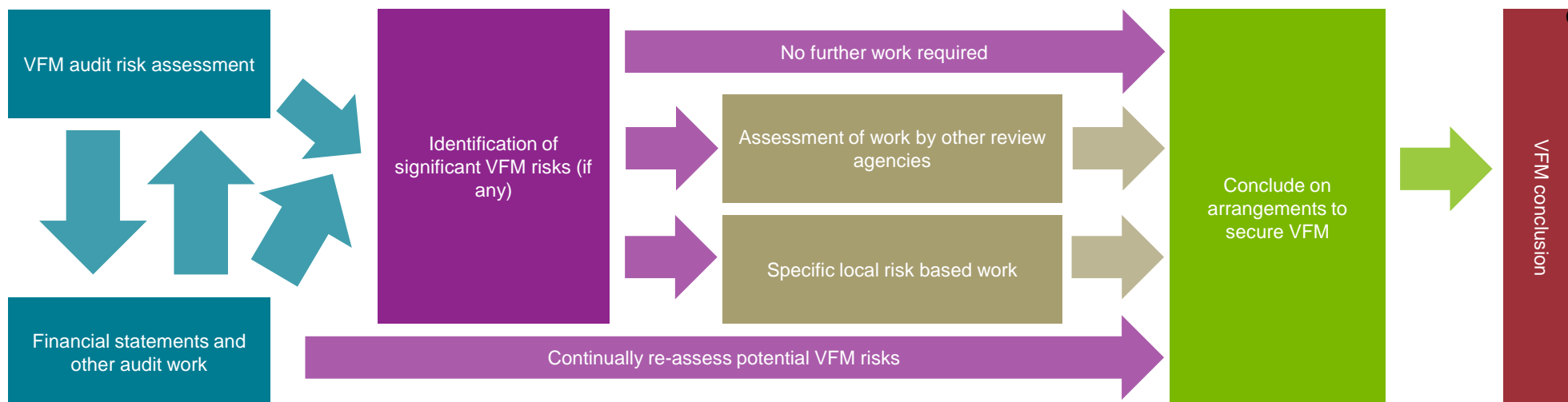
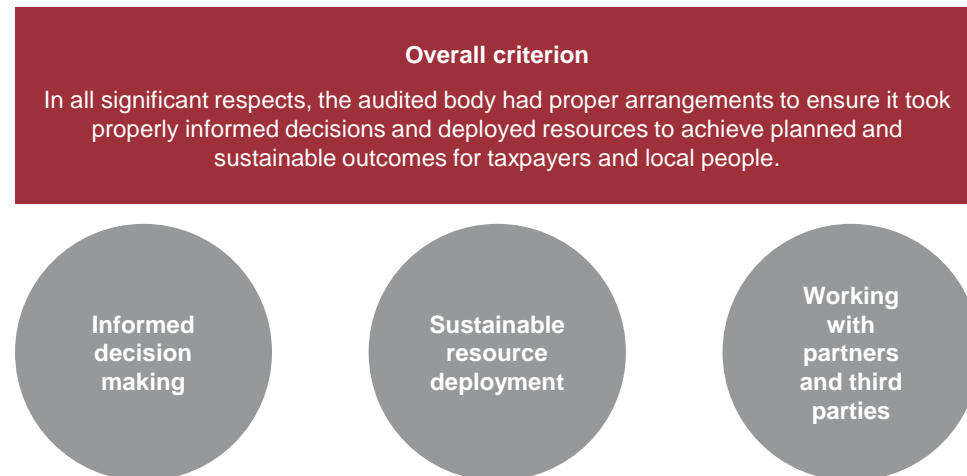


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.





VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report. In 2014/15 we issued a qualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion). This means that we concluded that the Authority had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2015. Our conclusion was mainly in relation to the 'Report of Inspection of Rotherham Metropolitan Borough Council' (the Inspection) which was only published in February 2015. In March, the Commissioners launched the 'Statement of Rotherham Commissioners' mission': "To help the Council secure a safe environment for children and ensure good, sustainable services and regulation such that healthy democratic leadership and accountability can be restored". The mission included twelve key outcomes which have been published. Given that the VFM assessment was for the year ended 31st March 2015, there was only a very limited opportunity for Commissioners to make the changes required towards achieving the mission. Although not covered by the 2014/15 VFM assessment, the Authority had begun to make progress. The Authority has developed and published a children's improvement plan and a comprehensive corporate improvement plan (A Fresh Start) which address the findings of the Inspections. We will consider and review this progress as part of our VFM conclusion work in 2015/16.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Governance Arrangements

Risk

- The 'Report of Inspection of Rotherham Metropolitan Borough Council' (Casey Review) highlighted serious failings across the Authority in relation to governance. Five Commissioners were appointed by the Government in February 2015 to manage the Council. In February 2016 some decision making powers were returned to the Council following Government agreement that services were of predominantly good quality, well-run and have strong leadership in place. Housing, education, public health, planning, highways, leisure, cultural services and planning policy, along with control of budgeting in these areas, were returned to the control of Rotherham Council's Cabinet. Other areas, including children's and adult's social care and licensing, continue to be overseen by Commissioners while improvements continue.
- The Authority continues to implement the actions within their improvement plan to address the concerns raised in the corporate governance report.
- Given that the Commissioners were not appointed until February 2015, we will need to consider whether the new arrangements were sufficiently embedded throughout 2015/16 to impact on the Council's ability to achieve value for money.

Approach

- We will keep up to date with the progress made through the Authority's six monthly updates to the improvement plan and through discussions with key officers, including the new Chief Executive, to assess if the Council, in all significant respects, had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Financing Child Sexual Exploitation Claims

Risk

- Since the Professor Alexis Jay report into Child Sexual Exploitation was published in August 2014, a number of people have come forward to make claims against the Authority. The final costs associated with these claims are not yet known but there is a risk that this could place significant financial pressure on the Authority due to the scale of the claimants coming forward. This could have a significant impact on the Authority's sustainability

Approach

- We will maintain dialogue with the Council and their legal experts to understand the volume and value of claims coming through. The Council considers each claim in conjunction with its legal advisors on its own particular merits and plans to settle these with every effort being made to minimise the financial impact to the council We will consider the approach the Council takes to settle these claims and whether this represents value for money for the Council

Reserves and Financial Position

Risk

- There are significant financial pressures facing the Council in the current and future years.. The Council has identified an in year overspend of £9.2m following the use of the £8m transformation reserve and an identified saving amounting to £41m over the next 3 years to principally address future reductions to local authority funding alongside service cost and demand pressures. There continues to be additional budget pressures, mainly in relation to Children's' Services as the Council continues with the implementation of their Improvement Plan. The Council plans to take actions to bring this budget into balance in the current year. These financial pressures will have a significant impact on the Council's reserves over the next few years.

Approach

- We will also review the financial planning arrangements in place at the Authority. Our conclusions will be primarily based on a review of performance against the 2015/16 annual plan and accuracy of the key assumptions made. However, we will also review the arrangements to prepare the medium term financial plan to assess whether key assumptions are in line with our expectations.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will continue to be led by Tim Cutler. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

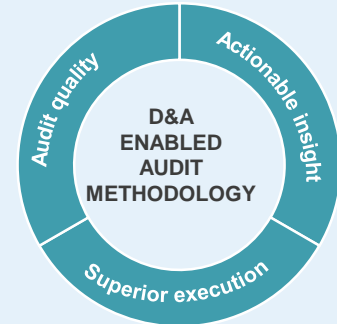
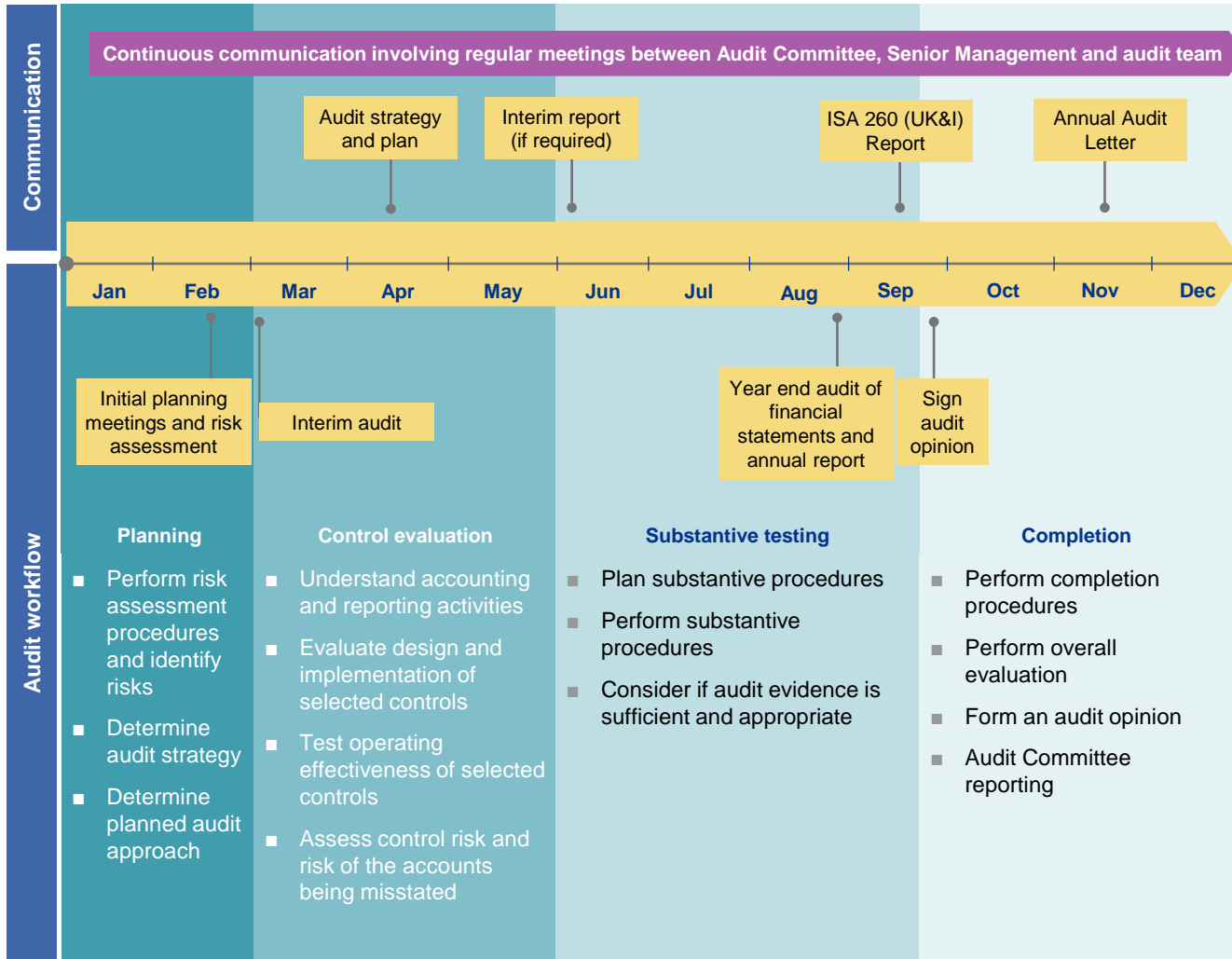
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £140,828. This is a reduction in audit fee, compared to 2014/2015, of £46,942 (25%).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Your audit team has been drawn from our specialist public sector assurance department.



Name	Tim Cutler
Position	Partner
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee and Chief Executive.'</p>

Tim Cutler

Partner

Telephone: 0161 246 4774

Email: tim.cutler@kpmg.co.uk



Name	Debra Chamberlain
Position	Senior Manager/Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Tim to ensure we add value.</p> <p>I will liaise with the Director of Finance and other Executive Directors.'</p>

Debra

Chamberlain

Senior Manager

Telephone: 0161 246 4189

Email: debra.chamberlain@kpmg.co.uk



Name	Thilina De Zoysa
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Thilina De Zoysa

Assistant Manager

Telephone: 0113 231 2529

Email: thilina.dezoysa@kpmg.co.uk

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the **Audit Committee**.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

Produced by Create Graphics/Document number: CRT053550A

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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Council Report

Audit Committee – 27th April 2016.

Title

Internal Audit Plan 2016/17.

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

Marc Bicknell, Chief Internal Auditor

Internal Audit, Finance and Customer Services

Tel: 01709 823297 Email: marc.bicknell@rotherham.gov.uk

Ward(s) Affected

All wards.

Executive Summary

This report refers to the Internal Audit Plan for 2016/17. 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. The plan reflects a comprehensive risk assessment process, which has also included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

Recommendation

The Audit Committee is asked to support the Internal Audit Annual Plan for 2016/17

List of Appendices Included:-

Appendix 1: Internal Audit Plan 2016/17

Background Papers

UK Public Sector Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No

Title: Internal Audit Plan 2016/17.

1. Recommendations

The Audit Committee is asked to support the Internal Audit Annual Plan for 2016/17

2. Background

2.1 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.

3. Key Issues

3.1 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:

- 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 objectives and priorities.
- Discussions with Strategic Directors and Assistant Directors.
- Knowledge of existing management and control environments.
- Professional judgement on the risk of fraud or error.
- Examination of the Corporate Improvement Plan and the Children's Services Improvement Plan.
- Review of external inspection reports.

3.2 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 1,143 days
- Identifies the Audit Universe subject to audit
- Includes a contingency for responsive work.

3.3 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.

4. Options Considered and Recommended Proposal

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit.

4.2 The Audit Committee is asked to support the Internal Audit Annual Plan for 2016/17

5. Consultation

5.1 As part of the process for producing this Audit Plan, the Chief Internal Auditor has held discussions with most of the Council's Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

6. Timetable and Accountability for Implementing this Decision

6.1 The Audit Committee is asked to receive this report at its 27th April 2016 meeting.

7. Financial and Procurement Implications

7.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

8. Legal Implications

8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

8.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“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”

9. Human Resources Implications

9.1 There are no direct Human Resources implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 This document constitutes a report of the Internal Audit Plan for 2016/17. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People's Services and Adult Social Care.

11 Equalities and Human Rights Implications

11.1 There are no direct Equalities and Human Rights Implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risks have been identified.

Risk	Likelihood	Impact	Mitigation
Internal Audit may not deliver sufficient audit work to enable an opinion to be provided on the Council's control environment.	Low	High	Internal Audit regularly monitors progress of the plan and takes steps, where necessary, to ensure that sufficient work is carried out.
Audit recommendations may not be implemented, leaving the Council exposed to risk.	Low	High	Internal Audit has an established process for the follow up of implementation of agreed audit recommendations. This includes escalation to the appropriate Assistant Director and Strategic Director in cases of non-compliance.

14. Accountable Officer(s)

Colin Earl, Assistant Director of Audit, Procurement and ICT.
 Marc Bicknell, Chief Internal Auditor.

Rotherham Metropolitan Borough Council

Internal Audit Plan 2016/17

Contents

1. Introduction, Approach and Methodology

2. Audit Universe

3. Summary Annual Internal Audit Plan

1. Introduction, Approach and Methodology

Introduction

This document provides details of the Internal Audit annual plan for 2016/17.

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 Strategic Director of Finance & Customer Services in discharging her 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.

Development of Internal Audit Plan

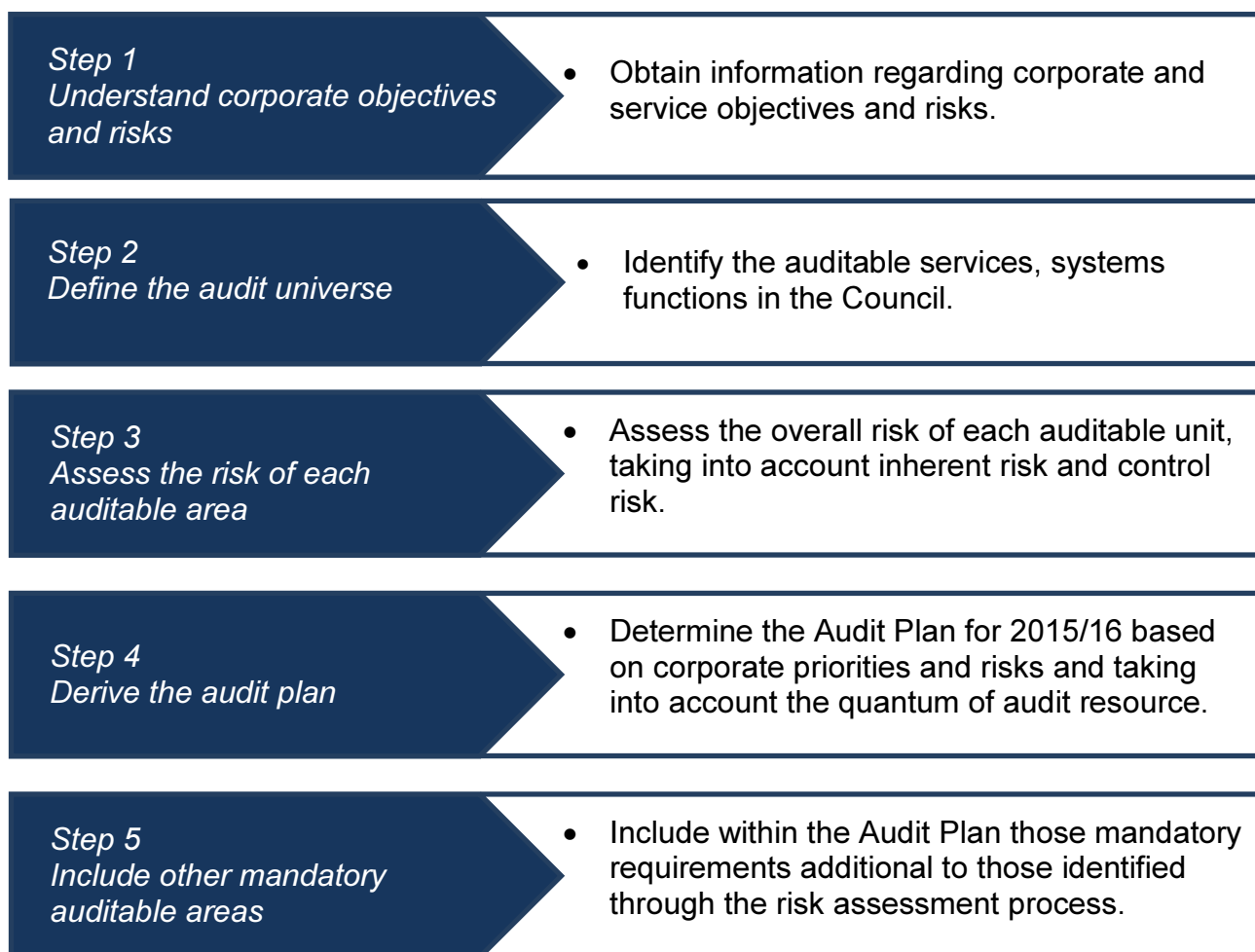
The plan has been prepared after a full refresh of the ‘audit universe’ (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough risk assessment of the Council’s activities. It has also taken into account an analysis of risk registers and the views of Directors and Assistant Directors as to where audit resource is most needed. In line with the UKPSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council’s Commissioners and Chief Executive, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment.

Ongoing Revision of Internal Audit Plan

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

The internal audit function will be delivered in accordance with the Internal Audit Charter. A summary of our approach to the development of the Audit Plan for 2016/17 is set out below. The Plan is driven by the Council's organisational objectives and priorities and the risks that may prevent the Council from meeting these objectives.



Methodology

The internal audit function will be delivered in accordance with the Internal Audit Charter. This is currently being reviewed and the revised version will be presented to the Audit Committee in July 2016. 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 worked with the interim Corporate Risk Manager to review the Council's risk registers, which were subject to a full refresh in the latter half of 2015/16. We have also reviewed the Corporate Improvement Plan and Children's Services Improvement Plan as well as minutes of official meetings, including Commissioners meetings, full Council, Advisory Cabinet etc. We have reviewed the findings from recent external reviews and OFSTED reports and have held meetings with the Council's Strategic Directors and Assistant Directors. We have also used sector knowledge to gain a wider understanding and perspective on risk.

We have also reviewed the Commissioner's Progress report, which was included in the letter to the Secretaries of State dated 26th February 2016 (Recovery and Restoration – Evidence Files as at February 2016). This report gave an update on the position of the CYPS Improvement Board Action Plan, where a refreshed second plan was agreed in September 2015. The Commissioners also reported on the Rotherham Improvement plan where 45% of the actions are completed and all except 4% are on track.

Step 2 – Define the audit universe

Approach

We have identified the auditable services, functions and systems 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 risk of each auditable area

Approach

This is a function of the estimated impact and likelihood of risk occurring for each auditable unit within the audit universe. It also takes into account our understanding of the strength of the control environment of each area. 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, Assistant Directors and Service Managers
- Assessment of financial materiality through analysis of revenue budgets and the current 3 year capital programme
- Consideration of susceptibility of an auditable area to fraud or corruption
- Review of previous audit work undertaken
- Findings from other providers of assurance e.g. external audit, OFSTED

Step 4 – Derive the Audit Plan

Approach

The level of available resources for the Internal Audit function for 1st April 2016 to 31st March 2017 is 1,143 days and is based on an establishment structure of 6.6 FTE, supplemented by 160 days of commissioned services to undertake specialist audits.

As a result 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 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.

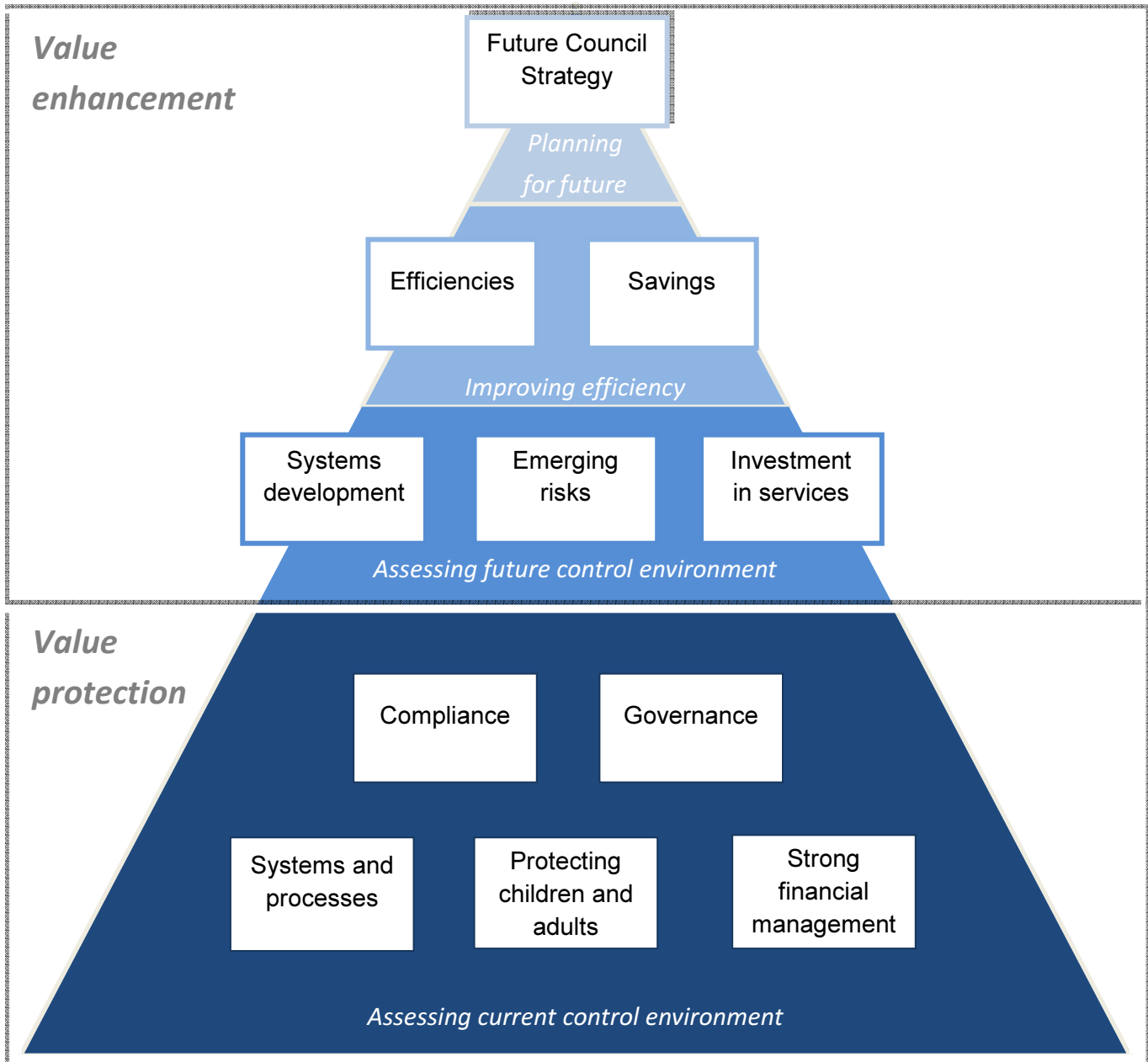
Step 5 – Include other mandatory auditable areas

Approach

In addition to the audit work identified through the risk assessment process, we are also required to carry out a number of mandatory audit reviews. This includes our work on fundamental financial systems to assist the Responsible Finance Officer to meet her statutory responsibilities under s.151 of the Local Government Act 1972. We are also required to provide certification of a small number of grant claims. Finally, we have committed to provide an internal audit service to a number of academy schools in the Rotherham area, from which we generate a small income stream.

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. Value Protection also includes mandatory work on fundamental financial systems that helps the s.151 officer to fulfil her 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 need for the Council to embed improvements in certain core services and develop its corporate capacity and future governance arrangements, the primary focus of our work in 2016/17 will be directed more towards the Value Protection category.

Basis of our annual audit opinion for 2016/17

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. The Council has also refreshed its strategic leadership team. This means that an assessment of risk now might be very different to an assessment later in the year. Accordingly, we will continually revisit our risk assessment during the year.
- Following the publication of the Jay Report, the CGI Report, the OFSTED report and the appointment of Commissioners, there has been an increase in 'responsive' demand for Internal Audit work i.e. requests for support from management such as in the investigation of irregularities. In view of the limitation in audit resources, we will manage the 'responsive audit' demand to ensure that we are focusing on areas of key significant risks and not undertaking functions that are the role and responsibility of either line management or the enabling / support functions such as Human Resources, Legal Services or Finance.

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

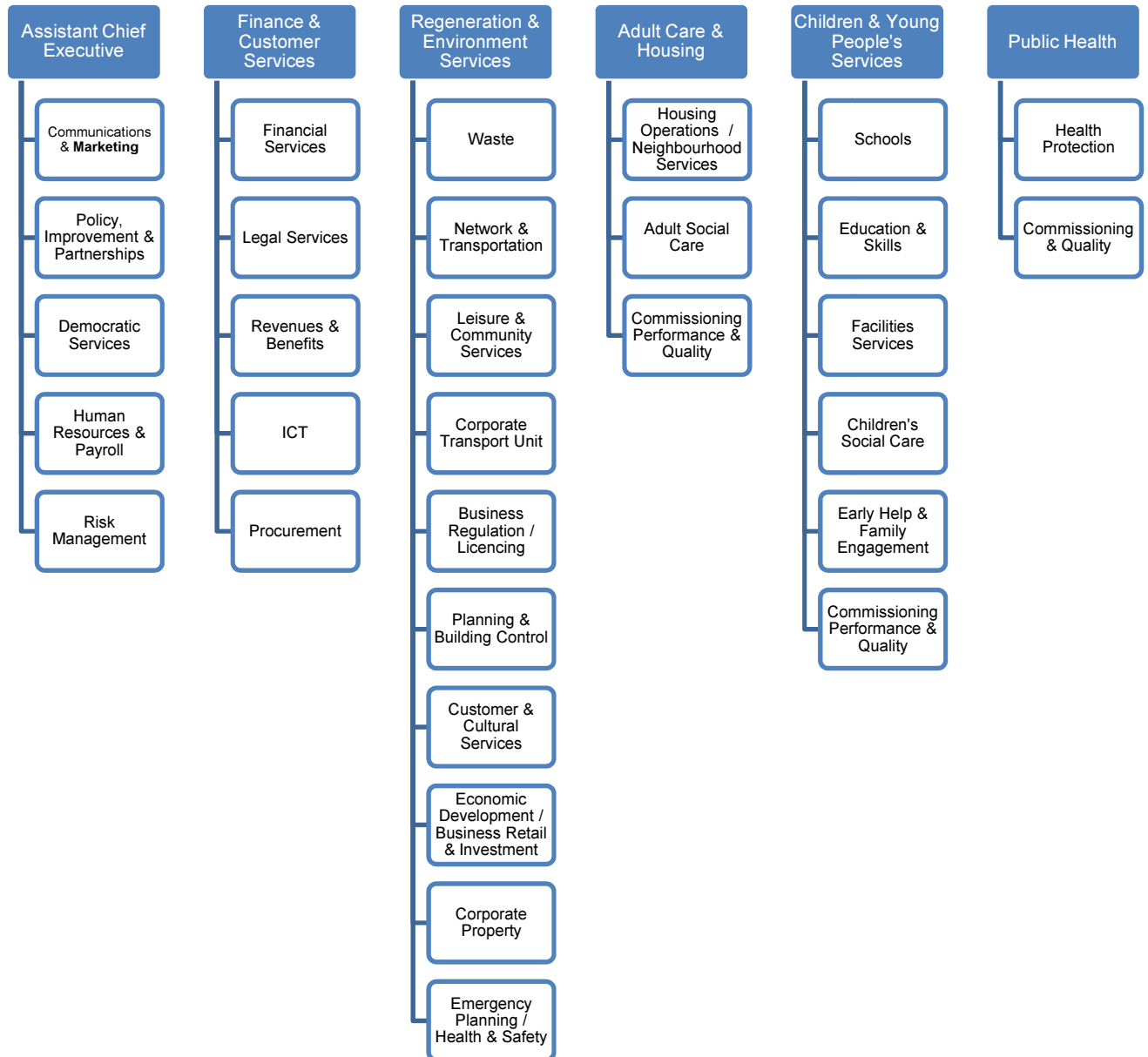
In developing our internal audit risk assessment and plan we have taken into account sources of external assurance and have considered the extent to which reliance can be placed upon these other sources. The main other sources of assurance for Rotherham Metropolitan Borough Council are as follows:

- 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.

Rotherham Council – Audit Areas



3. Summary Annual Internal Audit Plan 2016/17

The internal audit plan has been derived 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 Chief Executive, Strategic Leadership Team, the Responsible Financial Officer and ultimately the Audit Committee. Some of the audits came from discussions with Assistant 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.

Audit Area	Assurance Objective	Source of Audit	Summary of Proposed Audit Work	Audit Days
CHILDREN & YOUNG PEOPLE'S SERVICES – Total 190 Audit Days				
Family Care	To ensure that children placed away from birth parents within family / friends settings are properly looked after.	Audit Risk Assessment and CS Risk S01(013) CYPS Improvement Plan	Test the safeguards in place to ensure children are adequately assessed and supported by family and friends placements in accordance with statutory and Rotherham standards. Assess the adequacy of the Council's response to the recent judicial review of this area.	15
Sustainable Improvements: Children and Young Peoples Quality Assurance Framework	To ensure that Children and Young People's Services has an effective quality assurance framework in place.	Audit Risk Assessment External Inspection Frameworks & reports CYPS Imp Plan.	To establish progress towards RMBC meeting Ofsted Recommendation 2: <i>"Carry out effective performance management and quality assurance arrangements and ensure that they are well understood"</i> (Ofsted 2. Nov. 14). We will carry out tests to assess the Council's progress in meeting Ofsted Inspection Framework Key Measures (35.7 to 35.8). We will seek to obtain evidence that CYPS Improvement Plan activity in relation to QA and Performance has been achieved, implemented and embedded.	15
Children in Care Placements Process	To ensure that the placement process delivers children the care they need and the Council secures value for money.	Audit Risk Assessment External reports CS Risk S01(0043)	We will assess the adequacy of the Council's processes to ensure that Children's needs are met through robust contract compliance activity. We will also check that the commissioning and procurement arrangements are compliant with the Contract Standing Orders.	15
Direct Payments	To ensure that the Council has proper arrangements	Audit Risk Assessment	The audit will test compliance with procedures for administering direct payments, including the periodic	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
	for the administration of Direct Payments		review of needs and entitlement and arrangements for the prevention and detection of fraud. This audit will run in conjunction with Adult Social Care Direct Payments.	
Children missing	To ensure that children who go missing from home or care are properly catered for.	CYPS Improvement Plan	The audit will check that adequate action has been taken to address the November 2014 Ofsted Inspection finding “ <i>children who go missing from home or care do not receive a good enough service</i> ”. We will also clarify the progress of CYPS Improvement Plan in respect to identifying and responding to children missing from home or care. We will also seek to provide assurance in respect of the Council’s planned activity to achieve readiness to undergo the ‘deep dive’ Ofsted Targeted Inspection: Child Sexual Exploitation and Children Missing from Home, Care or Education. Published 14 January 2016.	15
New Children’s Social Care System: Liquid Logic	To ensure that Children’s Services are supported by an information system that enables them to delivery statutory functions.	Audit Risk Assessment	Weaknesses in the current system were highlighted by the Casey Report and a new system is to be implemented, delivery of this is crucial to the Improvement Plan. An internal audit undertaken in the fourth quarter of 2015/16 highlighted significant risks to the safe implementation of this project. Through proactive involvement in the system development, Internal Audit will highlight to senior management risks and advise on their mitigation. Internal Audit will also attend meetings of the Programme Board that has recently been established following a review of the project’s governance arrangements.	15
Children’s Homes	To ensure that systems are in place to ensure the proper administration of	Audit Risk Assessment	We will carry out the two mandatory audits in accordance with grant certification requirements.	5

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
	children's homes.			
Troubled Families Grant	To ensure that the Council claims grant properly.	Mandatory	We will carry out the two mandatory audits in accordance with grant certification requirements.	5
Fostering Allowances	To ensure that payments made to foster carers are correct.	Audit Risk Assessment Area of significant expenditure	We will carry out a review to assess the adequacy of arrangements for paying those providing foster care within the borough. This will include both foster carers engaged directly by the Council and those engaged through agencies.	15
Schools Catering Service Building Cleaning Service	To ensure that the Schools Catering Service and the Building Cleaning Service maintain financial stability.	Area of significant expenditure and income	We will carry out a review to assess the adequacy of administration arrangements in these traded services, including checking that up to date business plans are in place.	20
Procedures for investigation of safeguarding concerns	To ensure that safeguarding concerns are properly investigated.	Previous audit work relating to Home to School Transport.	The audit will check for compliance with LADO (Local Authority Designated Officer) procedures. We will also consider the adequacy of arrangements for ensuring that safeguarding concerns are passed through to the appropriate team, wherever they arise in the Council or in partner organisations.	10
Schools: Financial Administration	To ensure that the finances of maintained schools are being administered properly.	Area of significant expenditure	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.	35
Early Years Childcare Provision	To ensure that payments to independent sector childcare providers are	Audit risk assessment	We will conduct a review to ensure that payments to childcare providers are made in accordance with the conditions attached to the funding.	15

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
	made in accordance with conditions attached to the funding.			
<i>HOUSING AND ADULT SOCIAL CARE – Total 150 Audit Days</i>				
Housing Repairs and Maintenance Contracts	To ensure that the Council has effective contract management arrangements with respect to its contracts with Mears and Willmott Dixon Partnership.	Area of significant expenditure	The audit will check that there are appropriate contract management processes in place, including verification checks on the cost collection workbook, performance indicators and the process for authorising variations. The audit will also follow up on previously made recommendations in this area.	20
Housing Capital Programme	To ensure that the Council has robust contract management arrangements for the Housing Capital Programme.	High area of spend	The audit will review the adequacy of the Council's contract management arrangements for the Housing capital programme, including procurement arrangements and the process for the checking of accounts during the currency of the contract and at final account stage.	20
Housing IHMS Phase 2	To ensure the successful implementation of the 2 nd phase of the IHMS system.	Business critical system	The audit will assess the Council's preparedness for the implementation of phase 2 of the Integrated Housing Management System. The audit will follow a similar format to that carried out for the Phase 1 implementation.	15
Housing Rents System	To ensure the new housing rents system is fit for purpose and is operating in line with expectations.	New system Audit required to support KPMG's audit of the Council's Statement of Accounts	A review will be carried out to assess the adequacy of the system of internal control in the new system. The audit will include testing the procedures for generation of the rent roll, arrears recovery, authorisation of write offs. We will also check that reconciliations between Housing Rents and other fundamental financial systems e.g. general ledger, housing benefits are being completed and reviewed on a timely basis.	20
Housing Revenue Account Business	Ensure that Housing Revenue Account Business	Risk register	Ongoing assurance around the risks associated with management of key risks in the Business Plan. Our work	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
Plan	Plan is delivered.	Potential material impact on Council's financial position.	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.	
Adult Social Care Direct Payments	To ensure that payments made via the direct payments system are bona fide.	Request from management	Following the service review of Direct Payments, Internal Audit will carry out a programme of checks on sample of Direct Payment accounts. As part of this we will assess the arrangements for the prevention and detection of fraud.	20
Adult Social Care Supported Living	Ensure that adults receive the care they need.	Significant control weaknesses in 2015/16 audit.	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
Adult Social Care Social Care Establishments	Ensure that systems are in place to monitor the quality and effective running of residential homes, day centres and other establishments.	Audit risk assessment.	We will carry out a programme of visits to Adult Social Care establishments to check for compliance with financial administration procedures. This will include checks on clients' personal monies.	20
<i>PUBLIC HEALTH – Total 35 Audit days</i>				
Public Health Commissioning Payments Process	To assess the adequacy of the processes in place for making payments to GPs, Pharmacies and other providers for Public Health commissioned services.	Area of high expenditure. Concerns raised by management.	Internal Audit will visit a sample of surgeries and pharmacies to obtain evidence that services claimed for have been carried out as per clinical records. Clarification on the Council's right of access to records will need to be sought prior to commencement of this audit. We will also examine the arrangements for the prevention and detection of fraud.	25
Public Health Commissioning	To assess the adequacy of Council's arrangements for	Audit risk assessment	Internal Audit will assess the adequacy of arrangements for checking that providers have the appropriate training	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
Contract Compliance Process	ensuring that GP's, pharmacies and other providers carry out their work in accordance with contract		and qualifications to carry out their functions and that sufficient insurance cover is in place.	
<i>REGENERATION & ENVIRONMENT SERVICES – Total 145 Audit Days</i>				
Business Continuity Arrangements	To ensure that RMBC has effective Business Continuity arrangements in place.	Strategic Risk Register	We will review the progress made by services across the Council in producing business continuity plans and ensure that they are robust and have been properly documented. We will check that there are arrangements in place for periodically updating, reviewing and testing these plans.	15
Contract Management	To ensure that the Council has effective management arrangements in place for both revenue and capital contracts.	Service Risk Register (projects & partnerships) Capital Programme	The audit will check that there are appropriate contract management processes in place, including verification checks on the cost collection workbook, performance indicators and the process for authorising variations. The audit will also follow up on previously made recommendations in this area e.g. A57 and Firsby Reservoir. The scope will include both capital contracts e.g. major highways infrastructure projects and revenue contracts e.g. D C Leisure.	20
Licensing Administration and Licensing Enforcement	To ensure that the Licensing function is fit for purpose so as to contribute to: <ul style="list-style-type: none"> • the prevention of crime and disorder • public safety • the prevention of public nuisance 	Corporate Improvement Plan Service risk register	We will review 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.	30

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
	<ul style="list-style-type: none"> the protection of children from harm 			
Waste Disposal including operation of BDR facility at Manvers	To ensure that there are proper financial management and governance procedures in place for the new Waste Treatment facility at Manvers.	Service Risk Register	The audit will test compliance with contract conditions in accordance with Project Agreement. The audit will focus on the robustness of the payments process and the accuracy and validity performance data, focusing particularly in those performance measures that have financial or service delivery implications. We will also undertake work for the external auditor, as in previous years.	15
Heritage Services	To ensure that the Council's Historical Sites are safeguarded from deterioration, neglect and vandalism and are safe to the public.	Service Risk Register	We will compliance test the arrangements for safeguarding historical sites and museum assets. As part of this we will assess the effectiveness of the regime for structural inspections.	10
Corporate Landlord Responsibilities	To ensure that the Council's operational and non-operational estate is safe.	Audit risk assessment Corporate manslaughter risk	We will carry out an audit of the systems and processes to ensure compliance with statutory responsibilities for both operational and non-operational land and buildings. The audit will include gas inspections, electrical testing, asbestos, legionella and fire risk assessment.	20
Income Collection	To ensure that the Council has robust arrangements for income collection at its establishments.	Budget Book	Our audit will assess the adequacy of the arrangements for the identification, collection, recording and reconciliation of income at establishments. This work will be carried out on an unannounced spot check basis. Establishments could include country parks, markets, civic theatre, visitors centre, car parks etc.	20
Hellaby Depot: Fleet contract / Hire of plant and	To ensure that robust arrangements are in place at the Hellaby Depot for	Audit Risk Assessment	We will check that the arrangements for the procurement of services in relation to the fleet and the hire of plant, equipment and vehicles are compliant with the	15

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
equipment	management of the fleet contract and the hire of plant and equipment.		competitive procurement requirements of Contract Standing Orders. We will also check that the Council has effective arrangements in place for monitoring the charges made by suppliers on these contracts.	
<i>FINANCE AND CUSTOMER SERVICES – Total 190 Audit Days</i>				
Housing Benefits and Council Tax Reduction	To ensure that the Council has proper arrangements for the administration of Housing Benefits and Council Tax Support.	Core s.151 responsibility. Total annual transaction value of c. £90million (housing benefit) and £21million (council tax support).	We will perform a risk based audit of the Benefits and Council Tax Support system in accordance with CIPFA guidelines. Our checks will include assessing the implementation of the recently introduced risk based verification framework. We will verify the operation of key controls, including reconciliation to other financial systems (e.g. general ledger, housing rents) and the production and review of exception reports.	15
Creditor Payments / Purchase to Pay	To ensure that the Council has proper arrangements for making payments to suppliers for goods and services	Core s.151 responsibility. Total annual transaction annual value of c. £300million	We will conduct a risk based audit of the Creditors systems in accordance with CIPFA guidelines. We will verify the operation of key controls, including reconciliation to other financial systems and the production and review of exception reports. We will take account of the forthcoming peer review in determining the nature, extent and timing of our audit procedures.	15
Procurement	To ensure that the Council has effective arrangements to ensure value for money when buying goods and services.	Finance & Corporate Risk Register ref FCS13. Annual trade	The audit will determine whether there are adequate arrangements in place for the renewal of contracts, compliance with EU procurement rules and Council Standing Orders. This will include reviewing cases where exemptions have been obtained. We will determine progress against Annual Procurement Service Plan and	15

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
		value of c. £224m	will take account the forthcoming peer review in determining the nature, extent and timing of our audit procedures.	
Council Tax	Ensure that the Council has proper arrangements for the collection of Council Tax.	Core s.151 responsibility. Total annual transaction value of c. £97m	Risk based audit of the Council Tax system in accordance with CIPFA guidelines. We will verify the operation of key controls, including reconciliation to other financial systems and the production and review of exception reports.	10
Debtors	To ensure that the Council has proper arrangements for the collection of debt.	Core s.151 responsibility. Total annual transaction value of c. £59m	We will conduct a risk based audit of the Debtors system in accordance with CIPFA guidelines. We will verify the operation of key controls, including reconciliation to other financial systems and the production and review of exception reports. Sundry Debtors are currently evaluating two tenders i.e. Civica (current supplier) and ABS (current supplier of general ledger) for the provision of a new system. We will consider this when determining the nature, extent and timing of our work.	10
NNDR	To ensure that the Council has proper arrangements for the collection of national non domestic rates.	Core s.151 responsibility. Total annual transaction value of c. £74m	We will conduct a risk based audit of the NNDR system in accordance with CIPFA guidelines. We will verify the operation of key controls, including reconciliation to other financial systems and the production and review of exception reports.	10
Adult Social Care Financial Assessments	To ensure that the Council has proper arrangements for carrying out financial assessments.	Audit risk assessment.	Audit of compliance with the financial assessment process, including detailed checks on a sample of assessments and deferred payment agreements. We will also review the implications on the Council's financial assessment processes arising from implementation of the	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
			Care Act 2014.	
Legal Services: Freedom of Information / Data Subject Access Requests	To ensure the Council is dealing with Freedom of Information requests and Data Subject Access requests effectively.	Finance & Corporate Risk Register ref FCS14 Inadequate opinion from previous audit.	Audit of compliance with the statutory requirements for responding to freedom of information and data subject access requests. As part of this we will check that the Council has effective arrangements for the programme management of this function through directorates and for ensuring responses are subject to quality assurance.	10
Legal Services: Information Governance	To ensure that the Council has effective information governance arrangements.	Penalties for information security breaches can reach £500,000 per breach. Even heavier fines are being proposed in the new EU General Data Protection Regulations	We will conduct an audit to assess the level of compliance by the Council with the national Information Governance Toolkit. This audit will assess: <ul style="list-style-type: none"> • Assignment of key information governance roles, including, including the Senior Information Risk Owner, the Caldicott Guardian, and the Head of Information Governance; • Adequacy of policy and procedural framework for IG governance; • Sufficiency of training to individual staff in IG responsibilities. We will also check compliance with Data Protection Acts. In light of the incidents in 2015/16 we will also review the arrangements for the closure of Council buildings.	20
Whistleblowing Procedures	To ensure that the Council listens to whistle-blowers and investigates their concerns properly.	Audit risk assessment	We will conduct a review 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 the impact they have on our overall opinion concerning the control environment.	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
ICT: Active Directory	To ensure Active Directory arrangements are effective.	Audit risk assessment	We will review the management of Active Directory to assess its maintenance, whether it is up to date and its alignment with the organisational structure.	10
ICT: Network Security	Ensure sufficient security arrangements are in place to protect the Council's network and business critical systems	Audit risk assessment Finance & Corporate Risk Register ref FCS15	We will assess the Council's network security arrangements by reviewing the results of external penetration testing and the findings arising from the annual IT Health checks. We will also perform a check of the PSN Code of Connection return prior to submission.	10
ICT: Asset Management	Ensure that the Council has effective arrangements to manage its ICT assets.	Corporate ICT Manager	We will assess the Council's ICT asset management arrangements against best practice standards. This will include: <ul style="list-style-type: none"> • Procedures for updating IT asset registers for new starters, leavers, transfers or other HR related events • Performance of electronic stocktakes of ICT inventory and manual stocktakes of ICT in storage. • Maintenance of ICT asset inventory • Clarity of policy on asset life cycle for IT equipment • Compliance with competitive procurement requirements 	10
ICT: Data Security	Ensure that the Council has effective arrangements in place to protect its own data and its service users' data.	Audit risk assessment Risk of fines	We will check that adequate controls are in place and operating correctly for data capture and entry, user access management, equipment security, data storage, data transfer and availability.	10
ICT: Business Continuity	Ensure that the Council's business critical systems can continue to operate through unforeseen circumstances.	Audit risk assessment	We will check that business continuity plans are in place that meet appropriate standards and are communicated effectively. The review will also assess whether systems for recovery have been risk ranked and plans have been tested and updated where necessary.	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
Annual Governance Statement / Review of Internal Control Effectiveness	To ensure that the Council has an effective system of internal control and an evidenced AGS.	Audit risk assessment	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 Assistant Directors and Strategic Directors.	15
Digital Council	To ensure that the Council has effective control of its major systems developments.	Audit risk assessment	We will liaise with Digital Council on any key systems developments during 2016/17. This will include Liquid Logic, Integrated Housing Management System and Arcus.	10
<i>ASSISTANT CHIEF EXECUTIVE - Total 110 Audit Days</i>				
Corporate Improvement Plan and Children's Services Improvement Plan	To ensure that services are improved and there is a good understanding of improvement priorities across the organisation to ensure that the Government takes no further intervention steps and no services are permanently removed (e.g. Children's).	Strategic Risk register ref S17 (001) Partnerships, People & Performance - Risk Assessment/ Register.	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 and Children's Services Improvement Plan. It is proposed that our focus will be on providing independent assurance to management and Commissioners that key improvement targets are on track for achievement.	20
Agency Workers	To ensure that value for money is obtained in the procurement of agency staff.	Budget pressures. Large area of spend during 2015/16.	We will conduct a review to verify that the use of agency staff is supported by a business case and is procured in accordance with the competitive procurement requirements of Contract Standing Orders and the authorisation requirements of the Scheme of Delegation.	15
Communications & Marketing	Ensure the Council is able to maintain and preserve required levels of sensitivity when dealing with information in relation to	Comms & Marketing Risk Assessment Register	Determine whether the Council is compliant with the requirements of the Data Protection Act and the Department for Constitutional Affairs' data-sharing guarantee guidance.	10

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
	Communications and Marketing.			
Payroll	To ensure that the Council has proper arrangements for the payment of wages, salaries and expenses to employees.	Core s.151 responsibility. Annual transaction value c. £141m.	We will carry out a risk based audit of the Council's payroll system in accordance with CIPFA guidelines. In accordance with our three year cycle approach, we will perform testing on payroll deductions, variations to pay and data security. We will also carry out testing of key controls that are required by KPMG for their audit of the Council's statutory Financial Statements. This will include checking the reconciliation to other financial systems e.g. general ledger.	20
Human Resources Policies	To ensure the Council is compliant with HR Policies and Procedures	Audit risk assessment	Our audit will verify compliance with HR policies and procedures. Internal Audit will determine which HR policies are the subject of this audit through discussion with the Assistant Chief Executive and Human Resources Manager.	20
DBS Checks	To ensure that DBS checks are carried out properly where required.	Audit risk assessment	Our audit will verify 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
Risk Management	To ensure that the Council has effective risk management arrangements.	Audit risk assessment	The Council's refreshed risk management framework is currently being embedded with the support of the interim Corporate Risk Manager and the facilitation of 'deep dive' into directorate risk registers through the Audit Committee. Internal Audit will support this work and will consider the effectiveness of risk management arrangements in each Council service or function subject to audit.	10
Democratic Services:	Ensure that the conduct of	Strategic Risk	Audit to carry out checks on compliance with protocols	5

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
Elected Members	<p>elected members meets the highest standards expected in public life</p> <p>(The outcome of elections could have a significant impact on the administration of the authority moving forward)</p>	Register ref s13 (011)	surrounding elected members, including maintenance of declaration of interests. We will also perform sample checks on elected members' expenses to ensure compliance with policies.	
ANTI FRAUD & CORRUPTION WORK – Total 55 Audit Days				
Fraud NFI Datasets	Mandatory requirement.	N/A	We will provide the information to allow the NFI to carry out their data matching exercises.	10
Fraud Annual Report	Corporate requirement.	N/A	We will produce an annual fraud report for the audit committee highlighting Internal Audit's work in respect of fraud prevention and investigation.	5
Fraud Proactive Anti- Fraud Activity	Ensure the Council demonstrates a zero tolerance approach to fraud and corruption.	N/A	<p>We will use the Council's systems to undertake local data matching activity. On the basis of the recently completed fraud risk assessment, our work will focus on:</p> <ul style="list-style-type: none"> • Falsifying right to buy information • Overpayment of suppliers • Procurement fraud • Social care claims • Sub-letting of Council houses 	20
Fraud 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 utilise the Fraud Risk Register in delivering this advice.	20
GRANTS				
Sport England 1 Sport England 2 Pot Hole Additional Highway				18

<i>Audit Area</i>	<i>Assurance Objective</i>	<i>Source of Audit</i>	<i>Summary of Proposed Audit Work</i>	<i>Audit Days</i>
Maintenance Disabled Adaptations Bus Operators				
<i>WORK FOR EXTERNAL AGENCIES – Total 48 Audit Days</i>				
Academies	Provision of paid audit service for academies		We will audit 8 academies throughout the year.	48
<i>AUDIT PLANNING, FOLLOW UP AND RESPONSIVE – Total 333 Audit days</i>				
Planning; Control and Reporting	Provide quarterly update reports to Audit Committee.	N/A	We will provide regular update reports to Audit Committee detailing progress against the Internal Audit Plan and bringing any significant issues highlighted from our work, to the Committee's attention.	50
Follow Up Work	Ensure significant recommendations made during 2015/16 are followed up	N/A	We will follow up on all outstanding 3* fundamental recommendations made following audits carried out during 2015/16.	37
Responsive	Ensure audit resources and experience, is available to provide a professional level of advice and investigatory experience in the event of any incidents of fraud or corruption.	N/A	Provide audit resources to investigate any instances of fraud and corruption. In addition, provide advice to clients where requested to do so.	120
TOTAL DAYS				1143

Summary Sheet

Council Report:

Audit Committee

Title:

Implementation of Recommendations resulting from the PWC Review of Internal Audit

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report:Judith Badger (*Strategic Director of Finance and Customer Services*)**Report Author(s):**Colin Earl (*Assistant Director Audit, ICT and Procurement*)**Ward(s) Affected:**

None

Executive Summary:

This report provides an update on progress against the recommendations made in the recent PWC review of Internal Audit. Progress is currently being made in accordance with the majority of the action plan, with minor changes being proposed to take into account factors external to the service.

Future reports on progress will be subject to external review as agreed by the Chief Executive at the Audit Committee meeting in February 2016. A partner has been appointed to conduct the external reviews.

Recommendation:

The Audit Committee is asked to note the progress made in implementing the recommendations included in the PWC review of Internal Audit.

Background Papers:

none

Consideration by any other Council Committee, Scrutiny or Advisory Panel:

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Title:

Implementation of Recommendations resulting from the PWC Review of Internal Audit

1. Recommendations

- 1.1 The Audit Committee is asked to note the progress made in implementing the recommendations included in the PWC review of Internal Audit.**

2. Background

- 2.1 Professional Standards for Internal Audit are set out in the UK Public Sector Internal Audit Standards (UKPSIAS) and these require an independent assessment of internal audit at least every 5 years.
- 2.2 In 2015 the Interim Director of Finance and Corporate Services commissioned a review of Internal Audit to be conducted by PWC, following a competitive tender exercise. The PWC review was a comprehensive assessment. The report following the review was presented to the Audit Committee in February 2016. It recommended a number of actions required to improve the service and ensure full compliance with audit standards. The action plan is attached at **Appendix 1**.

3. Review of Progress in Implementing the Recommendations from the PWC Review

- 3.1 Internal Audit was already aware of a number of areas it needed to develop even prior to the commencement of the PWC review, and had begun to make various improvements. PWC acknowledged this in its reporting but concluded it was too early to confirm new arrangements were effective. The PWC review highlighted other significant areas where progress needed to be made.
- 3.2 Internal Audit has continued to implement improvements identified prior to the PWC review and, since the completion of the review, the actions emanating from it.
- 3.3 Appendix 1 contains a full update of progress against the PWC recommendations. Key points are:
- The 2015/16 audit plan has been successfully delivered (with 95% delivery achieved). At the time of the review, PWC had concerns over the Service's ability to complete the audit plan, but an injection of additional resources and increased focus on targets by the in-house team enabled sufficient work to be done to provide an opinion on the Council's control environment, as required by Accounts and Audit Regulations.
 - The format of the audit opinion given on the Council's Control Environment fully meets the requirements of the standards.

- Proposals to restructure the service in line with the recommendations of the PWC report have been put forward, with consultation on the proposals ending on 29 April
 - The restructure proposals incorporate resources to buy in specialist audit expertise as required in accordance with the mixed model approach approved by Commissioners and Members in 2015, and as successfully used during the latter part of 2015/16
 - An action plan has been produced to achieve full compliance with professional standards, and an update will be presented to the Audit Committee on 27 April 2016
 - There has been more consultation and engagement with senior management in producing the Audit Plan 2016/17. The plan, therefore, is based on a broader assessment of risks and the audit work that can add value to management's assurance over the mitigation of risks
 - A service development plan and individual PDRs will be completed following agreement to the audit and improvement plans on 27 April, and subsequent implementation of organisation review
 - Options for streamlining administration and audit processes are being explored to increase the productivity of audit resources.
- 3.4 There remains further development and improvement required to bring the service up to full compliance with standards and to where it can better add value to the development of the Council's control arrangements. A partner has been selected following a tendering exercise to assist with checking and supporting progress.
- 3.5 Progress against the action plan will be reported to the Audit Committee at each of its meetings during 2016/17. The partner will confirm the accuracy and completeness of Internal Audit's progress reports.
- 4. Options considered and recommended proposal**
- 4.1 Any options relevant to individual recommendations are covered within the Appendix.
- 5. Consultation**
- 5.1 The report is presented to the Audit Committee to enable it to fulfil its responsibility for overseeing the work and standards of internal audit.
- 5.3 The recently appointed Strategic Director of Finance and Customer Services has been fully briefed on the review and the actions required to improve the service, and is supportive of the actions included in the plan.

6. Timetable and Accountability for Implementing this Decision

6.1 Timescales for implementation of recommendations are given in the action plan at Appendix 1. Several recommendations have been allocated an implementation date of 27 April 2016, as this is the date of the Audit Committee meeting at which the Internal Audit Annual Report 2015/16 and Audit Plan 2016/17 will be presented.

7. Financial and Procurement Implications

7.1 Internal Audit is required to achieve £25,000 savings in 2016/17 and this will be achieved through a reduction in the size of core establishment as a result of vacancies and voluntary severance / retirement. The resources required to deliver the Council's audit requirements from 2016/17 will be contained within the 2016/17 budget, and will include a combination of in-house and specialist (external) resources, in line with the mixed model approach approved by Commissioners and Members.

7.2 Any financial implications specifically arising from the implementation of recommendations made in this report will be dealt with as appropriate.

8. Legal Implications

8.1 The Council is required to comply with the Accounts and Audit Regulations relating to the provision of an effective internal audit function. The actions proposed in response to the PWC report are designed to ensure the Council fulfils this requirement as quickly as possible.

8.2 There are no further direct legal implications associated with this report.

9. Human Resources Implications

9.1 Any HR implications emanating from the implementation of the recommendations will be addressed in full consultation with Human Resources. This could involve matters relating to staff development, skills and capabilities.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no immediate implications associated with the proposals.

11. Equalities and Human Rights Implications

11.1 There are no immediate implications associated with the proposals.

12. Implications for Partners and Other Directorates

12.1 Senior management, Members and other stakeholders will be consulted in relation to the future expectations for the internal audit service, as part of the implementation of recommendations made in the PWC report. The aim will be to ensure major issues and risks for services are reflected in the audit planning processes, including where relevant, partnership working.

- 12.2 Doncaster Council is being consulted with in regard to any short and medium term options in relation to internal audit services.

13. Risks and Mitigation

13.1 The failure to maintain an effective audit function means the Council fails to comply with the Accounts and Audit Regulations, as well as failing to secure the benefits of an effective and modern internal audit that helps the Council manage its risks and adds value to control arrangements in place at the Council. More comprehensive performance management arrangements will provide better control and avoidance of this risk.

13.2 Close and regular monitoring of the implementation of recommendations included in the action plan, including regular presentation of progress to the Chief Executive and Audit Committee, will ensure any risks of failing to achieve improvements will be monitored and addressed.

14. Accountable Officer(s):

Colin Earl (Assistant Director Audit, ICT and Procurement).

Approvals Obtained from:-

Strategic Director of Finance and Customer Services: Judith Badger

Assistant Director of Legal Services: n/a

Head of Procurement (if appropriate): n/a

REVIEW OF INTERNAL AUDIT – DETAILED ACTION PLAN

Note: RAG Status:**Green – Completed / certain to be completed****Amber – On track / expected to be achieved / no significant issues****Red – Off target / significant action required**

Ref	Recommendation	Priority Rating	Proposed Action	Responsible Officer	Target Date	Progress	Current Status (RAG)
1	Leadership and accountability The Council should consider the existing leadership arrangements for IA. It would seem appropriate to have one individual acting as Head of Internal Audit and Chief Audit Executive whilst also fulfilling the role of Chief Internal Auditor. This individual should be given the appropriate grade and seniority to fulfil the role and to engage with senior stakeholders across the Council. In the Local Government Application Note (2.18) it says “CIPFA and the IIA expect that the CAE should not report administratively to or be managed at a lower organisational level than the corporate management team....”	High	Restructure proposals will be brought forward for consultation. They are likely to include the creation of a post of Head of Internal Audit, to report directly to the Director of Finance and Customer Services	Interim Director of Finance and Corporate Services, in consultation with the Chief Executive and Director of Finance and Customer Services Assistant Director Audit, ICT & Procurement	29 February 2016	Restructure proposals published 16 March, with a consultation end date of 29 April.	Green – relating to proposals produced Amber – relating to implementation
2	Structure of IA in the short to	High	A new operating	Interim	29	The restructure proposals	Green –

	<p>medium term The Council should consider its audit requirements in the short to medium term. The exact requirements will need to be agreed and will be dependent upon the Council's decisions on leadership of the function but we believe an arrangement with a third party who could provide leadership (or management support) and additional resource (including specialists) in the short term would be the most beneficial to the Council. We have been advised that consideration is already being given to this issue.</p> <p>The Council should consider the current contractor arrangements to determine if value for money is being obtained. This should form part of the wider review of the delivery model and the organisation structure of IA.</p> <p>If a full in-house function is retained, the IA function should be restructured in order to be more efficient. These changes should be alongside a review of capabilities and role definitions for each grade in order to provide a framework for staff to aspire to.</p>		<p>approach, involving a mixed delivery model, has been approved by commissioners and Members. The restructure proposals referred to at Rec 1 will implement the proposals and address the issues raised in this recommendation.</p> <p>The mixed delivery model will include a core in-house resource supplemented by specialists as required.</p>	<p>Director of Finance and Corporate Services, in consultation with the Chief Executive and Director of Finance and Customer Services</p> <p>Strategic Director of Finance and Customer Services</p>	February 2016	incorporate resources to buy in specialist audit expertise as required.	<p>relating to proposals produced</p> <p>Amber – relating to implementation</p>
3	<p>Shared arrangement with Doncaster Council The Council should consider the merits of retaining this partnership</p>	Medium	Doncaster Council will be consulted on the outcomes of this review and	<p>Chief Executive</p> <p>Strategic</p>	31 March 2016	The Chief Executive has provided the outcomes from the review to the Doncaster Council Chief	Amber – initial consultation completed.

	arrangement. Other than the income received for the shared HIA, the Council does not appear to be benefitting in any way from this shared arrangement and the value of continuing it should be reviewed.		implications and options for the immediate and medium terms.	Director of Finance and Customer Services		Executive and agreed in principle that further consideration be given to a shared arrangement. The Director of Finance and Customer Services will further consider arrangements with Doncaster's Director of Finance and Corporate Services.	Further consideration by 30 June 2016.
4	PSIAS and improvement plan An improvement plan should be developed by the CAE/CIA based on the recommendations made in this report and the improvements required to fully meet the PSIAS requirements. This should include allocations of responsibility and timescales and should be tracked to evidence improvement.	High	A detailed plan identifying actions required to achieve compliance from 2016/17 will be produced. The plan will be implemented and a further external review of compliance completed during 2016/17.	Assistant Director Audit, ICT and Procurement	29 February 2016 31 December 2016	An action plan has been produced and an update will be presented to the Audit Committee on 27 April 2016.	Amber – plan produced subject to agreement by the Audit Committee
5	Implementing change – new working practices Changes to working practices should be supported by an implementation plan and the provision of support and training if required. Staff should be able to see opportunities for personal	High	Requirements relating to new approaches and methods will be drafted within the detailed improvement plan referred to in Rec 4. This will include	Assistant Director Audit, ICT and Procurement	29 February 2016	An action plan has been produced and an update will be presented to the Audit Committee on 27 April 2016.	Amber – plan produced subject to agreement by the Audit Committee

	development in the introduction of new practices – opportunities to increase coaching and supervisory skills and increase empowerment should be emphasised so that staff buy into the proposed changes.		training and development requirements relating to new approaches and methods, and a programme for delivering the support to staff.				
6	<p>Engaging with stakeholders The new relationship management approach should be fully implemented although it should be reviewed to focus more on the departments' risks rather than the IA view and perspective. Staff should be encouraged to develop greater relationships outside of IA and to develop broader networks within the Council.</p> <p>Greater clarity in the audit plan around how the audit reviews link back to the Council's risks and objectives would help to demonstrate to stakeholders how internal audit is focusing its work on key risk areas.</p> <p>The Internal Audit function should undertake to raise its profile within the organisation through greater interaction at the management team and senior officer level using existing internal mechanisms.</p>	High	<p>Regular quarterly meetings will be held with directorate management team to review risks.</p> <p>The audit plan will be directly linked to the corporate, directorate and service plans.</p> <p>Internal Audit progress reports will be presented to the Strategic Leadership Team (SLT) prior to submission to the Audit Committee. Reports receiving</p>	Assistant Director Audit, ICT and Procurement	<p>Quarterly from March 2016</p> <p>27 April 2016</p> <p>Quarterly from March 2016</p>	<p>First (planning) meetings held with Directorate Management Teams in the lead up to the production of the 2016/17 audit plan.</p> <p>Links will be finalised to the corporate plan and risks upon approval of the corporate plan.</p> <p>The first report (The 2015/16 Annual Report) has been circulated to SLT. Future progress reports will be scheduled to be presented to SLT</p>	<p>Green – meetings held and subsequent meetings set up</p> <p>Amber</p> <p>Green</p>

			'inadequate' audit opinions will also be reported to SLT.				
7	<p>Support and development for IA staff All staff should be encouraged to agree a development plan designed to enhance their skills and expertise. This can include both technical development and softer skills.</p>	High	Completion of better PDRs linked to the improvement and audit plans.	Assistant Director Audit, ICT and Procurement	27 April 2016 31 July 2016	PDRs will be completed following agreement to the audit and improvement plans on 27 April, and implementation of organisation review.	Amber (new timeline requested)
8	<p>Strategy and vision for internal audit The Council should review the current IA strategy and vision for its Internal Audit Service and ensure it is understood and articulated to both the IA team and the wider Council. An implementation plan for the strategy should be developed which includes clear targets for people, systems and processes.</p> <p>The plan should clearly articulate how the Council will:</p> <ul style="list-style-type: none"> • Match the resource needs (in terms of capacity and skill mix) of the audit plan and the Council: and • Develop its team to meet the current (and future) needs of the Council; (see Issue 7) <p>The delivery of this plan should be monitored.</p>	High	<p>The Internal Audit Charter and Strategy will be updated to reflect the Council's expectations indicated in the PWC report and the aspirations of the UK Auditing Standards.</p> <p>The Audit Plan 2016/17 will be produced to better meet these expectations.</p> <p>The proposals set out in the Charter, strategy and 2016/17 plan will be submitted to the Strategic Leadership Team and Audit Committee for agreement.</p>	Assistant Director Audit, ICT and Procurement	27 April 2016	<p>The Charter and Strategy are being updated to take into account comments made by PWC.</p> <p>The Audit Plan 2016/17 reflects the requirements of the Charter and Strategy, including relating to resourcing.</p>	Amber (it is proposed to refresh the Internal Audit Charter and Strategy by 31 July 2016)

			The 2016/17 plan will indicate how it will be resourced using the approved mixed model approach.				
9	<p>Assurance map – identifying gaps in assurance</p> <p>An assurance map should be developed identifying key risks not being addressed through IA work and detailing any other sources of assurance. This should be presented to the Audit Committee as part of the annual planning process.</p>	Medium	The planning process will explicitly set out other forms of assurance the Council can rely on to confirm risks are managed effectively.	Assistant Director Audit, ICT and Procurement	27 April 2016	<p>The Audit Plan provides an initial evaluation of assurances available in addressing the Council's key risks.</p> <p>This will be developed during the year, to further inform the audit assessment and to support the year end annual opinion to be given by the Chief Audit Executive.</p>	Amber – initial assessment made, but further development is required.
10	<p>Risk management within the Council</p> <p>Consideration should be given to the role of IA in improving the Council's risk management arrangements. This should be in the form of support and facilitation building on the audit teams expertise in risk and control, whilst acknowledging that overall responsibility lies with management. We have been advised that steps are being taken by the Council to review and improve its risk management arrangements.</p>	Medium	The Council wishes to keep separate the responsibilities for audit and risk. It has appointed a risk manager from 1st January 2016 to drive forward improvements in risk management. The risk manager will liaise with Internal Audit as appropriate.	N/a	N/a	N/a	N/a

			However, Internal Audit will assess the management of risks when undertaking its audit work and promote effective risk management by making recommendations for improvement as appropriate.	Assistant Director Audit, ICT and Procurement	Ongoing from March 2016	All relevant Internal Audit work now includes a standard test of evidence of risk management. Findings are being passed to the Corporate Risk Manager and will be summarised in progress reports presented to SLT and the Audit Committee	Amber – commenced and evidence to be gathered throughout 2016/17
11	<p>Delivery of the 2015/16 internal audit plan</p> <p>An exercise is needed to reprioritise the audit plan and to ensure that the planned reviews in the highest risk areas are undertaken. Additional resource should be used if necessary.</p>	High	Agreed – Plan revisions to be presented to the Audit Committee on 10th February 2016. Additional resources secured to ensure adequate audit coverage is achieved for 2015/16.	Assistant Director Audit, ICT and Procurement	27 April 2016	Completed – injection of additional, specialist resources, and improved productivity of the core audit team has enable the service to deliver 95% of the audit plan. This is sufficient to provide an opinion on the Council’s internal control environment, as required by the Accounts and Audit Regulations.	Green – sufficient audit work completed in 2015/16
12	<p>Improving audit reports</p> <p>Audit reports should be reviewed to focus on the recipient. The emphasis should be on what the overall opinion is and what action does the recipient need to take. Care should be taken to clearly show any limitations on scope as it is rare that an audit review covers all risks associated with a system or process.</p>	Medium	The format of audit reports will be reviewed and any changes introduced from 2016/17	Assistant Director Audit, ICT and Procurement	27 April 2016	A new format of report is being introduced for 2016/17 work, to more clearly reflect the risks being assessed and the value / assurance being provided by the audit work, which should be of more relevance /	Amber

	The audit team should look for opportunities to add value by sharing insight and experiences from other parts of the Council or from elsewhere.					significance to the recipients. Views on the new format will be tested and the format refined further, as required during 2016/17.	
13	Annual reporting The CAE/CIA should review the annual reporting process in line with PSIAS. The report should be concise and the overall opinion should be clear and supported by clear information based on work completed and reported. The style of report should be reviewed in order to better present the findings of IA.	Medium	The 2015/16 annual report will be reviewed to comply fully with the UK Auditing Standards and to clearly summarise the work of internal audit and its results	Assistant Director Audit, ICT and Procurement	27 April 2016	Completed – the Internal Audit opinion on the Council's Control Environment fully meets the requirements of the standards.	Green
14	Level of non-productive time Non-productive time for internal audit should be reduced. Currently a disproportionate amount of time is spent on this within the team. More value could be obtained by the CAE/CIA determining new processes and informing the team of the rationale behind any changes.	Medium	Current non-productive time will be reviewed, arrangements revised where relevant and clear targets set from 2016/17.	Assistant Director Audit, ICT and Procurement	27 April 2016	The Audit Plan includes new targets for minimising non-productive time, equating to a 15% reduction on 2015/16. Some one-off non-productive time will be accumulated though, to transition to new arrangements (eg training, new recording system). Progress on achieving the target will be monitored	Amber

						and reported throughout the year.	
15	<p>Performance information</p> <p>IA should review the process for management information including time recording and job analysis. This will facilitate greater control over audit productivity as well as providing a basis for performance monitoring. The CAE/CIA should look to agree a series of performance indicators with the S151 Officer and regularly report on these indicators to demonstrate performance of the IA function.</p>	Medium	Arrangements for time recording and monitoring of progress on audit work will be assessed and revisions made as appropriate.	Assistant Director Audit, ICT and Procurement	27 April 2016	<p>Revisions have been made to streamline the current, manual, arrangements. Review of their efficiency and effectiveness will be carried out during the course of 2016/17.</p> <p>Further efficiencies should be capable of being achieved through the implementation of an electronic audit system (rec 17).</p>	Amber
16	<p>Assignment review process</p> <p>The review process for individual reports should be revisited and improved. Steps should be taken to reduce the time between audit fieldwork and report issue. Version control should be introduced and audit management should be held to account for excessive delays in reporting on audit findings.</p>	Medium	Clear targets will be set and monitored for the reviewing and reporting processes, to ensure work is issued in a timely manner following completion of fieldwork.	Assistant Director Audit, ICT and Procurement	29 February 2016	Recommendations have been introduced for 2016/17 pieces of audit work. Effectiveness and efficiency will be assessed during the course of the year (2016/17).	Amber
17	<p>Technology</p> <p>The CIA/CAE should consider the benefits of introducing an automated audit system to increase consistency and improve the quality assurance process.</p>	Medium	Options for developing the use of automation will be considered and included in a review report for consideration by senior	Assistant Director Audit, ICT and Procurement	30 June 2016	This review will need to take into account any development of shared arrangements with Doncaster MBC Internal Audit (rec 3), which	Amber

	They should also consider what immediate skills are required to deliver the current IA plan.		management. Skills requirements are referred to in the responses to recommendations 2 and 8			already has an electronic audit system. Otherwise, an assessment of other systems will be completed.	
--	--	--	--	--	--	--	--

Council Report

Audit Committee – 27th April 2016.

Title

Internal Audit Conformance with UK Public Sector Internal Audit Standards (PSIAS).

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

Colin Earl, Assistant Director Audit, ICT and Procurement
Tel: 01709 822004 Email: colin.earl@rotherham.gov.uk

Ward(s) Affected

All wards.

Executive Summary

This report provides an update on the extent to which Internal Audit conforms with the Public Sector Internal Audit Standards. A recent external review by Price Waterhouse Coopers (PWC) found the service was not fully compliant with the Standards and this was reported to Audit Committee on 25 February 2016.

Internal Audit has implemented a number of developments during and since the PWC review, some of which were recognised in the PWC report following their review. In particular a full programme of audit work was completed in 2015/16, with control weaknesses and corresponding recommendations agreed by Management. A number of these were sensitive areas, demonstrating good value added by Internal Audit with regard to the identification of risk management and control improvement actions identified.

This report identifies the ongoing actions being implemented to improve the audit policies and procedures in response to the PWC report. Provision has been made to carry out further external review of progress during 2016/17.

A separate report has been included on the Audit Committee agenda identifying progress made by Internal Audit on the overall PWC action plan.

Recommendations

The Audit Committee is asked to:

1. Note the changes and progress made by Internal Audit since the PWC review.
2. Approve the Action Plan in order to ensure full compliance with Public Sector Internal Audit Standards.

List of Appendices Included:-

Appendix 1 – Internal Audit: Assessment of Compliance with UK PSIAS and the Local Government Application Note (LGAN) – Action Plan.

Background Papers

UK Public Sector Internal Audit Standards.

PWC Review of Internal Audit – February 2016 (Restricted Report)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No

Title: Internal Audit conformance with UK Public Sector Internal Audit Standards

1. Recommendations

The Audit Committee is asked to:

- 1.1 Note the progress Internal Audit has made since the Price Waterhouse Coopers (PWC) review of the service against the UK Public Sector Internal Audit Standards (PSIAS), and
- 1.2 Approve the further action identified in the Action Plan at **Appendix 1** to ensure full compliance with PSIAS.

2. Background

- 2.1 Internal Audit was the subject of an external review by PWC during 2015 and a report was presented to Audit Committee on 25 February 2016 on the outcomes of the review. One of the areas the review considered was the extent of Internal Audit's compliance with the PSIAS. PWC concluded there were improvements required in various areas to ensure and demonstrate compliance with the Standards.
- 2.2 PWC recommended that an improvement plan should be developed that brings about the improvements required by Internal Audit to fully meet the PSIAS requirements. PWC acknowledged in its report that Internal Audit was already implementing improvements while PWC was carrying out its review, but PWC concluded it was too soon to give credit in its assessment for the improvements being put in place.
- 2.3 One particular area of concern for PWC was the Team's ability to complete its audit plan for 2015/16. After the provision of additional resources and expertise to Internal Audit during the second half of the year, the service was able to achieve 95% of its plan (against a target of 90%). This included work in arrange of specialist areas that were completed successfully and raised a number of significant issues, which are reflected in the Internal Audit Annual Report 2015/16.
- 2.4 Internal Audit continues to implement improvements identified by PWC. A current self-assessment, reflected in Appendix 1, shows progress made since the PWC review. It is aimed to complete all substantial actions in time for a full external re-assessment of the Service's compliance with standards to be carried out by December 2016. Some of the key milestones are:

Date	Action	Audit Standard
From April 2016	Ensure audit briefs enable the requirements of the standards to be fully met.	2240
	Ensure working papers meet required standards	2330
31 May 2016	Allocate work within the agreed plan to appropriate staff taking into account their grade and expertise	1311
	Implement performance targets for audit work	
31 July 2016	Complete performance and development reviews for all staff, following implementation of the organisation review.	1210 – 1230
	Ensure staff are supported by suitably qualified staff in carrying out their work	Ditto
	Maintain a training and development log.	Ditto
	Establish a quality assurance programme	1300
	Develop the approach to adding value to the organisation through audit work	3000
	Assess the Council's risk management arrangements in undertaking audit work	2010 and 2120
30 September 2016	Review and consider the implications for the audit programme of the Council's assurance framework. Assist in mapping the assurance framework	2010
	Develop the audit approach to fully reflect the Internal Audit Charter and the Organisation objectives and priorities	2050
	Establish a programme to review the Council's Governance Arrangements set out in its Code of Governance	2120
31 December 2016	Complete internal Quality Assurance reviews	1311
	Commission a further external assessment of compliance with auditing standards	Ditto
	Carry out a survey of the views of senior managers	Ditto
	Fully refresh the Internal Audit Manual to reflect new, compliant, audit policies and procedures	2040

(nb – this is not a full list from Appendix 1)

2.5 We will also be carrying out a programme of refresher training for the Audit Team, to re-inforce new policies and procedures, including:

- The overall approach to audit assignments, including consideration of risk, scope of work and due professional care
- Standards of evidence and recording of work
- Quality Assurance requirements and findings
- Value added work
- Completeness of audit approach
- Reporting.

3. Options Considered and Recommended Proposal

3.1 Internal Audit has prepared a current assessment on compliance with standards. The Audit Committee is asked to note the progress made on this since the PWC review and approve the Action Plan to achieve full compliance.

4. Consultation

4.1 We have consulted with PWC as authors of the review of Internal Audit for comments on points of non-conformance with PSIAS.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its 27th April 2016 meeting.

6. Financial and Procurement Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Implications

7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“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”

8. Human Resources Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

10 Equalities and Human Rights Implications

10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for Partners and Other Directorates

11.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Plan, the Corporate Improvement Plan and Children's Services Improvement Plan.

12. Risks and Mitigation

12.1 The following risks have been identified: -

- (i) Limitations in resources to implement the changes planned
- (ii) Failure to meet implementation timescales due to unforeseen 'responsive' or other unplanned work.

14. Accountable Officer(s)

Colin Earl, Assistant Director of Audit, Procurement and ICT.
Marc Bicknell, Chief Internal Auditor.

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
1000	<i>Purpose, Authority and Responsibility</i>				
1010	(a) The Internal Audit Charter should contain a formal definition of; the purpose, authority and responsibility of Internal Audit activity and that of the Board (Audit Committee) that is consistent with the PSIAS and LGAN.	Yes	n/a	n/a	n/a
1100	<i>Independence and Objectivity</i>				
1110 1111 1120 1130	(a) The Chief Audit Executive (CAE) should have organisational independence to an appropriate level in the organisation that allows Internal Audit to fulfil its responsibilities and maintain its objectivity. Internal auditors must have an impartial unbiased attitude free from conflicts of interest that could impair judgement and objectivity.	Yes	n/a	n/a	n/a
1200	<i>Proficiency & Due Professional Care</i>				
1210	(a) Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	No	Job descriptions have been refreshed and re-issued as part of the Internal Audit Organisation proposals currently subject to consultation.	Head of Internal Audit	31 May 2016
	(b) Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	No	Completed – The service has introduced arrangements leading to a mixed model approach to delivery of specialist work, involving the use of contractors to meet gaps in specialised audit areas i.e. ICT and Children’s / Adults’ Social Care.	Head of Internal Audit	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	(c) Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities; does the CAE obtain competent advice and assistance?	No	Completed – As above in 1210(ii)	Head of Internal Audit	Completed
	(d) Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Partial	The service has sufficient knowledge and expertise within the team. Assessment of any development requirements for individuals and for the team as a whole will be made as part of the Performance and Development Review process to be completed following implementation of the organisation review.	Head of Internal Audit	31 July 2016
	(e) Do internal auditors have sufficient knowledge of key information technology risks and controls?	Partial	Completed – The service has a partnership arrangement with Leicester City Council for ICT Audit services, which provides an assessment of ICT risks and controls.	n/a	Completed
	(f) Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Partial	Assessment of any development requirements for individuals and for the team as a whole will be made as part of the Performance and Development Review process to be completed following implementation of the organisation review.	Head of Internal Audit	31 July 2016
1220	(a) Do auditors exercise due professional care during each assigned engagement?	Partial	We will address this through training in risk-based auditing approach in the planning & execution of audits to ensure	Head of Internal Audit	31 July 2016

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
			we fully consider governance, risk management & control processes within audit assignments.		
1230	(a) Do internal auditors undertake a programme of continuing professional development?	Partial	A programme of development for the team as a whole and for individuals, through their PDRs, will be completed following implementation of the organisation review.	Head of Internal Audit	31 July 2016
	(b) Do internal auditors maintain a record of their professional development and training activities?	Partial	Individuals' and team records or training and development activities will be established.	Head of Internal Audit	31 July 2016
1300	<i>Quality Assurance & Improvement Programme (QAIP)</i>				
	(a) Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated? (b) Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement? (c) Does the CAE maintain the QAIP?	No	A QA programme will be set up and implemented during 2016/17.	Head of Internal Audit	Programme by 31 July 2016
1310	(a) Does the QAIP include both internal and external assessments?	Partial	A further external assessment of compliance with auditing standards will be carried out during 2016.	Head of Internal Audit	31 December 2016

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
1311	(a) Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Partial	Work will be assigned to relevant staff within the in-house team in accordance with their grade and experience, following approval of the audit plan. Where there are insufficient skills in-house, external resources will be procured to perform the relevant work, in line with the mixed model approach to delivery.	Head of Internal Audit	31 May 2016
	(b) Does ongoing performance monitoring include comprehensive performance targets?	Partial	Targets for all audit work will be issued along with the allocation of work from within the audit plan.	Head of Internal Audit	31 May 2016
	(c) Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Partial	Performance targets have been agreed by the Audit Committee and have remained the same over recent years. Performance targets will be reviewed in consultation with the Director of Finance and Customer Services and others as appropriate, and presented to the Audit Committee in July 2016 for comment.	Head of Internal Audit	31 July 2016
	(d) Does ongoing performance monitoring include obtaining stakeholder feedback?	Partial	In addition to existing monitoring, we will carry out a periodic survey of Directors, Assistant Directors and M3 managers.	Head of Internal Audit	31 December 2016
	(e) Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient	Partial	See 1310(a) above. A further external assessment of compliance with auditing standards will be carried out during 2016. It will include	Head of Internal Audit	31 December 2016

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.		assessment of resources and performance management arrangements.		
	(f) Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Partial	See 1310(a) above. A further external assessment of compliance with auditing standards will be carried out during 2016. It will include assessment of the risk based approach to planning and audit.	Head of Internal Audit	31 December 2016
1320	(a) Has the CAE reported the results of the QAIP to senior management and the board? Note that: - <ul style="list-style-type: none"> The results of both external and periodic internal assessment must be communicated upon completion. The results of ongoing monitoring must be communicated at least annually. The results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 	No	The Assistant Director Audit, ICT and Procurement has informed the Audit Committee of the PWC review. The results of future quality assurance reviews will be included in Internal Audit progress report to the Audit Committee.	Head of Internal Audit	From July 2016 onwards
	(b) Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	No	Completed – This report sets out the outcome of current compliance and action required going forward.	n/a	Completed
1321	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the	Partial	Completed – This report sets out an updated assessment of compliance with	n/a	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	results of the QAIP support this?		PSIAS.		
1322	(a) Has the CAE reported any areas of non-conformance with PSIAS to the board?	No	Completed – This report highlights those areas of non-conformance.	n/a	Completed
	(b) Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	No	Non-compliance with standards, as highlighted by PWC, will be considered for inclusion in the Council's Annual Governance Statement.	Head of Internal Audit	31 May 2016
2000	Managing the Internal Audit Activity				
	(a) Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	No	Completed –A risk-based approach is now adopted for all relevant audit work.	n/a	Completed
	(b) Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	No	Completed – As above at 2000(a).	n/a	Completed
	(c) Does the internal audit activity add value to the organisation and its stakeholders by: - <ul style="list-style-type: none"> • Providing objective and relevant assurance? • Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes? 	No	Explicit ways of approaching added value and recording and reference outcomes will be considered and appropriate processes included in the audit approach.	Head of Internal Audit	31 July 2016
2010	(a) Does the risk-based plan take into account the organisation's assurance	Partial	Known sources of assurance have been taken into account in determining the	Head of Internal Audit	30 September

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	framework?		2016/17 Internal Audit Plan. A fuller assurance mapping exercise to determine where reliance can be placed on other internal and external sources of assurance will be completed during 2016/17.		2016
	(b) Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: <ul style="list-style-type: none"> How the internal audit service will be developed in accordance with the internal audit charter? How the internal audit service links to organisational objectives and priorities? 	No	The audit plan has been drafted with reference to risks in key service areas. Formal links to the corporate and service plans will be referenced upon the formal approval and publication of the plans.	Head of Internal Audit	30 September 2016
	(c) In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	No	The Council's Risk Management Framework has only recently been refreshed. As this becomes fully developed we will ensure this is reflected in our risk-based planning.	Head of Internal Audit	31 July 2016
	(d) Does the risk-based plan set out the respective priorities of audit work to be carried out?	No	Completed – All audits within the Audit Plan are high priority. Limitations in audit resources preclude lower risk activities from areas in the plan.	n/a	Completed
	(e) Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks,	No	Completed – The Audit Plan is reviewed and adjusted periodically (see Feb 2016 progress report to Audit Committee).	n/a	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	operations, programmes, systems and controls?				
	(f) In developing the risk-based plan, has the CAE also considered the requirement to use specialists, e.g. IT or contract and procurement auditors?	No	Completed – We have procured external specialist resource to support delivery of the Audit Plan during 2015/16. This will continue into 2016/17.	n/a	Completed
	(g) Is the input of senior management and the Audit Committee considered in the risk assessment process?	No	Completed – Senior management have been consulted in the preparation of the Audit Plan 2016/17 to ensure their views on risks have been taken into account in setting the plan.	n/a	Completed
	(h) Does the CAE identify and consider the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinion and any other conclusions?	No	The audit approach will be broadened to encompass the requirements.	Head of Internal Audit	30 September 2016
	(i) Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	No	Completed – Consulting engagements (e.g. review of Children's Services IT System 'Liquid Logic' has added value in this regard.	n/a	Completed
	(j) Are consulting engagements that have been accepted included in the risk-based plan?	No	Completed – As above at 2010(i).	n/a	Completed
2030	(a) Does the risk-based plan explain how internal audit's resource requirements have	No	Completed – the Audit resource has been determined based on a new mixed	n/a	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	been assessed?		model approach designed to ensure in-house staff are supplemented as necessary by specialists. Together these will provide sufficient resource and expertise to complete a full audit programme over the course of the year to enable an opinion to be given at the end of the year on the Council's control environment.		
	(b) Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Partial	After approval, all work in the audit plan will be provisionally allocated to available resources and take into account optimum timing to avoid abortive work and maximise value added. These decisions will be made in conjunction with service management.	Head of Internal Audit	30 June 2016
2040	(a) Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Partial	There is an internal audit manual. This will be fully reviewed and refreshed during 2016/17.	Head of Internal Audit	31 December 2016
	(b) Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Partial	Team based development needs will be identified and planned for implementation during 2016/17	Head of Internal Audit	31 July 2016
	(c) Are the policies and procedures regularly reviewed and updated to reflect changes in	No	Policies and procedures will be fully reviewed and refreshed during 2016/17.	Head of Internal Audit	31 December

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	working practices and standards?		A programme of regular review will be established from 2017/18.		2016
2050	<p>(a) Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>(b) Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance</p> <p>(C) Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?</p>	No	<p>Known sources of assurance have been taken into account in determining the 2016/17 Internal Audit Plan.</p> <p>A fuller assurance mapping exercise to determine where reliance can be placed on other internal and external sources of assurance will be completed during 2016/17.</p>	Head of Internal Audit	30 September 2016
2100	Nature of Work				
	<p>(a) Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?</p> <p>(b) Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?</p>	No	<p>These requirements will be integrated into audit planning and work, primarily the issue of appropriate job briefs requiring explicit consideration of governance and risk.</p> <p>Application will be checked through the Quality Assurance processes.</p>	Head of Internal Audit	<p>31 May 2016</p> <p>30 September 2016</p>

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
2110	<p>(a) Does the internal audit activity: -</p> <ul style="list-style-type: none"> Ensure effective organisational performance management and accountability? Communicate risk and control information to appropriate areas of the organisation? <p>(b) Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?</p>	No	<p>We have completed work in Children's Services, but need to apply this approach across the Council.</p> <p>Where our opinion indicates the 'control environment' is inadequate, we communicate this to the s151 officer, the Chief Executive and quarterly to the Audit Committee.</p>	Head of Internal Audit	30 September 2016
	<p>(c) Has the internal audit activity evaluated the: -</p> <ul style="list-style-type: none"> Design implementation, and effectiveness of the organisation's ethics-related objectives, programmes and activities? 	No	An assessment will be completed during 2016/17.	Head of Internal Audit	31 December 2016
	<p>(d) Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?</p>	No	We have completed a piece of work around the Information Governance Toolkit, but will expand on this through our IT Audit arrangement with Leicester City Council.	Head of Internal Audit	31 December 2016
	<p>(e) Has the CAE considered the proportionality of the amount of work required to assess the ethics and information</p>	No	Completed – The 2016/17 IT risk assessment has led to the inclusion in the Internal Audit Plan or audit work on	n/a	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	technology governance of the organisation when developing the risk-based plan?		IT Governance & Ethics.		
2120	<p>(a) Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> - • Organisational objectives support and align with the organisation's mission? • Significant risks are identified and assessed? • Appropriate risk responses are selected that align risks with the organisation's risk appetite? • Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? 	No	Each audit will now include an assessment of risk management arrangements of the area under review. We will also carry out a review the Council's recently refreshed Risk Management Framework.	Head of Internal Audit	31 July 2016
	<p>(b) Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives? • Effectiveness and efficiency of operations and programmes? • Safeguarding of assets? • Compliance with laws, regulations, policies, procedures and contracts? 	No	A programme of review of the Council's governance arrangements, covering the areas listed, will be drafted during 2016/17.	Head of Internal Audit	30 September 2016

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	(c) Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Partial	Completed – We have developed and maintain a Fraud Risk Register.	n/a	Completed
	(d) Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	No	We will maintain our independent assurance role and avoid taking on any management involvement/responsibility of those areas under audit review.	Head of Internal Audit	From April 2016
2130	(a) Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: - <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives? • Effectiveness and efficiency of operations and programmes? • Safeguarding of assets? • Compliance with laws, regulations, policies, procedures and contracts? 	No	A programme of review of the Council's governance arrangements, covering the areas listed, will be drafted during 2016/17.	Head of Internal Audit	30 September 2016
2200	<i>Engagement Planning</i>				
	(a) Do internal auditors consider the following in planning an engagement, and is this documented: <ul style="list-style-type: none"> • The means by which the activity controls its performance? • The adequacy and effectiveness of the 	Partial	Any engagements carried out will identify and document the organisation's arrangements.	Head of Internal Audit	30 June 2016

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	activity's governance, risk management and control processes compared to a relevant framework or model?				
	<p>(b) Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: -</p> <ul style="list-style-type: none"> The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)? 	No	<p>See below</p> <p>Our arrangements/contracts with academies will be refreshed to formally include these requirements.</p>	Head of Internal Audit	30 June 2016
2210	<p>(a) Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>(b) Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p>	Partial	Completed – These requirements are captured by the revised Audit Brief template recently introduced.	n/a	Completed
	<p>(c) Have internal auditors considered the probability of the following, when developing the engagement objectives: -</p> <ul style="list-style-type: none"> Significant errors? Fraud? Non-compliance? Any other risks? 	No	Completed – the Audit planning file takes into account risk assessments which will include the probability of fraud, error and compliance.	n/a	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	(d) Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	No	The Council is developing its service planning and performance frameworks. Internal Audit will assess the extent to which management has in place appropriate arrangements during 2016/17.	Head of Internal Audit	31 December 2016
	(e) If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Partial	Any assessment of VFM will include an assessment of all elements to confirm the Council considers these.	Head of Internal Audit	From April 2016
2220	(a) Does the engagement scope include consideration of the following relevant areas of the organisation: - • Records? • Premises?	Partial	Completed – the Audit planning file takes into account risk assessments which will risks relating to records and property.	n/a	Completed
	(b) Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: - • Records? • Premises?	Partial	Completed – the Audit planning file takes into account risk assessments which will risks relating to records and property, including any under the control of outside parties.	n/a	Completed
2240	(a) Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Partial	The audit plan sets out the programme of work to achieve the audit objectives. The scope of individual assignments will	Head of	From April

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
			aim to achieve the engagement objectives.	Internal Audit	2016
	(b) Do the engagement work programmes include the following procedures for: - <ul style="list-style-type: none"> Identifying information? Analysing information? Evaluating information? Documenting information? 	Partial	The scope of individual assignments will incorporate these principles.	Head of Internal Audit	From April 2016
	(c) Were work programmes approved prior to implementation for each engagement?	Partial	The scope of individual assignments will be determined and approved before each engagement.	Head of Internal Audit	From April 2016
	(d) Were any adjustments required to work programmes approved promptly?	Partial	Changes to scope will be reviewed and agreed immediately.	Head of Internal Audit	From April 2016
2300	Performing the Engagement				
2320	(a) Have internal auditors remained alert to the possibility of the following: - <ul style="list-style-type: none"> intentional wrongdoing errors and omissions poor value for money failure to comply with management policy, and conflicts of interest when performing their individual audits, and has this been documented?	No	Job briefs will include the requirement to be alert to these possibilities and to reach an explicit conclusion on them for each piece of work.	Head of Internal Audit	From April 2016
2330	(a) Are working papers sufficiently complete	Partial	Review and quality control procedures	Head of	From April

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
	and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?		will ensure working papers meet required quality standards.	Internal Audit	2016
	(b) Has the CAE developed and implemented retention requirements for all types of engagement records?	No	We will introduce a formal retention policy/procedure for Internal Audit files.	Head of Internal Audit	31 July 2016
	(c) Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	No	As above at 2330(b).	Head of Internal Audit	31 July 2016
2400	Communicating Results				
	(a) If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Partial	We will ensure any areas of disagreement are recorded in the Action Plan and any residual risk(s) referred to in the Executive Summary.	Head of Internal Audit	From April 2016
2420	(a) Are communications: - <ul style="list-style-type: none"> • Accurate? • Objective? • Clear? • Concise? • Constructive? • Complete? • Timely? 	Partial	Completed – All audit reports now show a clear link between objectives & conclusions.	n/a	Completed

Internal Audit: Assessment of compliance with UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN): Action Plan

PSIAS Ref.	Conformance Requirement	Assessment of compliance based on PWC report	Comment on Current Position and Action Taken or Required	Responsible Officer for Action	Date for completion
2430	(a) Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	No	The statement will be added to internal audit reports when the Quality Assurance programme confirms compliance with the standards.	Head of Internal Audit	31 December 2016
2431	(a) Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: <ul style="list-style-type: none"> The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? The reason(s) for non-conformance? The impact of non-conformance on the engagement and the engagement results? 	No	Any non-conformance will be reported in line with the standard.	Head of Internal Audit	From April 2016
2450	(a) Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	Partial	Completed - The draft annual audit opinion has been presented to the Chief Executive, Director of Finance and Customer Services and Audit Committee, and agreed.	n/a	Completed
2500	Monitoring Progress				
	(a) A process should be in place to monitor and follow-up agreed actions (recommendations) to ensure implementation. Progress monitoring should inform risk-based planning of future audit work.	Yes	n/a	n/a	n/a

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted