

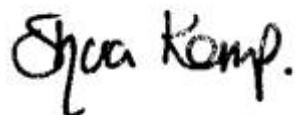
## AUDIT COMMITTEE

**Date:-** **Wednesday, 19 April 2017**      **Venue:-** **Town Hall, Moorgate Street, Rotherham. S60 2TH**  
**Time:-** **4.00 p.m.**

## 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 Members of the Public or the Press
4. Minutes of the previous meeting held on 8th February, 2017 (herewith) (Pages 1 - 9)
5. External Audit and Inspection Recommendations (report herewith) (Pages 10 - 34)
6. Inspection by the Office of the Surveillance Commissioners (report herewith) (Pages 35 - 55)
7. Closure of the Accounts 2016/17 (report herewith) (Pages 56 - 66)
8. KPMG Annual Report on Grants and Returns 2015/16 (report herewith) (Pages 67 - 78)
9. External Audit Plan 2016/17 (report herewith) (Pages 79 - 101)
10. Internal Audit Strategic Plan 2017/18 to 2019/20 (report herewith) (Pages 102 - 122)
11. Audit Committee Prospectus 2017/18 (report herewith) (Pages 123 - 130)
12. Annual Governance Statement Review for 2016-17 (report herewith) (Pages 131 - 138)

13. Items for Referral for Scrutiny
14. Exclusion of the Press and Public  
That under Section 100(A) 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 involve 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).
15. Internal Audit Progress Report for the period 1st January 2017 to mid-March 2017 (report herewith) (Pages 139 - 161)
16. Finance & Customer Services Risk Register (report herewith) (Pages 162 - 171)
17. Date of Next Meeting  
Wednesday, 19<sup>th</sup> July, 2017, commencing at 4.00 p.m.



**SHARON KEMP,**  
Chief Executive.

2016/17 Membership:-  
Chair:- Councillor Wyatt  
Vice-Chair:- Councillor Walsh  
Councillors Allen, Cowles and Ellis  
Independent Person:- Mr. Bernard Coleman

**AUDIT COMMITTEE**  
**8th February, 2017**

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

Debra Chamberlain, KPMG, was also in attendance.

Councillor Alam, Cabinet Member for Corporate Services, was in attendance for Minute No. 52 (Risk Register Deep Dive – Assistant Chief Executive).

**42. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS**

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

**43. AUDIT COMMITTEE SELF-ASSESSMENT**

The Chair proposed that a self-assessment be carried out following the CIPFA publication Audit Committees – Practical Guidance for Local Authorities to ensure that the Committee was effective and identify areas for development.

The CIPFA questionnaire would be e-mailed to Audit Committee Members, key stakeholders and appropriate officers seeking their anonymous comments/scores. The outcome would be submitted to the April meeting for discussion.

Resolved:- That a self-assessment of the Audit Committee be carried out following the CIPFA publication – Audit Committees – Practical Guidance for Local Authorities.

**44. MINUTES OF THE PREVIOUS MEETING HELD ON 23RD NOVEMBER, 2016**

Consideration was given to the minutes of the meeting held on 23<sup>rd</sup> November, 2016.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman subject to the addition of the following wording:-

Minute No. 37(2) “.... be submitted”.

**45. INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during November and December, 2016, and the key issues that had arisen therefrom.

Performance against Key Indicators was generally positive with delivery against the amended plan on schedule. No adverse audit opinions had been issued during the last two months. Of the six outstanding actions from the PwC review, two were now green with the remaining four rated as amber.

Summary conclusions in all significant audit work concluded during November and December 2016 were set out in Appendix B of the report submitted together with the audits that were at draft report stage. All assurance opinions were reasonable or substantial.

Allegations of fraud, corruption or other irregularity were also investigated with details of significant investigations completed in the period set out in Appendix C.

The report highlighted:-

- An Internal Audit Plan for 2016/17 had been produced in line with the UK Public Sector Internal Audit Standards
- The Plan had been reviewed and updated at the half year
- Although there was an overall reduction in audit days, it was still sufficient to give the required coverage
- Despite the challenges, Internal Audit was exceeding other key performance targets and feedback on several pieces of work completed demonstrated value added by the Service
- Management responses and action plans were in place for all recommendations made by Internal Audit during the period
- The majority of the actions from the external review had been completed. A new annual assessment against PSIAS had been carried out and the two remaining actions would become part of the action plan from the assessment

Veritau Ltd. had been asked to review and provide independent comment on the progress reports. They had made a number of suggestions on presentation and highlighted areas for review but overall the report accurately reflected the work being undertaken by the Team.

Discussion ensued with the following issues raised/clarified:-

- Development of the 2017/18 Audit Plan underway
- Continued arrangement with Leicester City Council with regard to ICT qualified internal auditors
- Should the monitoring of the Corporate Improvement Plan objectives/priorities be submitted to the Audit Committee?
- Were the whistle blowing incidents stated on Appendix C fed through to the Standards and Ethics Committee?
- There had been progress on audits since production of the report

Resolved:- (1) That the performance of the Internal Audit Service during November and December, 2016, and the key issues that had arisen therefrom be noted.

(2) That the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of the performance be noted.

(3) That the independent assurance provided by Veritau Ltd. on the report be noted.

(4) That discussions take place with the Assistant Chief Executive with regard to the reporting of the Corporate Improvement Plan.

(5) That future summaries of completed audit work should include whether any recommendations relating to whistle blowing allegations had been accepted and implemented to prove validity of the actions.

#### **46. INTERNAL AUDIT ASSESSMENT AGAINST PSIAS**

David Webster, Head of Internal Audit, presented the results of the internal self-assessment for 2016-17 to confirm compliance with the Public Sector Internal Audit Standards (PSIAS).

The self-assessment had found that substantial progress had been made in the past year; accordingly the Department now demonstrated partial conformance with the Standards.

Actions would be taken over the coming year to bring the Department to general conformance with the Standards. Appendix 1 of the report submitted contained results of the review in the full checklist giving definitions of general, partial and non-conformance followed by a summary of the results and the detailed result against each standard.

The areas of partial conformance gave rise to actions which would form the Quality Assurance and Improvement Plan for the next year. Key actions included:-

- Embedding new audit scoping, reporting and performance monitoring and management processes
- Individual and team development plans implemented
- Implementation of the electronic audit system, streamlining of administration and reduction of non-productive time
- Development of assurance mapping
- Fully refreshing the Internal Audit Manual to reflect new PSIAS compliant audit policies and procedures
- Establishing a programme to review the Council's Governance Arrangements set out in its Code of Governance

Progress against the action plan would be reported to meetings of the Audit Committee.

The Standards required that an external assessment be carried out every five years by a qualified independent assessor; the next one was due in 2020-21. However, as general conformance had not yet been reached, it was proposed that the next external assessment be carried out next year to verify the general conformance at that time.

Discussion ensued with the following issues raised/clarified:-

- Whether the review should be carried out by the original reviewers to give confidence in the consistency of review
- The dates stated in the report for the review should correspond
- Further discussion required as to how to measure what “good” really was i.e. the team had a good reputation within the Authority

Resolved:- (1) That the result of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) be noted.

(2) That the progress made from the external assessment carried out in 2015/16 be noted.

(3) That an external review be completed in 2018 when general conformance would be reached.

#### **47. LOCAL CODE OF CORPORATE GOVERNANCE**

Simon Dennis, Corporate Risk Manager, presented the Council's refreshed Local Code of Corporate Governance setting out how it would comply with the 2016 CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) revised guidance on delivering good governance in local government.

The new Guidance set out seven key principles of good governance which the Council's new Local Code now reflected:-

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Determining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management

- Implementing good practice in transparency, reporting and audit to deliver effective accountability

In many Councils the implementation and operation of the local Code was overseen by a Governance Group. Ideally the Group would consist of staff directly involved in the implementation of the Code and the production of the Annual Governance Statement. It would meet as required, envisaged to be at least three times a year, to focus on the process for the production of the Annual Governance Statement as well as the progress on issues from previous Statements.

Resolved:- (1) That the refreshed version of the Local Code of Corporate Governance be approved.

(2) That a Governance Group be established to oversee the implementation of the Local Code as well as the provision of evidence to support the Annual Governance Statement.

(3) That the Governance Group give consideration to the linking of Principle C – defining outcomes in terms of sustainable, economic, social and environmental benefits – into the Strategic Risk Register to enable the data and outcomes to be measured as defined within the governance document.

#### **48. RISK POLICY AND STRATEGY UPDATE**

Further to Minute No. 36 of the meeting held on 24<sup>th</sup> November, 2015, Simon Dennis, Corporate Risk Manager, submitted proposed changes to the Risk Policy and Strategy.

The changes to the Policy and Strategy were:-

- Removal of references to posts and structures that no longer existed
- Inclusion in the Guide of changes in practice that had been introduced in the light of operational experience
- Minor changes to improve risk management practice in the Council

It was noted that a further refresh and revision was planned for Summer 2017 although the extent of the revision would depend upon progress in identifying improvements to the current risk management system.

Discussion ensued with the following issues raised/clarified:-

- The Risk Register would have a separate column for the mitigating action and dates to enable tracking
- The Strategic Risk Register was supposed to be in a different format from that of Departmental Risk Registers as it captured issues at a different level. Work was taking place on what this would look like
- Commitment to regularly review the Risk Policy and Guidance

- Historical reasons as to why the Risk Management System had not worked but did not necessarily mean that the system was not right for the Authority; it should be considered before a replacement system was purchased
- Consideration be given to inviting a Member of the Audit Committee to any future meetings of the joint workshop

Resolved:- (1) That the revised Risk Policy and Strategy be approved.

(2) That any changes to the Risk Policy be submitted to the Audit Committee for approval.

(3) That consideration be given as to how Members of the Audit Committee could be actively engaged in the review of the Risk Policy.

(4) That an update on the Risk Management process be submitted to the next meeting.

**49. PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2017/18-2019/20**

Judith Badger, Strategic Director for Finance and Customer Services, reported 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, she 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 2017/18 to 2019/20
- 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 key messages were:-

- Investments – the primary governing principle would remain security over return with the criteria for selecting counterparties reflecting this. Cash available for investment would remain low resulting in low returns
- Borrowing – overall it was estimated to year-on-year increase over the said period as the Council planned to incrementally reduce its under-borrowing position as part of managing its daily and long term liquidity position. New borrowing would only be taken up as current portfolio debt matured and where approved capital investment was to be financed by borrowing

- Governance – strategies were reviewed by the Audit Committee with continuous monitoring which included mid-year and year end reporting

The report formed a key part of the financial management reporting framework and covered the Prudential Indicators and Treasury and Investments Strategies for 2017/18 and the following two financial years. It also provided an update on the indicators for the 2016/17 financial year.

The Council's treasury activities were strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management revised November 2009).

The report would be considered by the Cabinet/Commissioners' Decision Making Meeting on 13<sup>th</sup> February, 2017, as part of the Council's 2017/18 budget setting process.

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

**(1) The approval of the prudential indicators and limits for 2017/18 to 2019/20 as set out in the report.**

**(2) The approval of the Minimum Revenue Provision Policy Statement (Appendix A refers) which sets out the Council's Policy on Minimum Revenue Provision.**

**(3) The approval of the Treasury Management Strategy for 2017/18 to 2019/20 and the Authorised Limit Prudential Indicator.**

**(4) The approval of the Investment Strategy for 2017/18 to 2019/20.**

**50. PROCUREMENT AND APPOINTMENT OF EXTERNAL AUDITORS - 2018/19 ONWARDS**

Judith Badger, Strategic Director for Finance and Customer Services, reported that the Local Audit and Accountability Act 2014 had introduced new arrangements for the procurement and appointment of external auditors from 2018/19.

The Local Audit and Accountability Act 2014 had introduced new arrangements for the audit of authorities superseding the previous arrangements in which the Audit Commission was responsible for making audit appointments. The new arrangements would come into effect for 2018/19 when the existing contract expired.

There were three options for meeting the objective:-

1. making a standalone appointment
2. making an appointment with one or more other authorities
3. opting into a sector-led national scheme.

Under both options 1 and 2 the Council would need to establish an Auditor Panel. They provided greater scope for the audit contract to be tailored but would incur higher costs from the setting up of and administration of the Auditor Panel either in isolation or jointly and the staff time involved in the procurement exercise.

The preferred option was considered to be option 3, supported by the LGA, as this would minimise the financial and administrative burden on the Council and likely to secure a high quality audit at competitive fees. Under the arrangement, the procurement and appointment would be led by Public Sector Audit Appointments (PSAA) as the designated “appointing person”.

Neighbouring authorities had been consulted to ascertain which option they intended to take and whether there was any possibility of a joint procurement/appointment exercise under option 2, however, all consulted had opted for option 3.

**Resolved:- (1) That the sector-led option (option 3) for the procurement and appointment of external audit from 2018/19 onwards be supported.**

**Recommended:- (2) That the opt-in form (Appendix A) be completed and submitted to Public Sector Audit Appointments (PSAA) by the Strategic Director of Finance and Customer Services by the deadline of the 9<sup>th</sup> March, 2017.**

## **51. EXCLUSION OF THE PRESS AND PUBLIC**

**Resolved:- That, under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it 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).**

**(COUNCILLOR WYATT LEFT THE MEETING AT THIS POINT IN THE MEETING.  
COUNCILLOR WALSH ASSUMED THE CHAIR.)**

**(COUNCILLOR WALSH IN THE CHAIR.)**

**52. RISK REGISTER DEEP DIVE - ASSISTANT CHIEF EXECUTIVE**

Councillor Alam, Cabinet Member, Corporate Services, together with Shokat Lal, Assistant Chief Executive, presented the Assistant Chief Executive's Risk Register and risk management activity in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Cabinet Member involvement
- How risks were included on/removed from the Register
- Anti-fraud activity in the Directorate

Discussion ensued with the following issues raised:-

- The Risk Register was submitted to the Cabinet/Commissioners' Decision Making Meeting – from April it would form part of the Corporate Plan
- There were a number of risks that were due to external factors outside the control of the Local Authority
- Inclusion of risk review dates was welcomed

Resolved:- (1) That the progress and current position in relation to risk management activity in the Assistant Chief Executive's Directorate be noted.

(2) That the wording be amended to Risk No. 7 to reflect the discussion at the meeting.

**53. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

**54. DATE OF NEXT MEETING**

Resolved:- That a further meeting be held on Wednesday, 19<sup>th</sup> April, 2017, commencing at 5.00 p.m.



Public Report

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## **Summary Sheet**

### **Council Report:**

Audit Committee – 19<sup>th</sup> April 2017

### **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 from “Active” Inspection and Audit Action

Plans

Appendix B: Ofsted Monitoring Visit October 2016

Appendix C: Ofsted Monitoring Visit February 2017

**Background Papers**

CYPS Improvement Plan

Fresh Start Improvement Plan and Phase Two Action Plan

Ofsted Report published November 2014

**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 22<sup>nd</sup> 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 26<sup>th</sup> 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, which focused on ensuring the Council had in place the basic building blocks 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

During the course of this initial phase the decision-making responsibility for a number of services was returned to the Council from Commissioners in February 2016.

3.1.4.2 The second phase of the plan, from May 2016, now 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' in May 2016. A "Phase Two" action plan was agreed by Commissioners at the end of the first phase in May 2016, and was subsequently endorsed at a public Cabinet and Commissioners Decision Making Meeting on 11<sup>th</sup> July 2016<sup>1</sup>.

3.1.5 In terms of the implementation of the Plan and its governance arrangements, this continues to be overseen by the "Joint Board" of Commissioners and leading Elected Members (Labour and Opposition Groups), with links to the Strategic Leadership Team (SLT) and Assistant Directors.

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<sup>1</sup> See <http://moderngov.rotherham.gov.uk/documents/s106354/Appendix%20-%20Improvement%20Plan%20Phase%202.pdf>

3.1.6 The Joint Board has met on a regular basis since July 2015, to assess progress being made against the improvement actions within the Plan. The first formal review of the Council's improvement progress to Government, submitted on 26<sup>th</sup> August 2015<sup>2</sup>, featured an initial summary progress report based on the Joint Board's governance and performance management arrangements. The Commissioners' 12 month<sup>3</sup> (February 2016) and 18 month (August 2016) progress reports to Government have since included further performance summaries, headline achievements to date, and ongoing risks.

3.1.7 The August 2016 (18 month) progress report included the full "Phase Two" action plan and a final performance report on Phase One. This confirmed that 82% of the identified actions (108) in Phase One had been substantively completed; with 18% of the actions (24) identified as areas of focus to be carried forward into Phase Two. The 24 actions carried forward into Phase 2 Plan were a mix of actions that had long-term timescales and/or where the Joint Board had agreed a deferral into the second phase - either because of a reassessment of their implementation timescales (e.g. due to interdependencies with other work-streams); or where delivery had been delayed). These carried-forward actions were integrated within the Phase Two action plan's 20 strategic improvement objectives, underpinned by 99 identified key milestones to assess progress. These 20 objectives and supporting key milestones now form the basis of the Joint Board's consideration through to May 2017.

3.1.8 The Commissioners' November 2016 progress report provided an assessment of progress being made with the Phase Two action plan and identified further service areas where Commissioners recommended to the Secretaries of State that decision-making powers should be restored. The report noted the completion of 27% of 99 actions set out in the plan (below the 20 objectives) which included the new Corporate Plan 2016/17, improved performance reporting, a new Safer Rotherham Partnership Plan, induction for councillors elected in May 2016 and a new Equalities and Diversity Strategy. The report also recommended the return of powers to the Council on nine additional service areas including community safety, adult social care, performance management and audit.

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<sup>2</sup> Available on the Council's website at [www.rotherham.gov.uk/download/downloads/id/2645/commissioners\\_six\\_month\\_progress\\_review\\_-\\_august\\_2015.pdf](http://www.rotherham.gov.uk/download/downloads/id/2645/commissioners_six_month_progress_review_-_august_2015.pdf)

<sup>3</sup> See [www.rotherham.gov.uk/homepage/351/commissioners\\_progress\\_reviews](http://www.rotherham.gov.uk/homepage/351/commissioners_progress_reviews) for copies of all Commissioner progress reports to Government

### 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 (November 2016):

3.2.1.1 Lord Hardy Court's last CQC inspection in December 2016 resulted in it being awarded an overall rating of good. Two actions were recorded with respect to:

- There were no staff dedicated to activities nor was there a structured activities programme. Due to workloads, activities were not consistently available for people to participate in. The service has taken steps to ensure that regular activities are available to all and that participation in activities is recorded in personal files. The team have recently created an accessible gardening feature using raised beds. There has been a focussed piece of work carried out on the dementia unit to develop individual activity plans for each resident.
- Changes in people's needs had not always been fully incorporated into all care records, and decisions made in people's best interest were not always clearly recorded in their care files. Action was taken to ensure recording in client files were accurately reflecting the up to date position. Follow up quality assurance checks have been scheduled by the service to ensure improvements are being consistently applied.

#### 3.2.2 Office of the Public Guardian - External Assurance visit

A recent regular assurance visit took place on 10 January 2017. A summary extract from the external inspection letter shows a "Thank you for taking the time to meet with the (appointed external) visitor and discuss the management of the deputyships".

The visitor's report has been received and reviewed and referenced a very positive visit. A number of clients were visited as part of the assurance visit, examples include:

##### 3.2.2.1 Ref xx58 – Miss A

The visitor raised no concerns and advised that Rotherham Metropolitan Borough Council manage the client's finances appropriately.

##### 3.2.2.2 Ref xx18 – Mrs B

Mrs B has a profound learning disability and multi-system atrophy. She has lived in her current accommodation for approximately 30 years, she is very settled and is said to have a good relationship with her support workers. The visitor confirmed that she had no concerns with the client's environment or the support she receives. The deputy team transfer £140 per week to her care provider and the service manager reported to the visitor that this is sufficient to meet the client's needs. Again, the visitor highlighted no concerns regarding the client's finances.

### 3.2.2.2 Ref xx09 – Miss C

The visitor raised no concerns with the management of Miss C's finances. The visitor also made several other positive observations regarding safeguarding; finances and assets; office processes and skills and knowledge of the team.

3.2.3 Adult Social Care (ASC) continues to have a good compliance record with standards subject to inspection. Governance arrangements remain and are reported via the ASC Directorates development programme and the Transformation Board which is chaired by Sharon Kemp, RMBC Chief Executive, and has member representation from partner agencies.

3.2.4 Housing Service have had no further inspections or recommendations since the last report (November 2016).

## **3.3 Children and Young People's Improvement Plan**

### **3.3.1 CYPS Improvement Plan**

3.3.1.1 The CYPS Improvement Plan was reviewed in May 2016, following an intense period of change and improvement within Children's Services.

3.3.1.2 The revised Improvement Plan provided a refocus on the priority actions to ensure they mapped against the Ofsted judgements, recommendations, findings and it provided the opportunity to ensure that realistic RAG ratings were noted for each action. In addition, a process was added which provided a panel of partners undertaking evidence challenge which formally "signs off" a sample of completed actions and provides another level assurance to the CYPS Improvement Board of completeness of actions.

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 was presented to the Improvement Board in May 2016 and has been the focus of intense discussion at the last four board meetings.

3.3.1.5 A key element to the format of the Improvement Board meetings has been the introduction of "focus on" agenda items which are specific reports/ presentations on one theme, the lead officers present to the Board and the challenge is then provided by partners at the Board.

### 3.3.2 CYPS Improvement Plan Governance

3.3.2.1 The governance of the CYPS Plan is through Children's Improvement Board which continues to meet 6 weekly. It is now chaired by DCS Practice Improvement Partner, Debbie Barnes and attended by the new Commissioner Patricia Bradwell. Lincolnshire County Council were appointed as Practice Improvement Partners in May 2016 following the departure of the former Children's Commissioner, Malcolm Newsam. The Improvement Board is attended by the Director and Assistant Directors of Children's Services, Chair of Rotherham Safeguarding Children's Board (RSCB) and key partners including health, police and schools.

3.3.2.2 The Children's Improvement Board continues 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 was also established in May 2016 which has sharpened even further the senior stakeholder oversight of children's services performance. Membership of this Board is 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. This has enabled the line of sight of key issues within Children's Services to be at the most senior within the Council.

### 3.3.3 Ofsted Improvement and Monitoring Visits

3.3.3.1 Since August 2015 there has been 5 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 and Early Help. These have been supplemented by two regional Sector Led Peer Reviews which looked at Leadership Management & Governance in June 2016 and Looked After Children and Care Leavers in October 2016. In addition our Practice Partners, Lincolnshire County Council have undertaken three Peer Reviews which looked at Looked After Children in June 2016, the Front Door 'MASH' including Duty and Assessment in November 2016 and SEND in November 2016.

3.3.3.2 As part of Ofsted publishing the framework for re-inspections of those Local Authorities who are found to be Inadequate in the Single Inspection Framework Ofsted announced the new approach of Monitoring Visits. These are similar to the improvement visits but are more formal and are subject to a published letter unlike the informal feedback received as part of the Improvement Visits. To date Ofsted have undertaken two of their four monitoring visits, the first took place on the 20<sup>th</sup> and 21<sup>st</sup> October and focused on Looked After Children, the second took place on the 9<sup>th</sup> and 10<sup>th</sup> February 2017 and focused on the 'Front Door' First Response, Duty and Assessment and Early Help. Ofsted have published a summary of the visit and findings in two letters (Appendix B: Ofsted Monitoring Visit Letter October 2016 and Appendix C: Ofsted Monitoring Visit Letter February 2017).

3.3.3.3 As part of Ofsted's approach to re-inspecting inadequate children's services, their proposal is to re-inspect two years following the publication of the action plan. Rotherham's action plan was published in February 2015. It is likely that there will be four formal monitoring visits before such a re-inspection takes place which is likely to be towards the end of 2017.

### **3.4 Rotherham Residential Children's Units**

3.4.1 Rotherham Council, as a developing 'Child Centred Borough', has a strong resounding ambition to move away from the legacy of poorly performing services to a position of strength and confidence, which is reflected in the intention of the Children and Young People's Services Directorate to become rated 'outstanding' by 2018. In pursuit of this ambition Rotherham Council has reviewed the care offered across the whole of its residential care services for children and young people.

3.4.2 Rotherham Council's 'Looked After Children and Care Leavers Placement Sufficiency Strategy 2015-2018' identified that too many of Rotherham's children in care live in residential care and that more children need to be placed in a family based setting. To this end, it is the aspiration of the Council to reduce the numbers of children placed in residential care. The LAC and Care leavers Placement Sufficiency Strategy 2017-20 was ratified by the Corporate Parenting Panel on the 28<sup>th</sup> February 2017. The Fostering Service has a fit for purpose recruitment strategy to increase the numbers of in-house foster carers availability including:-

- Revised Financial and support packages
- Appointment to social media marketing post
- Expansion of the Therapeutic Service
- Development of a Virtual Assessment team
- Refer a friend scheme
- Mockingbird project

This is already beginning to have an impact as at w/c 13/3 there were 245 in-house placements (out of a total LAC cohort of 481) which is the highest ever *number* of in-house placements. A stretch target has been set to achieve 75% of in-house placements over the course of the Sufficiency Strategy. There are 16 assessments of prospective foster carers currently taking place with 22 new foster placements being approved over 2016/17.

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

3.4.5 Liberty House was judged as 'Good' on the 27/01/2016 and at the Interim Inspection undertaken on the 17/03/2016 the Home received a judgement of sustained effectiveness. Liberty House received a full inspection on the 2<sup>nd</sup> and 3<sup>rd</sup> November 2016, the outcome of which was that Liberty House was found to be an 'Outstanding' service provision. In the subsequent Interim Inspection this was further upgraded to Outstanding with Improved Effectiveness.

### **3.5 Regeneration and Environment Services**

3.5.1 No further external inspections or audits have been undertaken since the last report.

### **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 are no outstanding recommendations from 2014/15 or earlier.

3.6.4 With regard to 2015/16, one medium and one low priority recommendation were raised within KPMG's 2015/16 ISA 260 Report which was presented to Audit Committee on 21<sup>st</sup> September 2016. These recommendations were implemented in 2016/17.

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 2015/16 was completed on the 2<sup>nd</sup> February 2016. 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.

3.6.9 The audit for the financial year 2016/2107 will commence in July 2017 .

#### **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)**

- Anne Marie Lubanski, Strategic Director of Adult Care and Housing
- Damien Wilson, Strategic Director Regeneration and Environment Services
- Ian Thomas, Strategic, Director Children and Young People's Services
- Judith Badger, Strategic Director Finance and Customer 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	DCLG and DfE	132 actions set out in original “Phase One” plan (from May 2015)  Revised into 20 objectives in the “Phase Two” action plan (from May 2016)	108 (82%) of Phase One actions complete – May 2016, remainder carried forward to Phase Two	Phase Two action plan – 20 revised objectives with 99 actions, 27 completed	All 20 Phase Two objectives ongoing with 72 actions outstanding	1 <sup>st</sup> phase to May 2016  2 <sup>nd</sup> phase May 2017	<p>Ongoing – formal 3 monthly Commissioner progress reports submitted to Secretaries of State<sup>1</sup> – most recent November 2016</p> <p>Next report due to Government from Commissioners February 2017</p> <p>Joint Board of the four Commissioners and Elected Members (Leader, Deputy Leader, Leader of Opposition and Lead Cabinet Member) have met five times to review Phase Two progress.</p> <p>Next meeting is on 20<sup>th</sup> March 2017</p>

<sup>1</sup> See [www.rotherham.gov.uk/downloads/200796/commissioners](http://www.rotherham.gov.uk/downloads/200796/commissioners) for copies of all Commissioner reports and documents

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Adult Care and Housing							
Adult Social Care – Inspection of Netherfield Court Intermediate Care provider	CQC	1	0	1	0	Sept 2016	Complete This service has now closed
Adult Social Care – Inspection of Treefields Close Learning Disability Respite Service	CQC	1	0	1	0	April 2016	Complete Registration of Manager confirmed in July 2016
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	Sign Off will be in line with the Ofsted Re-inspection Timeline	Ongoing
Finance and Corporate Services							
External Auditor's Report on the Accounts 2015/2016	KPMG	2	0	2	0	Mar 2017	Complete
External Auditor's Report on the Accounts 2014/15	KPMG	3	3	0	0	Mar 2017	Complete
Regeneration and Environment Services							
NIL	n/a	0	0	0	0	n/a	n/a

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21 November 2016



Director of Children and Young People's Services  
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Dear Ian

### **Monitoring visit of Rotherham Borough Council children's services**

This letter summarises the findings of the monitoring visit of Rotherham Borough Council children's services on 20 and 21 of October 2016. The visit was the first monitoring visit since the local authority was judged inadequate for overall effectiveness in October 2014. Inspectors have, however, undertaken four improvement visits between 2015 and 2016. This monitoring visit was carried out by Her Majesty's Inspectors Tracey Metcalfe and Graham Reiter. While progress to improve services for children looked after has been slower than has been seen in other areas across children's services, there is clear evidence of improvement in some key areas. These include: strategic management, vision and planning, performance management and quality assurance arrangements, service restructure, recruitment and retention and compliance with statutory requirements.

#### **Areas covered by the visit**

During the course of this visit, inspectors reviewed the progress made in respect of the experience and progress of children looked after, with a particular focus on five important themes:

- strategic and operational management oversight
- the quality of children's experiences
- the quality of assessment and care planning
- the timeliness of decisions when children need permanence
- the effectiveness of the review process.

Inspectors also considered:

- placement commissioning and sufficiency
- the arrangements in place to respond to children missing from care.

The visit considered a range of evidence, including electronic case records, supervision files and notes, observation of social workers undertaking assessments, and other information provided by staff and managers. In addition, inspectors spoke to children from the Children in Care Council, foster carers and a range of staff, including managers, independent reviewing officers (IROs) and other practitioners.

## **Summary of findings**

- The council has continued to respond positively to the recommendations identified following the single inspection in 2014. A stable senior management team, led by the director of children's services (DCS), demonstrates determined, effective, strategic leadership with clear priorities and aspirations, and a sustained focus on improving outcomes for children.
- Performance management and quality assurance arrangements are robust and support senior managers to identify where progress is being made and where improvement is required. Reliable data shows improved compliance in meeting some statutory requirements, with particular regard to statutory visits and the timeliness of children's reviews.
- Improvement is evident in relation to compliance with statutory requirements. Social worker caseloads have reduced, providing more time for focus on individual children. However, frontline management oversight of social work practice is weak. Social workers are neither supported nor challenged sufficiently by managers to improve the quality of their work.
- When children become looked after, their needs are not formally reassessed, and ongoing risk and need are not always recognised or supported well enough. This includes cases from a very small sample during this visit where children are at risk of child sexual exploitation.
- Children who require permanence are not identified soon enough. The Public Law Outline (PLO) is not being used effectively. Consequently, some children are experiencing delay in securing legal permanence. Supervised contact arrangements are insufficiently resourced and planning is poor. There is little evidence that children receive support to help them to understand why they have become looked after and what is going to happen to them.
- A recent reduction in the use of agency social workers and managers is resulting in a more stable and permanent workforce. However, children have experienced too many changes of social worker, which has had a negative impact on their plans being progressed in a timely way.
- There has been an improvement in the timeliness of children's reviews, and in the scrutiny and challenge of IROs. This is not yet leading to improvement in the quality of children's plans, nor is it driving progress.

- While there has been an improvement in the timeliness of children's annual health assessments, practice in relation to initial health assessments remains poor.
- The number of children who become looked after have continued to rise as the council's focus on children in need of help and protection has improved. This is placing significant pressure on the council's ability to identify and match children to the right placement in a timely way. Placement stability has deteriorated and the number of placement disruptions are increasing. However, children who spoke to inspectors say that they feel safe in their placements and in school, and receive good support from their social workers and carers.
- The number of children who go missing from care has reduced significantly in the last six months and an increased number of children receive a return home interview. However, this is not the case for children who live out of borough.

### **Evaluation of progress**

The DCS is highly visible and accessible. A more stable senior leadership team demonstrates a strong focus on performance management. Senior managers have undertaken an honest and robust self-assessment of the service they provide to children looked after and have sought external peer scrutiny and challenge from children and young people in Rotherham. The result is that they know themselves well. The DCS has a clear vision and understanding of the key priorities to improve the experience and progress of children looked after. There is evidence of the council's direct engagement with children from the Children in Care Council who have told inspectors they feel valued and involved in developing their own plans and contributing to service developments.

The council has taken effective action to begin to address the significant shortfalls identified in the single inspection undertaken in October 2014. A strong focus on performance management is beginning to show improvement in compliance with some statutory requirements. Children are being seen regularly by a social worker and there has been positive improvement in the timeliness of reviews. Improved partnerships with the virtual school have seen an increase in the number of personal education plans being completed, although it is recognised that there is much work to do to improve the quality and the aspiration for children. Improved relationships with health partners have resulted in children looked after being prioritised for assessment and intervention from children and adolescent mental health services. The number of annual health assessments completed in a timely way have improved, as have the number of dental checks. Initial health assessment performance remains poor.

Inspectors found evidence that key priorities to secure a stable and permanent workforce have been translated well through strategic planning and actions. The

success of the workforce strategy is demonstrated through the significant reduction in the reliance on agency social workers and managers to 18%. This improvement is very recent and, while positive, is not yet providing all children with an opportunity to develop a trusting relationship with their social worker. In recent months, children have experienced a number of changes in social workers and their managers, which has had a negative impact on the timely progression of children's assessments and plans.

Senior managers have set very high expectations of their social workers and managers in terms of performance and quality standards. Caseloads have been reduced to an average of below 15 children in the looked after children's service, to enable social workers to focus on the quality of their work with children, and there has been an increase in IRO capacity to empower this function. A deep dive into audit findings is beginning to support and challenge social workers when children's plans are not progressing within a child's own timescale. Despite these changes, the quality of some social work practice remains poor. When children become looked after, there is a lack of urgency to identify their long-term needs and secure early permanence. Senior managers have begun to track those children subject to voluntary arrangements and, while this is beginning to drive some children's plans forward, too many continue to experience delay in securing legal permanence.

New appointments support the renewed focus on the Public Law Outline (PLO). A new permanent full-time PLO case manager and PLO panel chair are in place. An additional social work team has been created to progress care proceedings. However, the PLO process is still not being used effectively. There are delays in assessments being undertaken before care proceedings are issued and some delays in proceedings being issued once interim care applications have been sent to legal services. Family members are not identified or assessed early enough when children become looked after, which does not support children in developing a sense of security within their family. When children return home to parents, assessments and support to ensure that the decision is safe are not robust. Contact arrangements between children and their parents are not sufficiently risk assessed or reviewed. Resource to ensure that children experience good-quality family contact is insufficient and some venues used currently for contact are inappropriate. Senior managers are aware of this shortfall and plans are in place to review the service.

Children do not routinely receive an updated assessment of their holistic needs, thus their care plans do not focus well enough on the outcomes to be achieved. Risk and need are not robustly explored or understood.

When child protection concerns arise, procedures are not always followed. Strategy meetings still do not routinely follow 'Working Together 2015' guidance. Screening tools to explore child sexual exploitation concerns are not being completed correctly in all cases when a child may be at risk, despite previous improvement visits identifying more robust practice in this area. While the numbers of children going

missing from their placement have reduced significantly, not all children who are placed out of the borough receive a return home interview.

There continue to be gaps and inaccurate recording of children's key information, making it difficult to understand a child's journey or measure progress. There is a lack of evidence of direct intervention or life story work to help children understand why they have become looked after or what is going to happen in the future. Senior managers have taken decisive action to address these shortfalls. Robust audits of casework are undertaken routinely as well as more specifically to explore a particular issue. Frontline team management capacity has been enhanced, with some permanent recent appointments across the children looked after service. A coaching and mentoring programme for team managers is in place, with a local authority practice partner and there are plans to extend this support to social workers from November 2016. There is some evidence that managers are beginning to deliver more regular supervision. However, this is still without the rigour, challenge and reflection required to support social workers to improve the quality of their practice and focus on improving timely outcomes for children.

IROs are an emerging strength. Capacity has been increased in the IRO service, with caseloads below that recommended in the IRO handbook. The timeliness of children's reviews has increased, and evidence shows increased IRO scrutiny and challenge. This is beginning to identify when progress is needed in some children's plans, but is yet to demonstrate how improved scrutiny is making a difference to outcomes for children.

The council has a clear determination to provide the best possible provision for children looked after. The increased pressure on placements is partly attributable to the increase in numbers of children looked after. Long- and short-term placement stability has deteriorated. A lack of local placement provision means children with complex needs are more likely to be placed more than 20 miles from their home. Children are not matched well to placements. Placement decisions are too reactive to crisis situations and too often made without children's needs being fully explored or understood. Despite these challenges, children who spoke with inspectors did feel safe in their placements and valued the relationship with their social workers.

Senior managers acknowledge the insufficiency of placements available to children in house, particularly those children with complex and more challenging needs. Senior managers have taken appropriate steps to decommission the majority of in-house residential placements, as these were not meeting the quality standard required. A number of new and innovative commissioning approaches are being developed. The council is involved in the development of a local and regional framework to influence and drive improvements in the quality of independent placements. The in-house fostering offer is strengthened and is beginning to improve placement choice and capacity, with better incentives for carers with the skills to support adolescents, as well as out of hours support and respite for foster carers of children with a disability.

I am copying this letter to the Department for Education. This letter will be published on the Ofsted website.

Yours sincerely,

Tracey Metcalfe

**Her Majesty's Inspector**

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13 March 2017



Ian Thomas  
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Dear Ian

### **Monitoring visit of Rotherham Borough Council children's services**

This letter summarises the findings of the monitoring visit to Rotherham children's services on 9 and 10 February 2017. The visit was the second monitoring visit since the local authority was judged inadequate in October 2014. The inspectors were Her Majesty's Inspectors Tracey Metcalfe and Jansy Kelly. Social Care Regulatory Inspector Pauline Yates shadowed the visit.

Inspectors have also undertaken four improvement visits between 2015 and 2016 to monitor the local authority's progress.

### **Overview**

The local authority is making continuous progress in improving services for children in need of help and protection. The implementation of multi-disciplinary locality teams is leading to improved coordination of early help support to families by the local authority. The quality of early help assessments is slowly but steadily improving and they are leading to a direct offer of help which is highly valued by families. However, the number of early help assessments being completed by multi-agency partners remains too low. The robust screening of contacts to children's social care, supported by effective multi-agency information sharing, is leading to more timely assessments of need and risk. While assessment quality is beginning to improve with evidence of some good work emerging, assessments and section 47 investigations are not focused well enough on risk or children's holistic needs. This has an impact on the quality of children's plans and the interventions that they receive. Progress can be seen in the quality of management oversight and performance management. Workforce planning is highly effective. Recruitment and retention rates are better than the national average. Due to a positive organisational culture staff are highly committed and motivated and they report feeling valued.

## **Areas covered by the visit**

During the course of this visit, inspectors reviewed the progress made in the areas of access to early help services and whether children in need of help and protection are identified by professionals and receive timely help that is proportionate to risk and their levels of need. Inspectors focused particularly on:

- The quality and coordination of the early help offer
- The effectiveness of contact, referral and assessment services
- The quality of children's assessments and whether they lead to appropriate and timely offers of help
- The quality of section 47 enquiries and investigations
- The impact of leaders and managers.

The visit considered a range of evidence, including electronic case records, supervision files and notes, observation of social workers and senior practitioners undertaking referral and assessment duties and other information provided by staff and managers. In addition, we spoke to a range of staff, including managers, social workers, other practitioners and administrative staff.

## **Findings and evaluation of progress**

The implementation of multi-disciplinary locality teams is leading to improved quality and coordination of early help support to families. Early help assessments (EHAs) are being undertaken more efficiently, and these are leading to a direct offer of help for individual children and their families. There is much evidence of children's circumstances improving as a result of the early help being provided. There are also some positive examples of very timely intervention and support for families who have an allocated worker within one of the locality teams. The local authority's use of exit interviews endorses this positive work, and it is clear that the service offered through early help is valued highly by families.

Staff within the locality teams are working well together. This follows a period of team development that included activities to help them to learn about each other's range of skills and ways in which they could network to provide enhanced support to children and their families. All workers who spoke with inspectors feel that they have been appropriately trained to undertake EHAs and team around the family (TAF) meetings. Most workers have also participated in a variety of other training to enhance their work with children and families. This training has covered restorative practice and child sexual exploitation, although not all workers have received training on how to use the child sexual exploitation screening tool.

Much progress has been made towards securing reliable performance management information, which is commendable given the number of systems currently reporting on early help. Further work is required to refine this performance data, including improved analysis and explanation of the data to make it more accessible. Inclusion

of the frequency of the review of early help plans via TAF meetings would assist managers in monitoring this element of the early help provision.

The completion of EHA assessments within the locality teams is, in the majority of cases, timely. The quality remains variable, and all EHAs seen during this visit have a number of areas in which they could be improved. In most cases, the child's lived experience is not fully explored or understood, and EHAs lack evidence that the worker has considered significant issues in sufficient detail to lead to full understanding of the impact of these on the child. All EHAs would be improved through including a stronger analysis of issues and needs to inform the development of support plans.

All EHAs seen included the child's voice, and there was evidence on the file of direct work to understand the child's wishes and feelings. The quality of this work is variable, and the majority of EHAs require further analysis after direct work sessions in order to gain further insight into the child's life. Workers routinely seek to involve parents, including fathers and stepfathers, in their work. When this is not successful, they show persistence in building relationships with these important adults in order to inform their work with the child.

The local authority has improved in many areas of early help provision to children and their families, including outlining clear expectations to partners regarding their role in the assessment and provision of early help. However engagement by operational colleagues from other agencies remains extremely low. Although performance is very slowly improving in this area, there are too few other agencies undertaking EHAs and taking on the lead professional role to ensure the early help model can become embedded and sustainable. In many cases, partner agencies are engaged with TAF plans and meetings, but in some cases key agencies are not attending the meetings. The local authorities' current expectations of partners to undertake this work also appears low within the operational triage and the step-down panel meetings. There is no standard offer of support for partners undertaking their first EHAs or a process to ensure the quality of these assessments.

The co-location of multi-agency professionals at the front door has strengthened partnership relationships, improving understanding of how other professionals work. This has helped to break down previous communication barriers. There is now a much greater understanding and application of the threshold for access to children's social care. Contacts are robustly screened by social workers and signed off by managers. The added value of early help professionals sitting alongside social workers ensures that the type of response required is swiftly agreed and is informed by effective information sharing and analysis. Consequently, children and families are offered timely, holistic assessment and support planning to address needs as they emerge. When high-risk contacts are received, these are immediately redirected to dedicated teams. Notifications when children are missing, when children may be at risk of child sexual exploitation and when children are at risk from domestic abuse

are screened on the same day and discussed with co-located police officers to ensure that no child at risk goes unnoticed.

Children who require a single assessment are identified quickly and signposted to the duty and assessment teams. For most children, assessments are undertaken well within the local authority's required target timescales. While this means that children's needs are identified in a more timely way, too much focus is on meeting these timescales rather than on the quality of the assessment. Team managers are not yet confident in supporting social workers to set targets to complete assessments according to the individual needs of the child. Team managers are not challenging social workers enough to explore the life events that have been important for a child and their family as part of the assessment or to assist with decision-making and intervention. This means that assessments are not identifying all risks in families. Thus, children's resulting plans are not focused on what needs to change and improve or on ways in which children need to be helped and supported.

When child protection concerns are identified, a swift response to convene a strategy meeting ensures that children's immediate safeguarding needs are identified and secured. All strategy meetings are attended by South Yorkshire police (SYP) and other agencies, as appropriate, which is evidence of improvement. While the local authority has improved the recording of strategy discussions, team managers are not coordinating the timing and conduct of protective actions and the investigations required. In particular, when 'achieving best evidence' (ABE) interviews are required, South Yorkshire police are undertaking these interviews without social workers being present. Consequently, more than one agency is questioning the same child separately. Thus, the child has to tell their story more than once. Inspectors found delays in some ABE interviews taking place, thereby prolonging the investigation unnecessarily for the child and creating opportunities for the contamination or loss of evidence. There is a need for children's social care and the police to work closely together when planning investigative interviews of children, to ensure that welfare and justice imperatives are properly coordinated. South Yorkshire police responded positively to these findings during the visit and agreed to review practice with the local authority.

Supervision is taking place regularly. Social workers articulate the value of supervision. However, team managers are not recording well enough how they use supervision to assist reflection, analysis, decision-making, planning and intervention in the lives of children and their families. There is improving evidence of management oversight in children's records, and the rationale for decisions is clear in most cases. However, some managers are using too much jargon to give case direction, for example 'develop a SMART plan', rather than being explicit about what is expected of the social worker and, most importantly, about what is the intended outcome of the planned intervention or action for the child.

The implementation of a new electronic case management system is improving the way in which information is gathered, recorded and shared and is supporting more

effective performance management. Social workers and managers welcome the usability of the system. Rotherham has been very successful in recruiting, developing and retaining social workers and managers with the required skills and in improving the front door arrangements. There is a positive organisational culture, which is enabling social workers and managers to develop. All staff who spoke to inspectors described feeling valued, supported and consulted in the service improvements.

I am copying this letter to the Department for Education. This letter will be published on the Ofsted website.

Yours sincerely

Tracey Metcalfe

**Her Majesty's Inspector**



Public Report  
Audit Committee

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## **Council Report**

Audit Committee - 19th April, 2017

### **Title**

Inspection by the Office of the Surveillance Commissioners

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

Yes

### **Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director (Finance and Customer Services)

### **Report Author(s)**

Dermot Pearson (Assistant Director, Legal Services)

### **Ward(s) Affected**

All

### **Executive Summary**

On 11<sup>th</sup> January, 2017, the Council was inspected by His Honour Norman Jones QC, an Assistant Surveillance Commissioner in respect of the Council's arrangements to secure compliance with the statutory provisions which govern the use of covert surveillance. This report appends His Honour's Inspection Report and a covering letter from the Chief Surveillance Commissioner and sets out the main findings of the Inspection Report and how His Honour's recommendations will be implemented.

### **Recommendations**

- That the Committee note the contents of the Inspection Report; and
- That the Committee approve the steps to be taken to implement the findings of the Inspection Report.
- That the Committee approve the amendment of the Council's Regulation of Investigatory Powers Act Policy as set out in paragraphs 26 and 27 of the Inspection Report.

### **List of Appendices Included**

Appendix 1 Inspection Report of His Honour Norman Jones QC dated 12<sup>th</sup> January, 2017.

Appendix 2 Covering letter dated 24<sup>th</sup> January, 2017, from the Chief Surveillance Commissioner.

**Background Papers**

- The Council's Regulation of Investigatory Powers Act Policy

**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)

Inspection by the Office of the Surveillance Commissioners

### 1. Recommendations

- 1.1 That the Committee note the contents of the Inspection Report; and
- 1.2 That the Committee approve the steps to be taken to implement the findings of the Inspection Report.
- 1.3 That the Committee approve the amendment of the Council's Regulation of Investigatory Powers Act Policy as set out in paragraphs 26 and 27 of the Inspection Report.

### 2. Background

- 2.1 On 11<sup>th</sup> January, 2017, the Council was inspected by His Honour Norman Jones QC, an Assistant Surveillance Commissioner in respect of the Council's arrangements to secure compliance with the statutory provisions which govern the use of covert surveillance. The previous inspection took place on 11<sup>th</sup> February, 2014, and was also conducted by His Honour. As part of his inspection His Honour interviewed the following officers:

- 2.1.1 Dermot Pearson (Assistant Director, Legal Services)
- 2.1.2 Neil Concannon (Service Manager, Legal Services)
- 2.1.3 Ailsa Barr (Head of Service, Locality Social Work)
- 2.1.4 Alan Pogorzelec (Business Regulation Manager, Community Safety and Street Scene)
- 2.1.5 Lewis Coates (Interim Safer Neighbourhoods Manager, Community Safety and Street Scene)

- 2.2 The inspection proceeded by way of interview and discussion with the officers and an examination of the Central Record of Investigations and two granted authorisations for directed surveillance arrangements through discussions with members and senior officers. The conclusions of the Inspection Report [which forms Appendix 1 to this report] can be summarised as follows:

- 2.2.1 The Council has continued to maintain a RIPA [Regulation of Investigatory Powers Act] system which is as good as the best found in other local authorities, with an excellent training programme and which provides a well constructed and informative RIPA Policy. The result is a system which includes excellent oversight and gate keeping coupled with authorising officers of good quality who are well-trained.
- 2.2.2 The Council had fully or largely discharged the recommendations of the previous inspection report and there was a high degree of awareness of the risks involved when undertaking covert social media investigation.

- 2.2.3 Some limited issues remain in relation to the drafting of applications/authorisations.
- 2.3 The recommendations of the Inspection Report can be summarised as being that:
  - 2.3.1 The Council take further action to raise RIPA awareness among its staff to minimise the risk of conducting unauthorised covert surveillance.
  - 2.3.2 The Council arrange training for officers to act as controllers and handlers of Covert Human Intelligence Sources. [The report noted that the Council has not used Covert Human Intelligence Sources since the distant past and had no intention to do so in the immediate future].
  - 2.3.3 The Council make amendments its RIPA Policy as set out in paragraphs 26 and 27 of the Inspection Report. These amendments will provide guidance on the use of social media for surveillance and greater clarity on time limits for authorisation and the necessity test for covert surveillance.

### **3. Key Issues**

- 3.1 The Inspection Report is a very positive one, as confirmed by the finding set out at 2.2.1.
- 3.2 A briefing will be presented to a future meeting of the M3 Managers Group which will ensure that managers understand the risk of conducting unauthorised covert surveillance. This will implement the recommendation at paragraph 2.3.1 above.
- 3.3 Officers are exploring options for a cost effective training programme for officers to act as controllers and handlers of Covert Human Intelligence Sources. This will implement the recommendation at paragraph 2.3.2 above.
- 3.4 It will be necessary to amend the Council's RIPA Policy as set out at paragraph 2.3.3 in order to comply with the recommendations in the Inspection Report.

### **4. Options considered and recommended proposal**

- 4.1 The Office of Surveillance Commissioners is the statutory regulator which oversees the conduct of covert surveillance and covert human intelligence sources by public authorities in accordance with the Police Act 1997 and the Regulation of Investigatory Powers Act 2000.
- 4.2 It is therefore recommended that the Council implement the recommendations set out in the Inspection Report.

### **5. Consultation**

- 5.1 None

**6. Timetable and Accountability for Implementing this Decision**

- 6.1 The recommendations set out in the report will be implemented as soon as the required training can be arranged and a briefing to M3 Managers will be presented as soon as there is space available on the agenda for the meeting. Amendments to the RIPA Policy can be made as soon as they are authorised.
- 6.2 The Assistant Director of Legal Services will be responsible for implementing any decisions made by Committee.

**7. Financial and Procurement Implications**

- 7.1 There will be a cost to the training recommended which can be met from existing budgets.

**8. Legal Implications**

- 8.1 The legal implications are dealt with in the body of the report.

**9. Human Resources Implications**

- 9.1 None

**10. Implications for Children and Young People**

- 10.1 There are no direct implications for Children and Young People.

**11. Equalities and Human Rights Implications**

- 11.1 None arising directly from this report

**12. Implications for Partners and Other Directorates**

- 12.1 None arising directly from this report

**13. Risks and Mitigation**

- 13.1 If the recommendations of the Inspection Report are implemented the risk that the Council will find itself in breach of its legal duties under RIPA and the associated legislation will be minimised. A particular risk is that the Council might inadvertently engage in covert surveillance without the necessary authorisation. Non-compliance with its legal duties could result in the Council being in breach of the European Convention on Human Rights and the Human Rights Act 1998 and therefore at risk of legal challenge. A successful challenge could expose the Council to both financial and reputational risk.

**14. Accountable Officer(s)**

Dermot Pearson, Assistant Director Legal Services

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

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

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**OFFICE OF SURVEILLANCE COMMISSIONERS**  
**INSPECTION REPORT**

**Rotherham Metropolitan Borough Council**

**11<sup>th</sup> January 2017**

**Assistant Surveillance Commissioner:  
His Honour Norman Jones QC.**

OFFICIAL - SENSITIVE





Chief Surveillance Commissioner,  
Office of Surveillance Commissioners,  
PO Box 29105,  
London,  
SW1V 1ZU.

12<sup>th</sup> January 2017.

## **INSPECTION REPORT ROTHERHAM METROPOLITAN BOROUGH COUNCIL**

Inspection 11<sup>th</sup> January 2016

Inspector His Honour Norman Jones QC.  
Assistant Commissioner

**Rotherham MBC.**

1. Rotherham Metropolitan Borough covers an area of 110 square miles in South Yorkshire with a mixed urban and rural population of about 260,000. The principal town is Rotherham although within the Borough are a number of smaller townships including Maltby, Rawmarsh, Swinton/Wath-upon-Dearne.
2. Since the last OSC inspection there has been an unusual change in the governance of the Council including in particular the appointment by the Government of Commissioners to administer the MBC and temporarily removing from the existing Council its executive functions. Furthermore there have been unprecedented changes in the senior administrative officers of the Council with the resignation of the then Chief Executive, all Strategic Directors and all but one Assistant Directors. These officers have now all been replaced. The resignation of the CEO was followed by the appointment of one Commissioner to that role from February 2015 until February 2016 when the new CEO was appointed. A new Cabinet has been appointed although there are still split responsibilities between it and the Commissioners. These officer changes have taken place over a period of time and are not all a response to the Government's actions, a number being the result of the normal changes in officers which take place periodically.
3. The new Chief Executive is Ms Sharon Kemp who is immediately supported by an Assistant Chief Executive, four Strategic Directors, a Director and 13 Assistant Directors. The Senior Leadership Team consists of the Chief Executive, the Strategic Directors and the Assistant Director Legal Services/Council Monitoring Officer.
4. Whilst the Commissioners remain in place a gradual reinstatement of the normal governance processes is taking place.
5. I conducted the previous inspection of the Council for the OSC in February 2014.

6. Mr Dermot Pearson, Assistant Director Legal Services, is the recently appointed Senior Responsible Officer (SRO) and Mr. Neil Concannon, Service Manager (Litigation and Social Care) is the *RIPA Co-ordinating Officer* and was appointed in June 2014 after the last inspection when his highly experienced predecessor, Mr Stuart Fletcher, moved to other duties within Legal Services.
7. The movement toward a reduction in authorisation perceived at the time of the last inspection has continued. In the period before the last inspection some 45 authorisations had been granted whereas in a similar period prior to this inspection only two have been granted. Both were for *directed surveillance* and involved the use of covert cameras to detect unlawful fly tipping. Both were justified and neither involved self authorisation or the acquisition of *confidential information*.
6. The Council offices are at Riverside House, Main Street, Rotherham, S60 1AE.

#### **Inspection.**

7. Mr Concannon and Mr Pearson extended a warm welcome to Rotherham. During the inspection interviews and discussions were held with those officers and with Ms Ailsa Barr, Head of Service for Children's Locality Social Work and Disability Service, Mr Allen Pogorzelec, Business Regulation Manager (including Trading Standards) and an authorising officer and Mr Lewis Coates, Interim Safer Neighbourhood Manager and also an authorising officer. All officers afforded enthusiastic assistance and a good standard of *RIPA* knowledge was demonstrated.
8. The inspection proceeded by way of interview and discussion with the officers and also included an examination of the Central Record of Authorisations and the two granted authorisations. Among the issues discussed were those arising from the examination of records, reasons for reduction in authorisation, progress on the recommendations of the last OSC report, the management of *RIPA*, authorising officers, training, CH/S and social media, policy and procedures, reporting to Elected Members and CCTV.

#### **Reduction in authorisations**

9. We discussed the decline in authorisation since the last inspection and reasons given include the following:
  - the effect of the *Protection of Freedoms Act 2012* in removing from consideration for covert surveillance a number of issues which no longer meet the penal threshold. These include authorisations which were previously granted for antisocial behaviour investigations.;
  - Environmental Health and other departments are relying much less on the use of covert techniques and place more reliance on overt investigation;
  - the investigation of benefit fraud, for which a large number of authorisations had previously been granted, has now passed to the DWP;
  - some perceived lack of enthusiasm by officers for the new processes introduced by the *Protection of Freedoms Act 2012* taken in conjunction with anxiety not to be the target of media attention;
  - the Trading Standards Department, which has lost almost half its officers in the last three years, has reduced its reliance on the use of covert techniques and adopted a preference for educating miscreants as well as adopting warning and deterrent procedures in preference to prosecution.
  - test purchasing is generally no longer undertaken by the Trading Standards Department and test purchasing for underage sales of alcohol is undertaken by the police. The sale of cigarettes/tobacco to young people is not perceived as a significant problem in Rotherham.

#### **Examination of Records**

10. The **Central Record** is well maintained on a computerised spreadsheet. It is now fully compliant with the requirements of the *Code of Practice for Covert Surveillance and Property Interference*, 8.1 but would benefit from the insertion of the actual dates of authorisation and the linking of the duration of authorisation to the date of approval by a magistrate and no longer the date of authorisation.
11. The two *directed surveillance* authorisations were examined in detail.
12. Both **applications and authorisations** were of a generally good standard although some weaknesses were perceived. It was particularly encouraging to note that after Mr Concannon assumed his responsibilities he reviewed these authorisations, which had already been undertaken, and identified most of those weaknesses discovered in this inspection. He followed that up by writing a detailed note to the authorising officers outlining his concerns and drawing them to their attention.
13. The particular issues identified and which were discussed with the officers were:
  - Including as a ground of *necessity* "in the interests of public safety" which is not available to local authorities.
  - A tendency to over detail the offending behaviour as an element of *necessity* and not sufficiently detail why it is being considered necessary to use covert surveillance as a tool of the investigation.
  - In one authorisation the issues of *necessity* and *proportionality* were inadequately covered. (As a purely practical point it should be observed that the boxes in the form may be expanded before it is printed to give the authorising officer adequate room to make more detailed comments).
  - In one of the authorisations in the *confidential information* box entries had been made which were not required since the application indicated that no *confidential information* would be obtained. (Mr Concannon contacted the authorising officer and detected some confusion as to the meaning of *confidential information*. He alerted the officer to the considerations applying to that subject).
  - Expiry dates were linked to the date of authorisation rather than that of magistrate's approval.

It was noted when these issues were discussed that Mr Coates and Mr Pogorzelec appreciated the problems which will be taken back and corrections disseminated within their respective Departments.

14. It was encouraging to note that good attention was given to the detailed information required in both the application and authorisation and that the authorising officer identified the "5Ws" individually and provided information accordingly. Furthermore the authorisations were hand written, which is best practice, and cancellations were promptly undertaken. Particularly helpfully maps were provided in each case and one contained photographs of the site defaced by commercial fly tipping. Both had received magistrate's approval.

#### **Progress on previous recommendations**

15. Four recommendations were made in the last OSC report:
  - i. *Establish a "chasing up" process to ensure that dates are maintained and ancillary documents are submitted on time.*

Mr Concannon is responsible for the maintenance of the Central Record of Authorisations. As a result he is aware of all dates to be kept and he diarises these and contacts the relevant officers when actions should be taken. In addition he conducts monthly checkups. This recommendation has been discharged.

*ii. Address in future training the weaknesses identified in the examination of documents and ensure that officers are trained to manage CHIS.*

Professional external trainers have been engaged to conduct regular training since the last inspection and they have been made aware of the contents of that inspection report. In return those particular issues have been addressed during training sessions save that training for the management of CHIS has not been undertaken. (See **Training** below) This recommendation has been largely discharged.

*iii. Ensure all authorising officers attend all RIPA corporate training courses.*

Attendance schedules are now maintained and authorising officers have attended all the relevant training since the last inspection. If an officer was unable to attend, appropriate training to that officer is delivered by an e-learning module provided by the trainer. This recommendation has been discharged.

*iv. Ensure councillors are kept informed of RIPA activity within the Council.*

Biannual RIPA reports are delivered to the Audit Committee although neither report is specifically designated as the annual report. This recommendation has been discharged.

#### **Management of RIPA.**

16. Both the SRO and the *RIPA Co-ordinating Officer* are new appointments since the last inspection although Mr Concannon's appointment was anticipated at that time. Mr Pearson, who came to Rotherham in March 2016, had *RIPA Co-ordinating Officer* responsibility previously at Kirklees MBC and later, whilst interim Head of Legal Services at Bradford MBC. He therefore comes to the role as *SRO* at Rotherham with a strong *RIPA* background. He impresses as an officer with a comprehensive understanding of the subject and in particular of his oversight responsibilities and responsibility to ensure that authorising officers receive appropriate training. Mr Concannon, appointed *RIPA Co-ordinating Officer* in June 2014, does not come from such a *RIPA* background but as a litigation practitioner he had attended professional external *RIPA* training previously and had a degree of familiarity with the subject. Following appointment he has brought himself up to speed by attending *RIPA* training by a solicitors firm identified by East Midlands Lawshare, a consortium of primarily East Midlands lawyers which provides training for its members including *RIPA* training and of which Rotherham MBC is a member. In addition he was much assisted by his highly competent predecessor whilst assuming this new role. He has attended all the corporate training provided since his appointment. He is fully aware that the responsibilities of a *RIPA Co-ordinating Officer* are (a) maintaining the Central Record of Authorisations and collating the original applications/authorisations, reviews, renewals and cancellations; (b) oversight of submitted *RIPA* documentation; (c) organising a *RIPA* training programme and (d) raising *RIPA* awareness within the Council. He has read *RIPA* together with the *Codes of Practice* and the *OSC Procedures and Guidance*. He drafted a revised *RIPA* outline document for use in opening applications before the magistrates and which has been made available to magistrates' clerks. It is the

practice of Rotherham MBC that a solicitor should attend at the magistrates when applications for approval are made and Mr Concannon attends on those occasions.

17. In relation to the issue of raising *RIPA* awareness it is recognised that further action is needed. At the present time little is done to ensure that the general Council staff are aware of the requirement to obtain authorisation whenever covert surveillance is to be undertaken or to obtain advice whenever there is any uncertainty as to whether authorisation is required. This issue relates particularly to Departments considered less likely to undertake covert surveillance. One of the significant risks faced by the Council is that of conducting unauthorised covert surveillance. The wider the appreciation of the requirement for authorisation is known the lesser this risk. This was discussed with the officers and it was felt that a newly instituted three monthly meeting of managers could be used to commence a system of cascading *RIPA* information to staff members. The managers would be informed of the importance of obtaining authorisation whenever covert surveillance was considered and to disseminate that information with the contact details of the SRO and *RIPA Co-ordinating Officer* from whom advice could be obtained. Furthermore that the two newsletters circulated to staff could periodically contain similar information.

#### **See recommendation**

#### **Authorising officers**

18. There are now five designated authorising officers of appropriate rank all of whom have been trained at least once since the last inspection by a professional external trainer or through the media of an e-learning package bought in from the trainer. In addition the Chief Executive and (in her absence) whoever deputises for her, may authorise for the employment of *juvenile* or *vulnerable CHIS* and for the acquisition of *confidential information*. She is currently being trained using the e-learning package. All authorising officers are identified in the *Rotherham MBC RIPA Policy*. Attention was drawn to the *Code of Practice for Covert Surveillance and Property Interference, note 28*, which infers that the SRO should be an authorising officer. If so designated he should only authorise in exceptional circumstances but would provide some additional resilience. He has received the training required.

#### **Training**

19. Rotherham MBC has instituted a first-class training programme for its authorising officers, *RIPA* officers and likely applicants. A schedule of training undertaken since the last inspection shows it being provided immediately before the last inspection, in June 2014, in December 2015, and in January 2017 by an external professional trainer to authorising officers, *RIPA* officers and likely applicants from a number of Departments considered as potential users of covert surveillance. In addition, on his appointment as *RIPA Co-ordinating Officer* Mr Concannon received the training outlined above from solicitors. Mr Concannon reviews the Departments required to undertake training to ensure it has been received by any officer likely to undertake covert surveillance. Whenever there are changes in the legislation, the *Codes of Practice* or the *OSC Procedures and Guidance* Mr Concannon circulates the authorising officers with details and a request that the information is disseminated to staff. Copies of documents circulated were produced at the inspection.
20. The use of an e-learning package has been described above and it is being found very successful. Its structure requires a study of the material provided followed by a test required to be successfully undertaken before it is considered that the user has satisfied the programme. We discussed the possibility of extending its use to providing the

refresher training which is currently provided by face-to-face training by a professional trainer.

21. In addition to the above Mr Concannon has provided training to members of the Audit Committee which has been required by the Commissioners to oversee *RIPA* activity.

***CHIS and Social Media.***

22. Although in the distant past *CHIS* have been deployed by the Council it has not done so recently and has no intention to do so in the immediate future, but is concerned to ensure that it is equipped to undertake such activity if an essential occasion arose. In that respect it was conceded that officers have not been specifically trained to manage *CHIS*. This has not been due to unwillingness to provide such training but because a view had been taken that the training required should be able to bring those who received it to much the same standard as required of police officers who manage *CHIS*. It was explained that such a high standard would not be required of a local authority but that the training should ensure that the officers receiving it were fully aware of their various responsibilities and the care that should be taken in the execution of their roles. On that basis it would appear that a professional trainer should be able to provide the service required but, if not, an approach could be made to the police. The risks of "status drift" were again briefly discussed but in common with most authorities it was felt that the loss of benefit fraud investigation to the DWP has removed much of that risk which arose from the use of benefit fraud hotlines.

**See recommendation.**

23. The use of **social media investigation** was discussed with all officers attending the inspection. The only unit within the Childcare Service to have access to social media for any enquiry purpose was the Family Assessment Team which has responsibility for the assessment of parenting within families which come within their sphere of activity. A Facebook account is only accessible by managers and the issue only arises in relation to a small proportion of the families under assessment by the unit. When such investigation is to be undertaken in relation to any particular family it forms part of the initial agreement between the Council and the family that officers should be able to and will access the Facebook accounts of the parents. Only open source material is accessed although return visits may be made to the account. It follows that such activity is overt and does not require *RIPA* authorisation. Specific instructions are given to all other investigating teams, with particular reference to Facebook, not to use social media sites, in relation to their council responsibilities. The Family Assessment Team would not access children's Facebook accounts and in any event the age of the children involved in such cases is usually very young. Investigators involved in the Safeguarding Children unit may access the Facebook accounts of young persons but in that case the officers will be working with the police and that is done under the aegis of police authorisation. Staff are fully aware of the authorisation requirements in the event of breaching privacy controls and training has been given recently to that effect. Ms Barr undertook to draw these matters to the attention of officers within her Department following this inspection.
24. It was noted that no covert Facebook accounts exist within the Council. The Trading Standards Department does have a standalone computer but its Facebook account is designated to Rotherham MBC. From time to time Trading Standards receive information about illegal activities being undertaken on social media sites, in particular Facebook. This intelligence often arrives through anonymous "tip offs" from members of the public. The practice is to pay one visit to the website concerned to see if there is evidence of illegal activity and if there is to obtain a screenshot. The visit is only to open source material and repeated visits are not paid. Mr Pogorzelec was aware of the requirements for authorisation in the event of repeated visits to open source material as well as if the

privacy controls were breached when *directed surveillance* would be required and CH/S authorisation being required if any relationship was formed with the site operator. It is to be noted that investigation of counterfeit goods, including cigarettes/tobacco, is more likely to be undertaken by officers obtaining a search warrant and visiting premises the subject of intelligence.

25. The Environmental Health Department also occasionally engages in visits to the open source material on Facebook accounts but the Department does not have a Facebook account of its own although it is in the process of setting one up which will be overt and attributable. It does not have access to a covert identity account. Again Mr Coates was aware of the caution to be exercised when engaging in such activity.
26. It was noted that the Council does not have a social media policy specifically related to the use of covert surveillance. It does have an overall policy which controls the way in which social media may be used by officers but that is largely directed to the dissemination of Council information rather than the acquisition of intelligence. The inclusion of such a policy within the Council's *RIPA Policy* is required and Mr Concannon undertook to make the necessary amendment. A "rule of thumb" guide, which may not be appropriate for all social networking sites, was discussed in the following terms:

Reviewing open source sites does not require authorisation unless the review is carried out with some regularity, usually when creating a profile, in which case *directed surveillance* authorisation will be required. If it becomes necessary to breach the privacy controls and become, for example, a "friend" on the Facebook site, with the investigating officer utilising a false account concealing his/her identity as a Council officer for the purposes of gleaning intelligence, this is a covert operation intended to obtain private information and should be authorised, at the minimum, as *directed surveillance*. If the investigator engages in any form of relationship with the account operator then s/he becomes a CH/S requiring authorisation as such and management by a Controller and Handler with a record being kept and a risk assessment created.

**See recommendation.**

#### **Policy and Procedures**

27. The Council's *RIPA* policy and procedures are set out in its *RIPA Policy*. It was newly drafted at the time of the last inspection and has been revised since that time most recently in November 2016. I described it at the time of the last inspection as "succinct and contains useful guidance and flowcharts together with sample forms with excellent prompts". That remains the situation at this time. A very small number of amendments would add clarity to certain sections and these include:
  - adding in relation to time limits of authorisations that the duration of an authorisation runs from the date of approval by a magistrate;
  - within the consideration to be given to the issue of *necessity* a requirement to consider why it is necessary to use covert surveillance within the investigation (also advised in the last inspection report);
  - a section outlining a social media investigating policy in relation to covert surveillance.

**See recommendation**

28. Within its *Policy* is an appendix giving guidance on the use of covert surveillance falling beyond the parameters of *RIPA*. It is headed "Non-RIPA Surveillance" and provides a process supported by a flowchart which is similar to that for *RIPA*. Its use was discussed

with Mr Concannon and attention was drawn to the fact that even if this process were applied there can be no guarantee that the judge would admit evidence obtained by such means or that the Council would necessarily be immune from litigation for breach of human rights. In other words it cannot avail itself of the protection afforded by *RIPA*. In those circumstances, whilst of itself it may not be unlawful, its use should be exercised with very great caution. Officers should bear in mind the limitations placed upon the Council by the *Protection of Freedoms Act 2012* and the *RIP(Directed Surveillance and CHIS)(Amendment)Order 2012, SI 2012/1500* with the intention of Parliament to limit the usage of covert surveillance by local authorities.

#### Councillors.

29. Regular *RIPA* reports have not been provided to the Elected Members continually throughout this inspection period but a report was given to the Commissioners in 2015 as was a report in that year made to the Audit Committee. This may be in part due to the somewhat difficult situation over governance during this time. However biannual reports are now given but do not include a specific annual report. Attention was drawn to the *Code of Practice for Covert Surveillance and Property Interference*, paragraph 3.35 which requires that "Elected Members of a local authority should review the authority's use of the 2000 Act and set the policy at least once a year. They should also consider internal reports on use of the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose." It is considered that the Council's Audit Committee is the appropriate committee to receive such reports and officers were advised that an annual report should be made supported by at least two further reports during the course of the year. The importance of informing Councillors of both *RIPA* activity and inactivity was discussed.

#### CCTV

30. Whilst a public CCTV system does exist within Rotherham it is operated by the police.

#### Conclusions

31. It is encouraging to note that in spite of its difficulties in the recent past Rotherham MBC has continued to maintain a *RIPA* system which is as good as the best found in other local authorities. It has an excellent training programme and provides a well constructed and informative *RIPA Policy* which will benefit any applicant or authorising officer. In addition, although there has been a considerable change in Council staffing, a number of the officers engaged with *RIPA* have remained constant although there has been a complete change in those managing *RIPA*. In spite of that change it is encouraging to note that both the SRO and the *RIPA Co-ordinating Officer* are well informed and highly conscientious officers. Mr Pearson has the benefit of a *RIPA* background and Mr Concannon has rapidly brought himself up to speed. The result is a system which includes excellent oversight and gate keeping coupled with authorising officers of good quality and well-trained.

32. It was further encouraging noting that the Council had fully or largely discharged the recommendations of the last report and that there was a high degree of awareness of the risks involved when undertaking covert social media investigation.

33. Some limited issues still remain in relation to the drafting of applications/authorisations but it may be felt that these could be addressed by the officers by ensuring that they follow the guidance available both in the *RIPA Policy* and the prompts in the forms rather than by further training.

34. Is unlikely that Rotherham MBC will again become a substantial user of covert surveillance as a means of intelligence gathering or as a tool of investigation generally but if it does so it is largely equipped to satisfy the requirements.

**Recommendations**

35.

- I. Take further action to raise *RIPA* awareness. (Paragraph 17).
- II. Train officers to act as controllers and handlers of *CH/S*. (Paragraph 22).
- III. Amend the *RIPA Policy* document. (Paragraphs 26 and 27).

**His Honour Norman Jones, QC.**  
**Assistant Surveillance Commissioner.**



**OFFICIAL- SENSITIVE**

**DISCLAIMER**

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.

**OFFICIAL -- SENSITIVE**





Chief  
Surveillance  
Commissioner

**Official -Sensitive**

**24 January 2017**

**OSC Inspection**

Dear *Chief Executive*,

I enclose a copy of the report dated 12 January 2017 prepared by His Honour Norman Jones QC, Assistant Surveillance Commissioner, following his inspection of the arrangements made by the Council to secure compliance with the statutory provisions which govern the use of covert surveillance.

I have studied the report and endorse it.

The report immediately acknowledges the rather dramatic changes which have taken place in the governance of the Council. In the unusual circumstances it is to the credit of the officials vested with responsibility for securing compliance with complex RIPA provisions that despite these changes, the recommendations made following the inspection in 2014 have been effectively addressed. Moreover although the report includes a number of recommendations, the conclusion that it maintains a system "as good as the best found in other local authorities" is a considerable tribute. His Honour is not given to paying unmerited compliments.

The recommendations are self-explanatory. There is a continuing need not only for training, but in effect for widening the programme of training to raise awareness of the statutory provisions, not least in the context of the use of social media sites and the Internet for investigative purposes. Such use is legitimate, but there are circumstances in which it may fall within the legislative provisions, and officials, acting in good faith, vested with responsibilities, for example, for the protection of children, and the welfare of vulnerable adults, unless aware of the provisions, may inadvertently find that they have acted or are acting unlawfully. Beyond raising awareness generally, the Policy document requires some amendments, including but not limited to a section relating to the use of social media. The third recommendation also involves a training element, directed to the possible future use of CHIS should the need arise.

The report includes a number of more general comments and suggestions which will no doubt be given the serious attention they deserve. It is not necessary for me to identify them, but I choose as examples only, paragraph 13, which has already been discussed, and paragraph 29, which relates to informing elected Councillors of the use, or non-use of the legislative powers.

Yours sincerely,

Ms Sharon Kemp  
Chief Executive  
Rotherham Metropolitan Borough Council  
Riverside House  
Main Street  
Rotherham S60 1 AE

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## Summary Sheet

### Council Report

Audit Committee

#### Title

Closure of the Accounts 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 of Finance & Customer Services

#### Report Author(s)

Graham Saxton – Assistant Director, Financial Services

Finance & Customer Services Directorate

01709 822034 [graham.saxton@rotherham.gov.uk](mailto:graham.saxton@rotherham.gov.uk)

#### Ward(s) Affected

All

#### Executive Summary

The principal objective of the Council's annual financial statements is to make the Council accountable to a range of local and national stakeholders over the stewardship of its resources.

It is therefore important that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts.

This report brings to Members attention the main changes to the local authority accounting framework in 2016/17, including their effect on the Council's accounting policies.

It also highlights the steps being taken to gear up for faster closure necessary to meet the tighter reporting timetable which comes into effect from 2017/18 (unaudited financial statements to be published by the end of May, audited financial statements to be published by the end of July).

**Recommendations**

**The Audit Committee is asked to:**

- i. **Note the key accounting issues and main changes to the accounts in 2016/17 listed in Appendix A; and**
- ii. **Note the changes to the Council's accounting policies that have been made as a result of changes to the local authority accounting framework in Appendix B**

**List of Appendices Included**

Appendix A – Key accounting issues and changes to the accounts in 2016/17

Appendix B – Changes to the Council's accounting policies

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2016/17

Accounts and Audit Regulations 2015

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Closure of the Accounts 2016/17**

### **1. Recommendations**

**The Audit Committee is asked to:**

- i. Note the key accounting issues and main changes to the accounts in 2016/17 listed in Appendix A; and**
- ii. Note the changes to the Council's accounting policies that have been made as a result of changes to the local authority accounting framework in Appendix B**

### **2. Background**

- 2.1** The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 2.2** The Code prescribes the basis on which internationally recognised accounting standards (International Financial Reporting Standards or IFRS) are to be interpreted for local authority financial reporting. The accounts are prepared on an IFRS basis but then include a reconciliation of how revenue and capital is funded within Local Government by central government and local tax payers and rent payers. Changes have been made this year in the reporting of financial performance which seeks to provide a better link between the two bases.
- 2.3** There have been no changes to the statutory framework, the Accounts and Audit Regulations 2015.
- 2.4** Members are reminded that the Accounts and Audit Regulations 2015 made changes to the point at which local electors can exercise their rights to inspect the accounts and ask questions of the auditor. These commence for a period of 30 working days when the unaudited Statement of Accounts is published on the Council's website alongside the draft Annual Governance Statement and Narrative Report. The preparation of these three documents is being co-ordinated to ensure that the statutory deadline for publication in 2016/17 of 30 June is achieved.

### **3. Key Issues**

#### **3.1 Key Accounting issues and Changes to the Local Authority Accounting Framework**

- 3.3.1 The key accounting issues and main changes to the Local Authority Accounting Framework that will impact on the 2016/17 Statement of Accounts are summarised in Appendix A.
- 3.3.2 Changes required to the Council's accounting policies as a consequence are summarised in Appendix B.

#### **3.2 Faster closure**

- 3.2.1 The Accounts and Audit Regulations 2015 confirmed that the timetable for preparing and publishing the Statement of accounts will be brought forward with effect from 2017/18.

At present, the statutory deadlines for publishing the unaudited and audited Statement of Accounts are 30 June and 30 September respectively. From 2017/18, these will be brought forward to 31 May and 31 July respectively.

- 3.2.2 CIPFA recognises the major challenge this represents and is looking to support local authorities by encouraging local authorities to focus on material items only in their financial reporting. The draft 2017/18 Code makes it explicitly clear that local authority financial statements only need disclose information which is material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements.

- 3.2.3 By way of a guide, KPMG have set an overall materiality level for planning purposes of £11 million in 2016/17 with individual differences of less than £550,000 being considered trivial.

- 3.2.4 We have conducted an initial review of which disclosures might be removed from the accounts as non material. This will be revisited once the 2016/17 unaudited Statement of Accounts has been published with a view to seeking early agreement with KPMG.

- 3.2.5 The 2016/17 closure of accounts will also be used as an opportunity to conduct a final "dry run" for achieving faster closure by identifying potential barriers and determining how they can be resolved in advance of the 2017/18 year end.

### **4. Options considered and recommended proposal**

- 4.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2016/17 and to note the actions being taken by officers to ensure that they are being implemented.

**5. Consultation**

5.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

**6. Timetable and Accountability for Implementing this Decision**

6.1 The statutory deadline for publishing this year's unaudited and audited Statement of Accounts is the same as previous years, namely 30 June and 30 September respectively. However, this year's closure of the accounts is being used as a "dry run" in readiness for the statutory reporting deadline being brought forward in 2017/18.

**7. Financial and Procurement Implications**

7.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet KPMG's expectations.

**8. Legal Implications**

8.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 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 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners or other directorates.

**13. Risks and Mitigation**

13.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

**14. Accountable Officer(s)**

Judith Badger - Strategic Director of Finance and Customer Services

Approvals Obtained from:-

Graham Saxton - Assistant Director, Financial 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

KEY ACCOUNTING ISSUES / CHANGES TO THE ACCOUNTS IN 2016/17

Area of accounts	Issue	Action taken
Change in the reporting of financial performance (new CIES)	<p>Service expenditure reported in the Income &amp; Expenditure Statement (CIES) was previously reported using a standard classification applicable to all local authority accounts irrespective of how local authorities were configured. A common set of principles were also applied to determining the total cost of delivering these services which included apportioning out overheads and support service costs to front line services.</p> <p>In 2016/17, the Accounting Code of Practice has abandoned the standard classification. The Code now requires service expenditure to be presented in the CIES in the way in which it is reported internally to management. Hence, the service expenditure heads should now be much more familiar : Adult Care &amp; Housing, CYPS, Regeneration &amp; Environment, Public Health, Assistant Chief Executive, Finance &amp; Customer Services and Central Services.</p> <p>It is important to stress however, that the figures reported in the accounts will still adopt total cost principles and therefore include items which do not form part of the Council's cash limited budgets, for example capital charges. Hence, the outturn figures reported in the CIES will not correspond to those in the Revenue Outturn report.</p> <p>As the change in reporting represents a change in accounting policy, prior year comparatives will have to be restated so that they are on a like for like basis with the figures reported in 2016/17.</p> <p>The new format with restated comparatives is provided at the end of Appendix A by way of illustration (figures still subject to audit)</p>	<p>Principles for compiling the CIES in the new format agreed with KPMG.</p> <p>Prior year comparatives restated but still subject to audit.</p> <p>Accounting Policy 1 amended</p>
Change in the reporting of financial performance (Expenditure & Funding Analysis or EFA)	<p>A new disclosure note will be required in 2016/17 which seeks to reconcile the cost of services on a cash limited basis to the amounts reported in the CIES using total cost principles.</p> <p>In principle, this would involve reconciling the net expenditure and resources used to fund it reported in the Revenue Outturn report in respect of the</p>	<p>Principles for compiling the EFA agreed with KPMG.</p> <p>Prior year comparatives restated but still subject to audit.</p>

	<p>HRA and General Fund services to the surplus / deficit on the provision of services reported in the CIES.</p> <p>In practice, this will be difficult to achieve due to the way in which certain items of expenditure and transfers to / from reserves are dealt with in the accounts.</p> <p>Prior year comparatives are required.</p>	Accounting Policy 1 amended.
Triennial revaluation of the Local Government Pension Scheme	<p>The assumptions underpinning the 2016 triennial revaluation of the Local Government Pension Scheme will be reflected in the Council's share of the South Yorkshire Pension Scheme's overall deficit.</p> <p>This is likely to have a material impact on the pensions deficit reported in the Council's balance sheet (£330m at 31 March 2016)</p>	Assumptions to be used in estimating the deficit at 31 March 2017 agreed with the actuary
Valuation of council dwellings	<p>The value at which council dwellings are carried in the balance sheet is based on local sales values discounted to take account of the fact that social rents are below market rents.</p> <p>The discount factor for Yorkshire &amp; the Humber which is specified by the Government has been reduced in 2016/17. This will lead to a material increase in the value of council dwellings of perhaps a third (c. £150m) against the carrying value at 31 March 2016 of £482m</p>	The revised discount factor has been taken into account in determining the valuation of council dwellings in 2016/17.
Schools converting to academy	<p>During the course of 2016/17, a further 15 schools have converted to an academy.</p> <p>The working capital and school balances relating to these schools will be removed from the Council's balance sheet.</p> <p>Income and expenditure post conversion will also cease to be included in the Council's accounts as the schools are no longer under Council control.</p> <p>The impact on both the balance sheet and income and expenditure is still being quantified but is likely to be material. A disclosure note will be provided to assist in understanding the effect.</p>	
Highways Network Asset	<p>The 2016/17 Code planned to introduce a very substantial change to the value at which Highways Infrastructure Assets are carried in the balance sheet.</p> <p>Had this change come into effect, it is estimated that the carrying value of Highways Infrastructure Assets may have increased from £136m at 1 April 2016 to a figure nearer £1.5bn.</p> <p>However, CIPFA have recently announced that</p>	None now required

	<p>the change to the Code has been postponed indefinitely unless the benefits of restating the Highways Infrastructure Assets on the new basis clearly outweigh the cost of introducing it.</p> <p>Accordingly, Highways Infrastructure Assets will continue to be stated in the balance sheet on the existing basis.</p>	
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Restated comparatives in the new format of the CIES

Gross Expenditur e £000	Gross Income £000	2015/16 as restated Net Cost £000		Gross Expenditur e £000	Gross Income £000	2016/17 Net Cost £000
111,313	(40,583)	70,730	Adult Care and Housing	0	0	0
71,320	(84,912)	(13,592)	Local Authority Housing (HRA)	0	0	0
90,625	(24,481)	66,143	CYPS Excl Schools	0	0	0
139,870	(131,059)	8,811	Schools	0	0	0
77,450	(29,441)	48,009	Regeneration and Environment Services	0	0	0
16,307	(16,036)	270	Public Health	0	0	0
7,287	(2,512)	4,775	Assistant Chief Executive Office	0	0	0
104,931	(95,870)	9,061	Finance and Customer Services	0	0	0
9,287	(13,164)	(3,876)	Central Services	0	0	0
628,391	(438,059)	190,332	Cost of Services	0	0	0
41,808	(6)	41,802	Other Operating Expenditure	0	0	0
45,167	(1,933)	43,234	Financing and Investment Income and Expenditure	0	0	0
0	(237,273)	(237,273)	Taxation & Non-Specific Grant Income and expenditure	0	0	0
715,366	(677,270)	38,096	(Surplus) / Deficit on Provision of Services	0	0	0
		(16,902) (1,295) (51,883)	(Surplus) on Revaluation of Non Current Assets Write down of Met Debt Remeasurements of assets and liabilities			0 (712) 0
		(70,080)	Other Comprehensive Income & Expenditure			(712)
		(31,984)	Total Comprehensive Income & Expenditure			(712)

## **CHANGES TO ACCOUNTING POLICIES**

### **Accounting Policy 1 - General Principles**

Amended for the changes to the way that financial performance is presented in the 2016/17 accounts in the revised CIES and the new Expenditure and Funding Analysis note. Wording as follows:

“From 2016/17, the service expenditure analysis in the CIES is based on that used for reporting internally to management rather than the standard analysis prescribed in the Service Reporting Code of Practice (SeRCOP). A key change is the treatment of support service costs or overheads. Under SeRCOP, support service costs are apportioned out to front line services to determine the total cost of providing a service. Under the new segmental reporting requirements, if support services are operated, managed and reported as a separate segment they are not apportioned across services but instead reported separately in their own right. This represents a major change to the presentation in the CIES and required comparatives in the 2016/17 accounts to be restated.

A new Funding and Expenditure Analysis has been introduced which provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants.”

### **Accounting Policy 4 – Overheads and support services**

Amended to reflect the fact that overheads and support service costs are no longer apportioned out to front line services if they are reported on internally as a separate expenditure head (which they are in the Council’s current organisational structure under Assistant Chief Executive’s Department and Finance & Customer Services).

Wording amended to:

“As a result of the new segmental reporting requirements, due to the fact that support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement”.

### **Accounting Standards issued but not yet adopted**

The reference to the financial effect of the change in the basis of measuring the value of Highways Infrastructure Assets has been deleted following CIPFA’s decision to postpone its introduction indefinitely.



Public Report

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### **Summary Sheet**

#### **Council Report**

[Audit Committee](#)

#### **Title**

KPMG Annual Report on Grants and Returns 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 & Customer Services

#### **Report Author(s)**

Graham Saxton – Assistant Director, Financial Services

Finance & Customer Services Directorate

01709 822034 [graham.saxton@rotherham.gov.uk](mailto:graham.saxton@rotherham.gov.uk)

#### **Ward(s) Affected**

All

#### **Executive Summary**

In agreement with our external auditor, KPMG annually provides feedback on the effectiveness of the Council's arrangements for preparing and submitting government grant claims and returns.

The report attached as Appendix 1 summarises KPMG's key findings from the certification work they have carried out in 2015/16.

KPMG were required to audit 3 claims and returns in 2015/16. Two were unqualified, minor errors were found in relation to the third, the Housing Benefit Subsidy claim. The minor errors identified do not impact on the amount of grant claimed. These findings demonstrate that the Council continues to have good arrangements in place to support the preparation and submission of grants and returns.

#### **Recommendation**

**The Audit Committee is asked to note the external auditor's report**

**List of Appendices Included**

Appendix 1 - KPMG Annual Report on Grants and Returns Work 2015/16

**Background Papers**

Audit Appointment Letter 2015/16

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **KPMG Annual Report on Grants and Returns 2015/16**

### **1. Recommendation**

**The Audit Committee is asked to note the external auditor's report**

### **2. Background**

2.1 In agreement with our external auditor, KPMG annually provides feedback on the effectiveness of the Council's arrangements for preparing and submitting government grant claims and returns.

The report attached as Appendix 1 summarises KPMG's key findings from the certification work they have carried out in 2015/16.

### **3. Key Issues**

3.1 KPMG were required to audit 3 claims and returns in 2015/16 (Housing Benefit Subsidy claim, Teachers' Pensions Return and Pooled Housing Capital Receipts Return).

They issued a qualification certificate in respect of the Housing Benefit Subsidy claim and unqualified certificates for the other two returns.

The errors which led to the qualification of the Housing Benefit Subsidy claim were only minor in nature and resulted in the amount of subsidy being under-claimed by £1,690. This is in the context of the total value of the claim of £90,348,575. An adjustment will be made in 2016/17 to recover the £1,690 due so that there will be no financial impact. Such minor errors are considered a very good outcome given the magnitude and complexity of this claim.

**KPMG's report demonstrates that the Council continues to maintain the high standard achieved in recent years and has good arrangements in place to ensure the efficient and effective preparation and submission of claims and returns and which supports the audit process.**

### **4. Options considered and recommended proposal**

4.1 KPMG are mandated to carry out the grant certification work under the terms of their engagement. No discretion exists

### **5. Consultation**

5.1 The contents of this report were discussed with management in Revenues, Benefits and Payments.

**6. Timetable and Accountability for Implementing this Decision**

6.1 The report is for noting only.

**7. Financial and Procurement Implications**

7.1 The £15,497 fee charged by KPMG, for certifying the 2015/16 Housing Subsidy Grant is in line with Public Sector Audit Appointments (PSAA) indicative fee. This represents a 25% reduction from the 2014/15 fee.

7.2 The fees charged for the other two returns are in line with those agreed with the Council

7.3 The submission of substantially accurate, complete and timely claims with good supporting working papers has enabled KPMG to place assurance on the Council's arrangements and therefore keep the audit fees to a minimum.

**8. Legal Implications**

8.1 There are no specific Legal implications arising from the report.

**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 There are no implications arising from this report to Partners or other directorates.

**13. Risks and Mitigation**

13.1 There are no outstanding risks or uncertainties as all the 2015/16 claims and returns have been certified and submitted.

**14. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance and Customer Services)

Approvals Obtained from:-

Assistant Director, Financial Services – Graham Saxton

This report is published on the Council's website



# Annual Report on grants and returns 2015/16

**Rotherham Metropolitan Borough Council**

January 2017

# Contents

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in connection with this  
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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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments's website ([www.psaa.co.uk](http://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 ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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](mailto: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.

## Headlines

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim
  - the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £90,348,575.
- Under separate assurance engagements we certified two claims/returns as listed below.
  - Teachers Pension EOYCa Return; and
  - Pooling of Housing Capital Receipts Return.

### Certification and assurance results (Pages 3-4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter.

- Minor errors were found in relation to the calculation of rent allowances, but these did not result in an amendment; and
- Minor errors were identified in the application of war pension uprating and mobility disregard. The Authority undertook additional testing and found further errors. The Authority plans to amend these errors in their 2016/17 return (see page 5 for further detail).

No adjustments were necessary to the other Council's grants and returns as a result of our certification work this year. This is in line with previous years.

### Recommendations

We have made no recommendations to the Council from our work this year.

In addition there were no recommendations outstanding from previous years' work on grants and returns.

### Fees (Page 6)

Our fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was £15,497, which is in line with the indicative fee set by PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were:

- Teachers Pension EOYCa Return - £3,250
- Pooling of Housing Capital Receipts Return - £2,500

These are in line with the fees for prior year.

## Summary of reporting outcomes

**Overall, we carried out work on 3 grants and returns:**

- **2 were unqualified with no amendment;**
- **1 required a qualification to our audit certificate.**

**Detailed comments are provided overleaf.**

Detailed below is a summary of the reporting outcomes from our work on the Council's 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments regime</b>					
— Housing Benefit Subsidy	1	●		●	
<b>Other assurance engagements</b>					
— Teachers Pension EOYCa Return					●
— Pooling of Housing Capital Receipts Return					●

# Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p><b>Housing Benefit Return</b></p> <p>The following issues were identified as a result of our testing:</p> <ul style="list-style-type: none"><li>- Weekly earned income:<ul style="list-style-type: none"><li>- Two instances where the Authority input an incorrect amount that had no impact on the amount claimed.</li><li>- One instance where the Authority input an incorrect amount which led to an overpayment, but the impact on the return was nil.</li><li>- Two instances where the Authority input an incorrect amount which led to underpayments. As there is no eligibility for subsidy for benefit which has not been paid, these did not impact the subsidy, and were not classified as errors for subsidy purposes.</li></ul></li><li>- Two errors in relation to one case<ul style="list-style-type: none"><li>- Firstly not uprating the war pensions correctly in past years; and</li><li>- secondly not disregarding the mobility disregard.</li></ul></li></ul> <p>The net impact of these errors was an overstatement of £1,585 in cells 214 and 225 and a corresponding understatement in cells 55 and 61. These had an impact on the subsidy claimed as cell 214 attracts 75% subsidy and cell 61 attracts 100% subsidy. Due to the nature of this error, the Authority undertook additional testing of the relevant cells and found additional errors which resulted in an overall under claim of £1,689.59 by the Authority. It has been agreed with Department for Work and Pensions that the 2016/17 return can be amended for this, so there is no amendment required in the 2015/16 return.</p>	nil

## Fees

**Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.**

**Our fees for other assurance engagements on grants/returns are agreed directly with the Council.**

**The overall fees we charged for carrying out all our work on grants/returns in 2015/16 was £21,247.**

### Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £15,497. Our actual fee was the same the indicative fee, and this compares to the 2014/15 fee for this claim of £20,663. The reduction of 25% was set by PSAA.

### Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2015/16 were in line with those in 2014/15.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	15,497	20,663
Teachers Pension EOYCa return	3,250	3,250
Pooling of Housing Capital Receipts return	2,500	2,500
<b>Total fee</b>	<b>21,247</b>	<b>26,413</b>



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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## Summary Sheet

### Council Report

Audit Committee

#### Title

External 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 of Finance and Customer Services

#### Report Author(s)

Graham Saxton – Assistant Director, Financial Services

Finance & Customer Services Directorate

01709 822034 [graham.saxton@rotherham.gov.uk](mailto:graham.saxton@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 2016/17

**Background Papers**

Code of Audit Practice 2015

Audit Fee letter 2016/17

Public Sector Audit Appointments work programme and scale of fees 2016/17

**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 2016/17

### 1. Recommendation

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

### 2. Background

2.1 The National Audit Office's Code of Audit Practice 2015 (the Code) sets out the external auditor's statutory responsibilities in relation to local public bodies. These are 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).

2.2 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 attached as Appendix 1 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 Page 2 of the External Audit Plan sets out the overall materiality KPMG have set for determining whether or not the Council's Statement of Accounts give a true and fair view. The overall materiality for 2016/17 is £11m. KPMG have also specified a "triviality" threshold below which individual uncorrected misstatements or omissions would not normally be reported to Audit Committee – this threshold is £550,000.

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 Pages 8 and 9 of the External Audit Plan set out the approach to determining whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, ie the Value for Money conclusion.
- 3.2.2 Page 12 of the External Audit Plan sets out the risks KPMG have identified requiring special audit attention, which may prevent them from being able to reach a positive VFM Conclusion, namely:
  - The extent to which Governance arrangements have improved since the Corporate Governance report was issued in February 2015, and
  - The Council's financial resilience in the face of having to make substantial savings over the next three years
- 3.2.3 KPMG will report their Value For Money Conclusion findings in the ISA 260 report which will be presented 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 14 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 13 of the External Audit Plan, the planned audit fee is £140,828. This is in line with the 2016/17 work programme and scale of fees published by Public Sector Audit Appointments in March 2016.

**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 2016/17 against its improvement plan.

**13. 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, Financial Services – Graham Saxton

This report is published on the Council's website



# External Audit Plan 2016/2017

Rotherham Metropolitan Borough Council

DRAFT March 2017

# The Local Government Landscape



## Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting for 2016/17, which provides stability in terms of the accounting standards the Authority needs to comply with.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£11 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance; this figure has been set at **£0.55 million**.

### Significant risks

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

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- PPE valuation in relation to PFI; and
- Changes within the finance team.

### 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:

- Disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MiRS) and Expenditure and Funding Analysis (EFA) note from 1 April 2016.

See pages 4 to 7 for more details.

## Value for Money Arrangements work



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

- Governance arrangements; and
- Reserves and financial position.

See pages 8 to 12 for more details.

## Logistics



Page 86

Our team consists of:

- Tim Cutler – Partner
- Debra Chamberlain – Senior Manager
- Amy Warner - Manager
- Jessica Dunn – Assistant manager

More details are on [page 15](#).

Our work will be completed in four phases from December to September; our key deliverables are this Audit Plan and a Report to those charged with Governance, as outlined on [page 14](#).

Our fee for the audit is £140,828 (£140,828 2015/2016) see [page 13](#).

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, 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 (VFM) conclusion).

The audit planning process and risk assessment is an on-going process. Consequently, 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 also 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 (VFM) Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 audit and the findings of our VFM risk assessment.





## Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

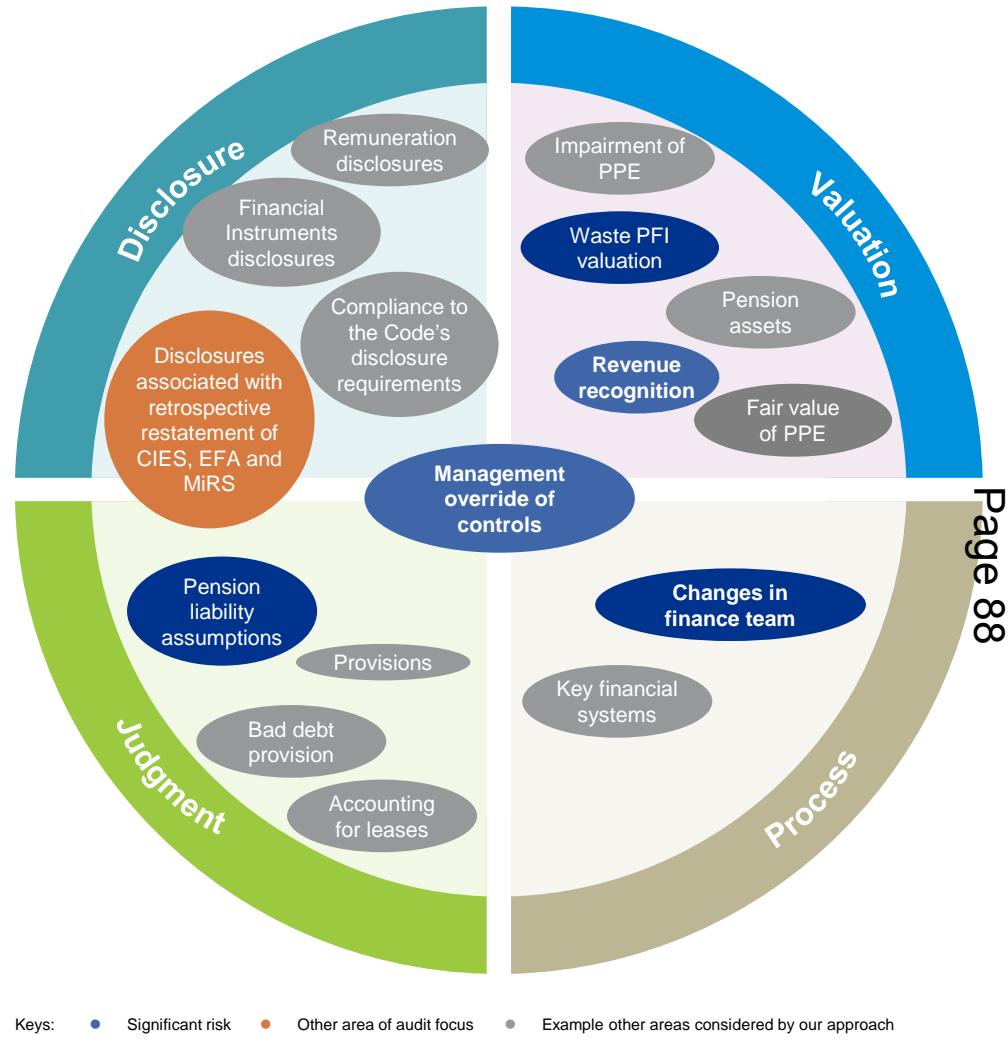
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### 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 over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise deemed 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.





# Financial statements audit planning (cont.)

## Significant Audit Risks

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

### Risk: Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for South Yorkshire Pension Fund (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by South Yorkshire Pension Authority, who administer the Pension Fund.

**Approach:** As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team (the Pension Fund's Auditors) where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

### Risk: Valuation of Waste Management PFI

The Council recognised the Waste Management PFI asset on the balance sheet for the first time as it came into use during 2015/16. The value of this was based on the original PFI model with no up-to-date valuation completed. This does not meet the requirements of the CIPFA Code. Management completed a valuation of the asset during our final audit visit and confirmed that the value of the asset was not materially misstated.

Management agreed that they would reflect the revised valuation of just under £20 million in the 2016/17 financial statements.

There is a risk that the asset is not included in the Council's accounts at the appropriate value.

**Approach:** We will work with KPMG's valuation team and the Authority's internal valuer to understand the assumptions used in relation the value of the Waste Management PFI, and assess whether these are appropriate.

We will confirm that any revisions in the valuation have been appropriately accounted for.

### Risk: Changes in finance team staff

During 2016/17, two core members of the finance team who were responsible for producing the financial statements have retired. In addition, the Assistant Director of Financial Services, who had key oversight over the financial statements, has left the Council. Although two other members of staff remain who have been closely involved with production of the accounts in the past, reducing the number of experienced staff from four to two is likely to lead to capacity issues. Another member of staff is assisting with the production of the accounts, but they have not been involved with year end close down previously.

Within the wider finance team there have also been changes in staffing, with increased use of temporary staff. Temporary staff will be less familiar with the Authority's policies and procedures, so there is an increased risk of controls not being appropriately followed. There is also an increased risk of errors due to lack of experience.

The combined lack of capacity and experience could lead to misstatements in the financial statements.

**Approach:** We will work closely with the core finance team to identify any potential issues early. Where appropriate we will increase our level of testing if we identify an area where there is an increased risk of error.



# Financial statements audit planning (cont.)

## 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.

### Disclosures associated with retrospective restatement of CIES, EFA and MiRS

Over previous years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'Telling the Whole Story' project. The key objective of this project was to make Local Government accounts more understandable and transparent for the reader in terms of how the Councils are funded and how they use the funding to serve the local population. The outcome of this project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded, prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) which replaces the current segmental reporting note

As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and the correct application of applicable Accounting Standards .

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts that is worthy of audit understanding.

#### Approach:

As part of our audit we will:

- Assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- Check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.



# Financial statements audit planning (cont.)

## 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 the 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 £11 million, which equates to 1.6% 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.

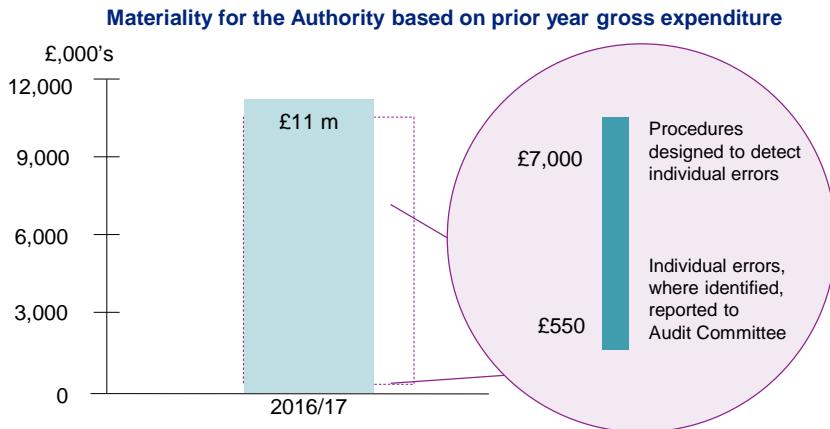
Under ISA 260 (UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, 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 £550k.

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.

We will report the following matters in our Report to those charged with Governance:

- Any deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- Any limitations on the group audit, for example, where our access to information may have been restricted; and
- Any instances where our evaluation of the subsidiary auditor's work gives rise to concern about the quality of that auditor's work.





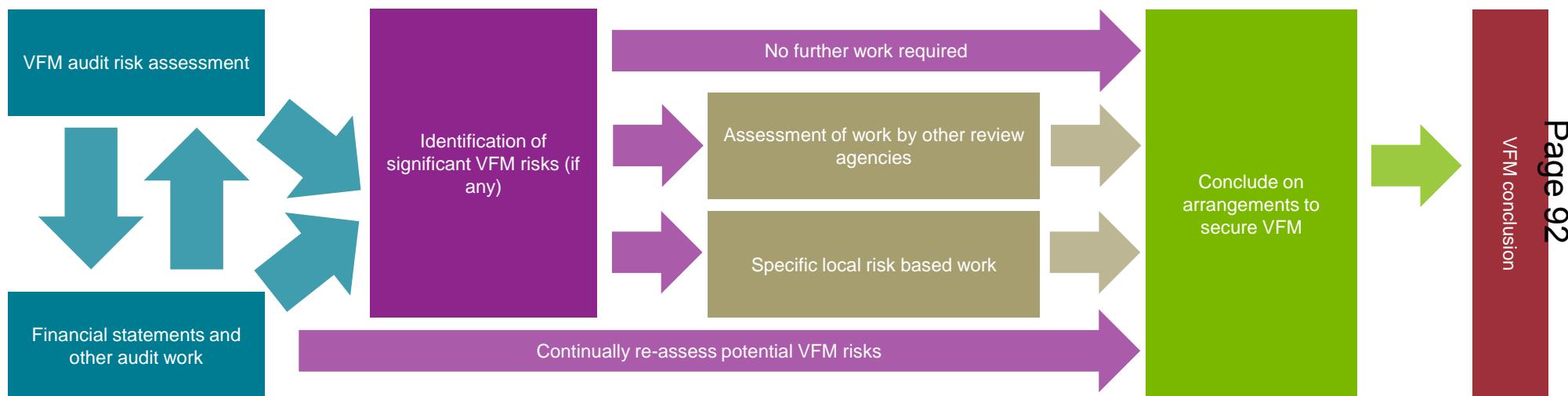
# Value for money arrangements work

## 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 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

**Informed decision making**

**Sustainable resource deployment**

**Working with partners and third parties**

### Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



# Value for money arrangements work (cont.)

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"><li>■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address these risks;</li><li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li><li>■ Evidence gained from previous audit work, including the response to that work; and</li><li>■ The work of other inspectorates and review agencies.</li></ul>
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. 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 '<i>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.</i></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"><li>■ Considering the results of work by the Authority, inspectorates and other review agencies; and</li><li>■ 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.</li></ul>



# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
Assessment of work by other review agencies and Delivery of local risk based work	<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"><li>■ Meeting with senior managers across the Authority;</li><li>■ Review of minutes and internal reports;</li><li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li></ul>
Concluding on VFM arrangements	<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>
Reporting	<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.</p> <p>In 2015/16 we issued a qualified conclusion on the Authority's arrangements to secure value for money. The 'Report of Inspection of Rotherham Metropolitan Borough Council' (the Inspection) was published in February 2015. The Authority developed and published a comprehensive Improvement Plan (A Fresh Start) in response to this report. Although significant progress had been made against this plan, as at February 2016, over half of the areas in the Improvement Plan were yet to be completed and there remained a significant programme of improvement work to complete. This, in combination with the fact that the new substantive strategic leadership team were only appointed in the final quarter of the year under audit (2015/16), suggested that the team required further time to fully implement and embed the improvements to governance. We therefore concluded that the Authority had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>



# Value for money arrangements work planning

## 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. Licensing powers were returned to the Authority in December 2016, with further powers set to return in March 2017.

The Authority continues to implement the actions within their improvement plan to address the concerns raised in the corporate governance report.

Given that the Authority regained part control in 2016, we will need to consider whether the new arrangements were sufficiently embedded throughout 2016/17 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, to assess if the Council, in all significant respects, had proper arrangements in place in relation to informed decision making.

### Reserves and Financial Position

#### Risk

There are significant financial pressures facing the Council at present, and in future years. The Council has identified an in year revenue overspend of £9.319m. There is also an increasing overspend on Dedicated Schools Grant which totals £5.393m. The majority of the financial pressures relate to Children's Services and Adult Social Care. Over the next two years, the Council needs to reduce its net spend by around £42m, including the need to deliver £24m of budget savings in 2017/18. These financial pressures will have a significant impact on the Council's reserves over the next few years.

#### Approach

We will review the financial planning arrangements in place at the Authority. Our conclusions will be primarily based on a review of performance against the 2016/17 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. We will assess if the Council, in all significant respects, had proper arrangements in place in relation to sustainable resource deployment.

# Other matters

## 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 2016/17 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 within the team, along with contact details.

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

## Audit fee

*Our Audit Fee Letter 2016/2017*, presented to you in April 2016, first set out our fees for the 2016/2017 audit. This letter also set out our assumptions.

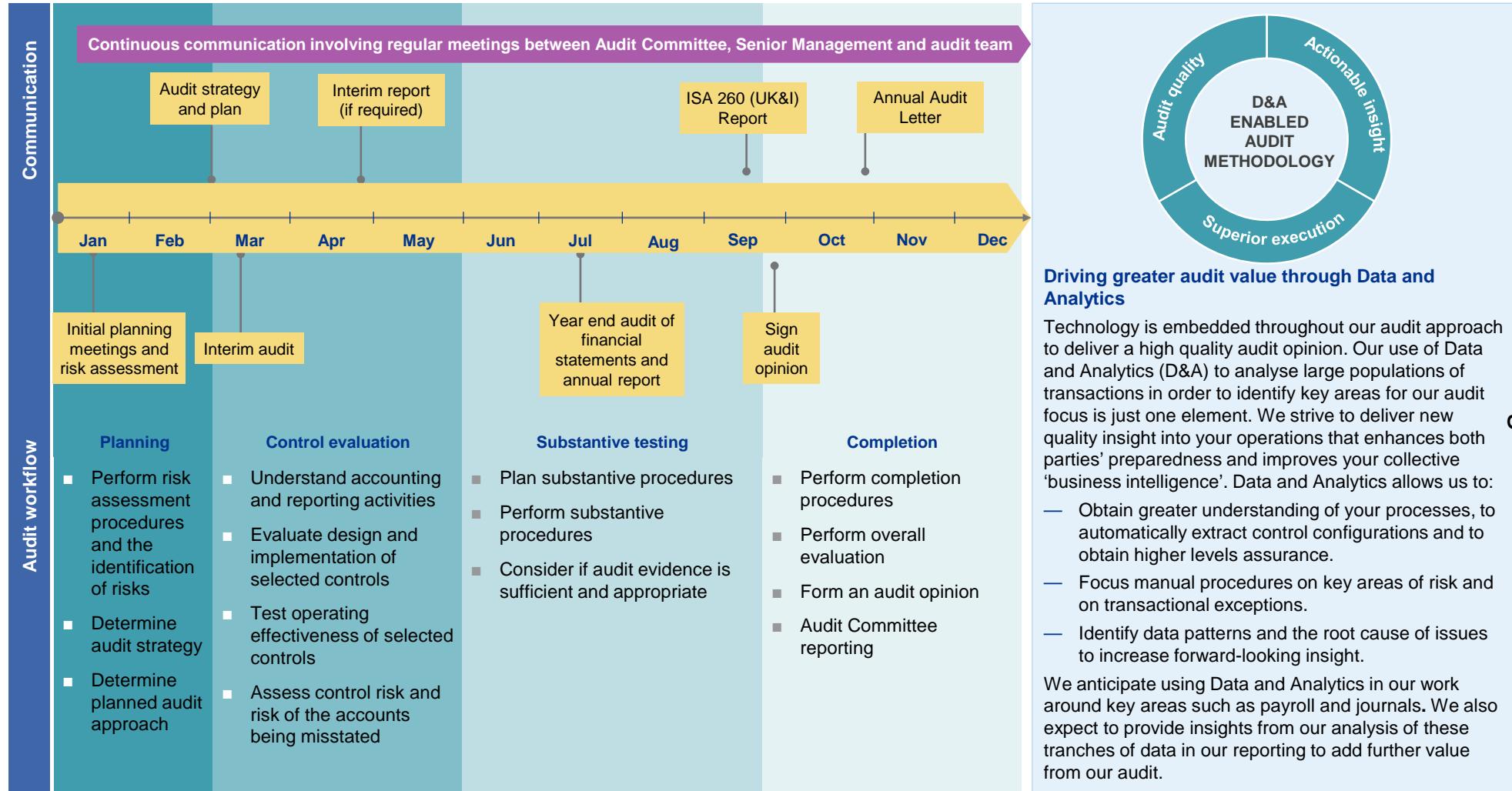
We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee may alter later, subject to agreement with PSAA, for changes in the Code, specifically this year the changes in relation to the disclosure associated with retrospective restatement of CIES, EFA and MiRS. If such a variation is agreed with PSAA, we will report that to you in the due course.

The planned audit fee for 2016/17 is £140,828. This is consistent with the 2015/16 fee.

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

# Appendix 1: Key elements of our financial statements audit approach



# Appendix 2: Audit team



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



**Tim Cutler**

Partner

Telephone: 0161 246 4774

Email: [tim.cutler@kpmg.co.uk](mailto:tim.cutler@kpmg.co.uk)

<b>Name</b>	Tim Cutler
<b>Position</b>	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>



**Debra Chamberlain**

Senior Manager

Telephone: 0161 246 4189

Email: [debra.chamberlain@kpmg.co.uk](mailto:debra.chamberlain@kpmg.co.uk)

<b>Name</b>	Debra Chamberlain
<b>Position</b>	Senior 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 Strategic Director - Finance &amp; Customer Services and other Executive Directors.'</p>



**Amy Warner**

Manager

Telephone: 0113 231 3089

Email: [amy.warner@kpmg.co.uk](mailto:amy.warner@kpmg.co.uk)

<b>Name</b>	Amy Warner
<b>Position</b>	Manager
	<p>'I will work closely with the Finance Team to ensure the smooth running of the audit. I will be the first point of contact for any technical queries.'</p>



**Jess Dunn**

Assistant Manager

Telephone: 0113 231 4743

Email: [Jessica.dunn@kpmg.co.uk](mailto:Jessica.dunn@kpmg.co.uk)

<b>Name</b>	Jess Dunn
<b>Position</b>	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>

# Appendix 3: Independence and objectivity requirements

## 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 Standards require 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, the National Audit Office's Code of Audit Practice requires auditors 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 include 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

As of February 2017, in our professional judgement we can confirm that 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.



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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](http://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](mailto: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](mailto: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 – 19<sup>th</sup> April 2017.

**Title**

Internal Audit Strategic Plan 2017/18 to 2019/20.

**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)**

David Webster, Head of Internal Audit  
Internal Audit, Finance and Customer Services  
Tel: 01709 823282 Email: [david.webster@rotherham.gov.uk](mailto:david.webster@rotherham.gov.uk)

**Ward(s) Affected**

All wards.

**Executive Summary**

This report refers to the Internal Audit Strategic Plan for 2017/18 to 2019/20. 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.

**Recommendations**

The Audit Committee is asked to consider the Internal Audit Strategic Plan and to comment on its content and is asked to consider:

- Does the three year plan for internal audit reflect the areas that the Committee believe should be covered?
- Does the first year of the plan reflect the areas that should be prioritised?
- Is the level of audit resources accepted by the Committee and agreed as appropriate to achieve the plan?

The committee is requested to approve the Internal Audit Strategic Plan for 2017/18 to 2019/20.

**List of Appendices Included:-**

Appendix 1: Internal Audit Strategic Plan 2017/18 to 2019/20.

**Background Papers**

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 Strategic Plan 2017/18 to 2019/20.**

**1. Recommendations**

The Audit Committee is asked to consider the Internal Audit Strategic Plan and to comment on its content and is asked to consider:

- Does the three year plan for internal audit reflect the areas that the Committee believe should be covered?
- Does the first year of the plan reflect the areas that should be prioritised?
- Is the level of audit resources accepted by the Committee and agreed as appropriate to achieve the plan?

The committee is requested to approve the Internal Audit Strategic Plan for 2017/18 to 2019/20.

**2. Background**

2.1 Internal Audit is required to comply with Public Sector Internal Audit Standards (PSIAS). The Standards require Internal Audit's plans to be risk based and to take into account the need to produce an annual internal audit opinion. It needs to be flexible to reflect changing risks and priorities of the organisation.

**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.
- Reports by management to the Audit Committee on the management of risks.
- Examination of revenue and capital budgets.
- Cumulative audit knowledge and experience of previous work undertaken.
- 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.
- 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 1,000 days
- Includes a contingency for responsive work.

3.3 In line with 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. It will be subject to a half year review in consultation with Strategic Directors and Assistant Directors.

#### **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, in particular to review and approve the risk-based plan.
- 4.2 The Audit Committee is asked to support the Internal Audit Strategic Annual Plan for 2017/18 to 2019/20.

#### **5. Consultation**

- 5.1 As part of the process for producing this Audit Plan, the Head of Internal Audit has held discussions with the Council's Strategic Directors and their teams 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 19<sup>th</sup> April 2017 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. This states:

*“A relevant 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 PSIAS state:

*“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.”*

- 8.3 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 2017/18. 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.

## **14. Accountable Officer(s)**

David Webster, Head of Internal Audit.



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Strategic Plan 2017/18 to 2019/20**

## 1. Introduction

This document provides a summary of the Internal Audit Strategic Plan for 2017/18 to 2019/20, with more detail on the annual plan for the first year.

### **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:

*“A relevant 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.”*

PSIAS state:

*“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an 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 PSIAS, this plan should enable Internal Audit to maximise the value and assurance it

provides the Council and Chief Executive, while ensuring it fulfils its statutory obligation to review and report on the Council's internal control environment.

A three year plan has been produced, however years two and three are indicative. Year one is provided in detail.

### ***Ongoing Revision of Internal Audit Plan***

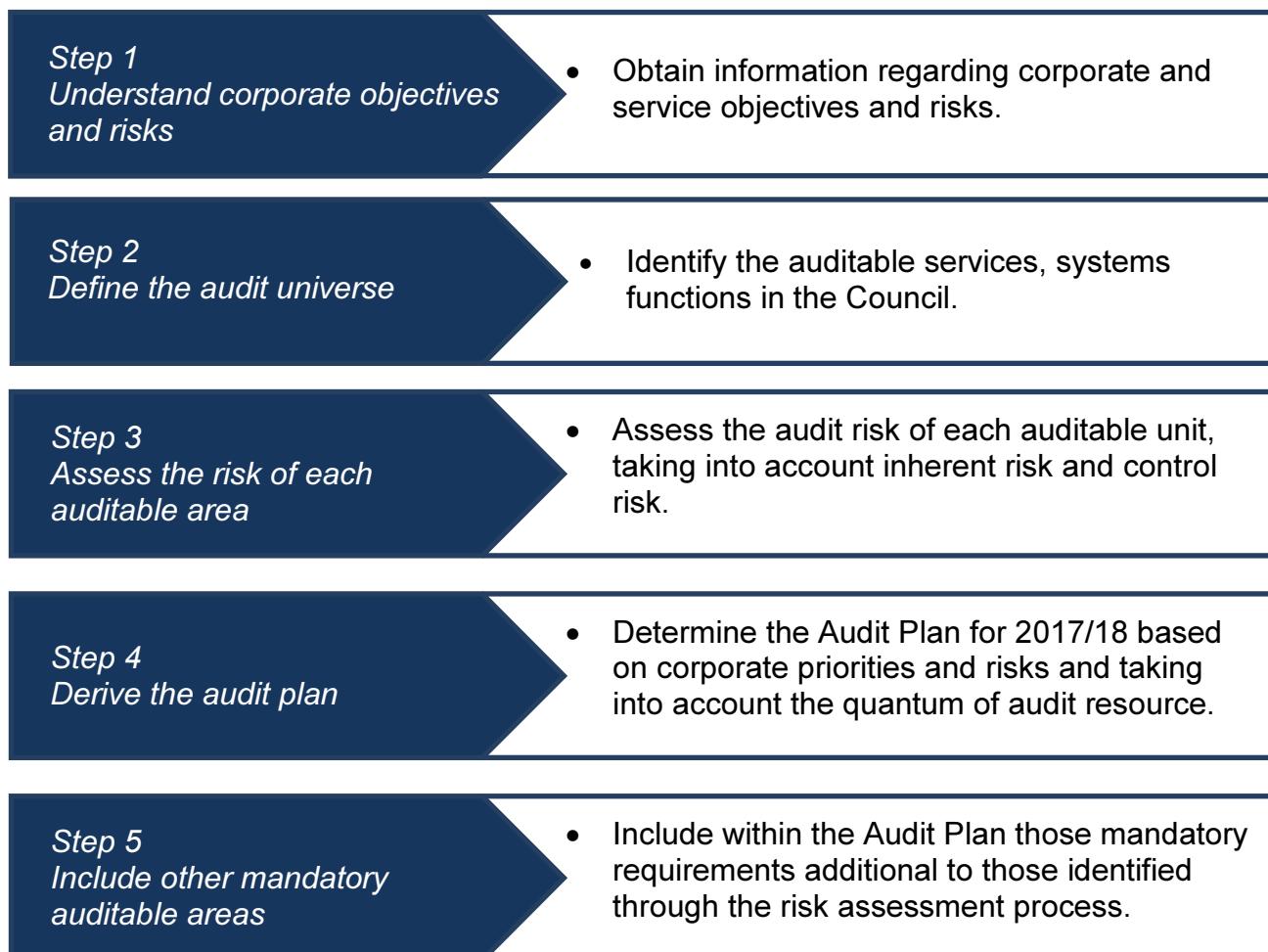
It should be noted that this is an iterative plan that will be kept under review on an ongoing basis. It is also intended to undertake a half year review. Any significant changes to it will be reported to the Audit Committee for consideration and approval.

## ***2. Approach***

The internal audit function will be delivered in accordance with the Internal Audit Charter, as presented to the Audit Committee in July 2016. The Charter defines the role, scope, independence, authority and responsibility of the internal audit department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly by the implementation of integrated audit software to increase the efficiency of the department.

## ***3. Methodology***

A summary of our approach to the development of the Audit Plan for 2017/18 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.



## ***Step 1 – Understand corporate objectives and risks***

### ***Approach***

We have examined the Council's Strategic and Directorate risk registers. We have also reviewed the Corporate Improvement Plan and Children's Services Improvement Plan. We have reviewed the findings from recent external reviews and OFSTED reports and have held meetings with the Council's Strategic Directors and their teams. We have also used sector knowledge to gain a wider understanding and perspective on risk.

## ***Step 2 – Define the audit universe***

### ***Approach***

We have updated the auditable services, functions and systems within the Council based on the risk registers, Improvement Plan, Corporate Plan, Performance Management framework and our accumulated knowledge and experience.

## ***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 reviewing:

- The time elapsed since the previous audit of the area
- The result of the previous audit
- Any new developments within the area
- Assessment of financial materiality
- Our assessment of reputational risk
- Our cumulative audit knowledge and experience of the Council
- The results of any external assessments
- Discussions with Strategic Directors, Assistant Directors and Service Managers

## ***Step 4 – Include other auditable areas***

### ***Approach***

In addition to the audit work identified through the risk assessment process, we also 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 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. We also audit the waste PFI as the auditors of the lead authority.

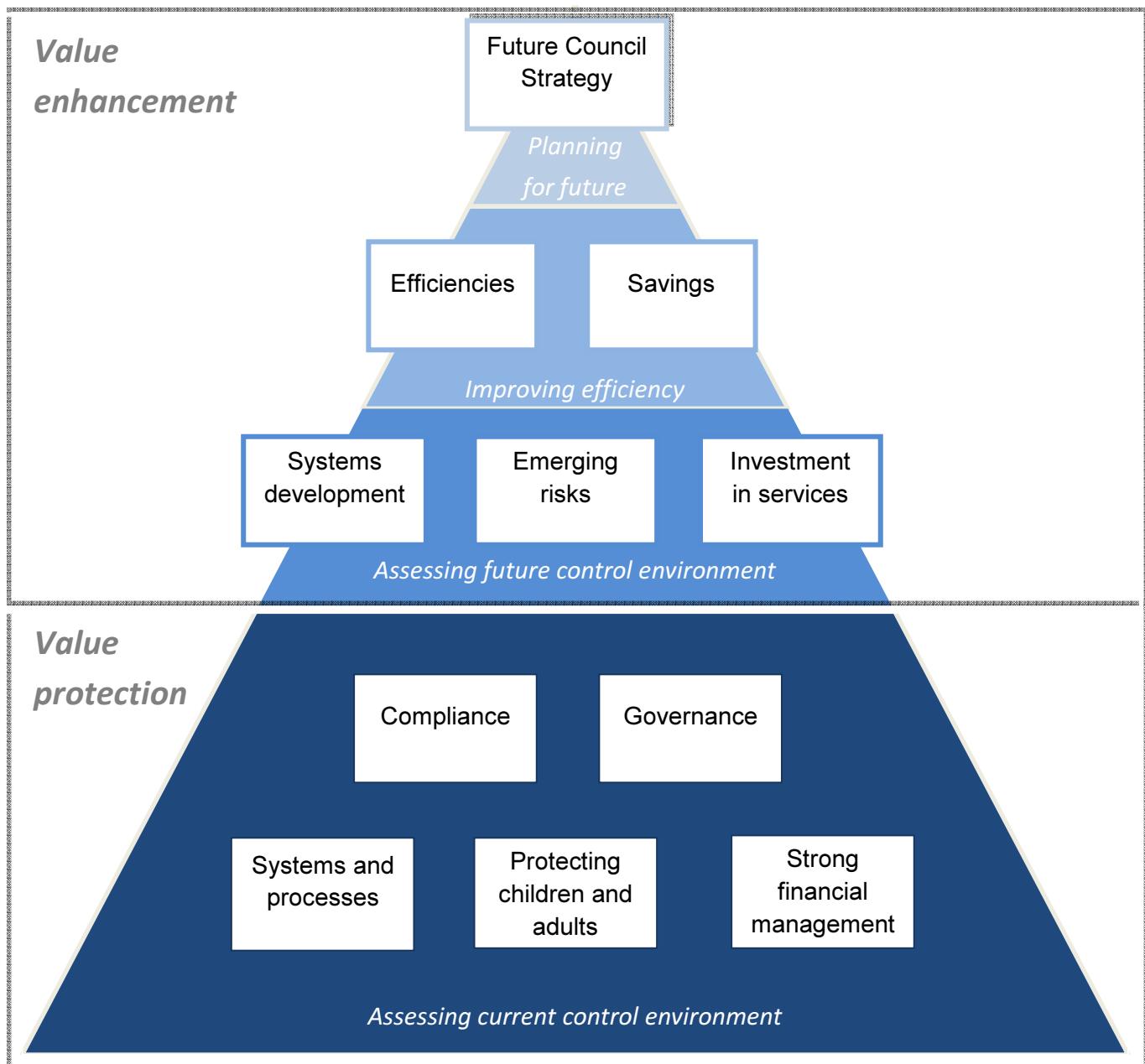
## ***Step 5 – Derive the Audit Plan.***

### ***Approach***

Discussions were held with all strategic Directors and their teams, the Chief Executive and the Senior Leadership Team. The plan was then derived to account for competing priorities, the need to provide an opinion at the end of the year and the resources available.

## 4. 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 2017/18 will be directed more towards the Value Protection category. However, where possible we have allowed time to Value Enhancement through contributing to working groups and systems development.

## **5. *Basis of our annual audit opinion for 2017/18***

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated 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 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:

- The plan includes a more realistic provision for investigations. However there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.
- Integrated audit software is being introduced during the year. Whilst this will have long term benefits there will be disruption to the plan whilst it is being implemented. An allowance of 40 days has been made. If further time is needed it may impact on the plan.
- One of the team will be seconded to Finance during 2017/18. A replacement is being sought but this may impact on overall capacity during recruitment and/or training.

### **Audits covered within the plan**

Outline scopes for each review are given in the attached table. The following types of audit work will be completed.

#### **1. Risk based work**

This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls to mitigate those risks.

#### **2. System based work**

Predominantly of key financial systems to give assurance that they are operating effectively. Reviews will take place each year but will look at specific controls on a rolling basis.

#### **3. Follow up audits**

Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews. There is also a contingency of 20 days to allocate to further follow up reviews as they become necessary.

4. Advisory work

Audit time to take part in specific projects or developments, as already requested / agreed with management.

5. Value for money

Value for money is considered as part of each audit review.

6. Grant claims

Time has been assigned to carry out reviews of grant claims.

7. Schools

We will introduce Control and Risk Self Assessment for all maintained schools during the year. This is designed to provide a level of assurance about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits.

We will complete some themed school based reviews on risks identified from the self-assessment. A sample of schools will be visited to assess the identified risks.

8. Counter Fraud work

We will continue to conduct investigations in fraud and irregularity during the year. In addition we will continue to participate in the National Fraud Initiative. This matches data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions.

## Resources

The audit plan will be delivered by the in-house team and has been based on the current complement of the team.

There is a contingency of 30 days for requests from management, for advisory work or for further audits of risks as they arise.

Not shown within the plan is a small allocation of days for the provision of an audit service to a number of academy schools in the Rotherham area, from which we generate a small income stream, and to the waste PFI which we review as the auditors of the lead Authority.

The level of available resources for the Internal Audit function for 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 is 1,000 days and is based on an establishment structure of 6 FTE. This is sufficient to allow the Head of Internal Audit to give his annual opinion at the end of the year. However, a greater resource would enable the team to provide a better service and greater assurance to the Council.

The plan depends on maintaining the current level of resource. However, one member of the team is due to be seconded to Finance from May 2017 for the rest of the year. A replacement is being sought within the Council.

The plan is smaller than any plan for 2016/17 within South and West Yorkshire. When comparing the size of audit plan with the size of Authority in terms of audit days per £m spend it is also one of the smallest, only higher than three large Authorities which can take advantage of economies of scale. The level of resource is being discussed with the Strategic Director of Finance and Customer Services in her role as the s151 Officer.

## ***6. Internal Audit Strategic Plan 2017/18 to 2019/20***

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

## Strategic Plan for Internal Audit 2017/18 – 2019/20

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
<b>CORPORATE</b>						
Governance	Risk Based	Based on Public Sector Internal Audit Standards. Review of activities to manage and monitor the ethics and Code of Conduct of the authority.	A	10		
<b>Total Planned Days – Corporate</b>			10			

<b>ASSISTANT CHIEF EXECUTIVE</b>						
Payroll	Systems Based	Fundamental system. Concerns identified in 2015/16, full review to be completed.	A	20	X	X
Payroll	Advisory	A new payroll system is to be procured and implemented.	A	5		
Agency Staff / Relief Workers	Risk Based	Audit review of the robustness of business cases and governance processes leading to a decision to appoint these staff.	A	5		
Consultants	Risk Based	Audit review of the definition of consultants, the robustness of business cases and governance processes leading to a decision to appoint these staff, and the management of the contracts.	A	10		
Recruitment	Risk Based	Review of the effectiveness of the recruitment process including DBS element that was not fully implemented at the previous audit.	A	15		
Annual Governance Statement	Advisory	Annual audit assurance on the AGS.	A	5	X	X
Risk Management	Risk Based	This area is central to the Council's governance arrangements and requires annual assurance.	A	5	X	X
Member Allowances	Risk Based	Although this area has been reviewed previously, in view of the recent 'return of powers' to the Council (Members) it would be appropriate and of value to examine again.	A	5		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
Declarations of Interest and Hospitality	Risk Based	Audit review of the Council's arrangements for declarations of interest and hospitality across all directorates, to ensure there are no weaknesses in governance and best practice.	A	5		
Performance Management	Risk Based	A review of the accuracy of reporting of Corporate Performance Indicators to provide assurance these are soundly based/calculated.	A	10		
Organisational Development	Risk Based	A Communications Toolkit is under development. Audit work would be of more value in 18/19.	G		X	
HR Policies	Risk Based	New policies are currently being developed and implemented and audit assurance would be beneficial in 18/19 once fully implemented.	G		X	
Training	Risk Based	Reducing budgets means activity is relatively small scale and audit activity should be deferred until 19/20.	G			X
<b>Total Planned Days – Assistant Chief Executive</b>					<b>85</b>	

## **CHILDREN AND YOUNG PEOPLE SERVICES**

Children in Need	Risk Based	An audit to ensure the authority is compliant with the Children Act 1989.	R	15		
Liquid Logic Case Management	Risk Based	Audit assurance of the implementation of the new system, which is still embedding.	R	15		
Fostering and Adoption Allowances	Risk Based	Follow up to current review, and wider review of delivery.	R	10		
Looked After Children	Risk Based	One of three areas in respect of Safeguarding where CYPS DMT indicated audit resources could be used to provide assurances on Governance and quality assurance. A detailed Audit Brief would be scoped and agreed at Assistant Director level prior to commencement.	A	20		
Front Door	Risk Based	One of three areas in respect of Safeguarding where CYPS DMT indicated audit resources could be used to provide assurances on Governance and quality assurance. A detailed Audit Brief would be	A	20		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
		scoped and agreed at Assistant Director level prior to commencement.				
Public Law Outline	Risk Based	One of three areas in respect of Safeguarding where CYPS DMT indicated audit resources could be used to provide assurances on Governance and quality assurance. A detailed Audit Brief would be scoped and agreed at Assistant Director level prior to commencement.	A	20		
Quality Assurance	Risk Based	To provide assurances that information from the liquid logic system, utilised by CYPS Management, is accurate.	A	15		
Safeguarding Policies	Risk Based	Internal audit resources to examine 2 or 3 Key Safeguarding policies, to provide assurances around “trigger plans” and achieving targets. A detailed Audit Brief would be scoped and agreed at Assistant Director level prior to commencement.	A	15		
Schools CRSA	Risk Based	An annual self-assessment of the schools control framework.	A	10		
Schools Themed reviews	Risk Based	To analyse the results of the CRSA and focus Internal Audit resources on reviewing areas identified as high risk.	A	20		
Academy Conversions	Risk Based	A follow up of the 2016/17 audit findings of surplus and deficit budgets in schools, including those due to convert to academy status.	A	5		
<b>Total Planned Days – Children and Young People Services</b>					<b>165</b>	

<b>ADULT CARE AND HOUSING</b>						
Furnished Homes Scheme	Risk Based	Review of the implementation of the scheme. High risk area and significant changes in benefit regulations affect the service.	R	15		
Repairs and Maintenance Contracts	Risk Based	A follow up of the 2016/17 audit findings and to include renewal of the R+M contracts.	R	5		
Liquid Logic Case Management	Risk Based	Audit assurance of the implementation of the new system, which is still embedding.	R	15		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
Direct Payments	Risk Based	A follow up of the 2016/17 audit findings and review of new system.	R	15		
Vulnerable Adults Residential / Non Residential Placements	Risk Based	To liaise with the Practice Challenge Group (PCG) and follow up on an ongoing piece of work.	A	15		
Homelessness	Risk Based	A review of actions taken to manage Homelessness. A detailed Audit Brief would be scoped and agreed at Assistant Director level prior to commencement.	A	10		
Care Act	Risk Based	Review to confirm compliance with the Act	A	15		
Right to Buys	Risk Based	A review of the operation of the Right to Buy scheme taking into account increasing numbers of sales and recent legislation changes.	A	10		
Mental Capacity Act / Deprivation of Liberty Safeguards (DOLS)	Risk Based	Compliance with the Act. ACH are currently aiming towards compliance. Review timed for 2018/19 to validate compliance.	R		X	
<b>Total Planned Days – Adult Care and Housing</b>					<b>100</b>	

<b>PUBLIC HEALTH</b>						
Multi-Agency Response Plans	Risk Based	To examine policies for preparing for and dealing with an incident and compliance with them.	A	10		
Public Health Grant	Risk Based	A follow up audit to work completed in 2016/17.	A	5		
Commissioning / Governance	Risk Based	Public Health is in the process of examining commissioning. An audit in 2018/19 would be beneficial.	A		X	
<b>Total Planned Days – Public Health</b>					<b>15</b>	

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
<b>REGENERATION AND ENVIRONMENT</b>						
Home to School Transport	Risk Based	Outcomes from recent external review of the Corporate Transport Unit to be considered as well as concerns around robustness of decision making and spend on transport needs.	R	15		
Highways Infrastructure	Risk Based	Follow-up of previous work/recommendations on Highways capital contracts around monitoring of actual cost and final account processes.	A	5		
Section 106	Risk Based	Assurance on S106 income collection processes and appropriate/timely use of funds. Also to consider assurance around Community Infrastructure Levy.	A	20		
Enforcement and Regulation	Risk Based	A review of a new arrangement with DMBC to provide cross-border environmental enforcement work was effective.	A	5		
Highway Network Maintenance	Risk Based	This review will link with follow-up work on Highways infrastructure where actual cost contracts are in operation.	A	5		
Private Rented Licensing	Risk Based	Work will include an examination of licencing fees and enforcement policy. A detailed Audit Brief would be scoped and agreed at Assistant Director level prior to commencement.	A	10		
Hellaby Depot	Risk Based	An overall review of the governance of the services based at the depot with more detailed work in selected areas.	A	20		
Contract Management	Risk Based	Provision of assurance on 'call-off contracts' from the YORbuild Framework of contractors that have not been exposed to mini-tender competition to ensure value for money.	G	10		
Licensing	Risk Based	New systems/processes to become fully embedded and reviewed in 18/19.	R		X	
Waste Management	Risk Based	This area of activity is in transition and likely to be subject to external review. Audit work to be completed in 18/19, after this process was complete.	A		X	
Customer Service Centres	Risk Based	This is an area undergoing review. Audit work to be deferred until 18/19.	G		X	

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
Corporate Transport Unit	Risk Based	The CTU has just undergone a detailed external review, the outcome of which and options for future delivery are still being evaluated.	G		X	
<b>Total Planned Days – Regeneration and Environment</b>					90	

## FINANCE AND CUSTOMER SERVICES

### Finance

Procurement	Risk Based	Issues examined in 2016/17 including compliance with financial regulations and procurement of agency staff. Following recent changes to P2P and future appointment of new Manager, there will be further audit work in this area. A detailed Audit Brief would be scoped and agreed at Assistant Director level prior to commencement.	A	30		
Debtors	Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	A	10	X	X
Creditors	Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	A	10	X	X
Council Tax	Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	A	10	X	X
NNDR	Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	A	10	X	X
Rents	Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	A	10	X	X
Treasury Management	Risk Based	A detailed Audit Brief would be scoped and agreed with the new Assistant Director prior to commencement.	A	15		
VAT	Risk Based	Audit assurance on accounting for VAT.	A	5		

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
Service Efficiency / VFM	Advisory	Audit review around the efficiency and effectiveness of some digital services around Revenues & Benefits, Customer complaints and debt collection/income recovery would be of value.	A	30		
Loss of Income from NNDR	Risk Based	The service is currently being restructured. Review to be undertaken in 2018/19.	G		X	
Council Tax Collection Rate	Risk Based	The service is currently being restructured. Review to be undertaken in 2018/19.	G		X	
<b>Customer Information Digital Services</b>						
Document Management	Risk Based	AS CIDS has raised issues with respect to the 3 platforms of document management currently in use.	R	10		
PSN Access	Risk Based	Concerns around recent PSN inspection and unauthorised access to Council Buildings with implications for accessing IT systems. Internal Audit to carry out a detailed piece of work to examine findings and recommendations.	A	20		
Data Protection	Risk Based	An audit to help the Assistant Director in his capacity as Senior Information Risk Owner.	A	15		
Asset Management	Risk Based	A follow up of the 2016/17 audit findings and linked to the IT laptop refresh programme.	A	5		
Retention and Destruction of Documents	Advisory	Contribution to project to ensure compliance with GDPR.	A	5		
Freedom of Information and Data Subject Access	Risk Based	A follow up of the 2016/17 audit findings.	G	5		
Active Directory	Risk Based	AD CIDS has highlighted issues around active directories and a detailed Audit Brief would be scoped and agreed with him prior to commencement.	G	10		
Business Continuity	Risk Based	To review the plan after it is in operation.	R		X	

Audit	Audit Classification	Auditable Area	IA Risk Rating	2017/18 Days	2018/19	2019/ 20
<b><u>Legal Services</u></b>						
Electoral Registration	Risk Based	Assurance on the process for electoral registration.	A	5		
Whistleblowing	Risk Based	We have previously reviewed this area in 15/16 and 16/17. Further assurance that policy and procedure is being operated effectively will be tested.	A	5		
Peer Review Follow Up	Risk Based	Follow up of actions resulting from external peer reviews of legal support to CYPS / ACH / R&E	G		X	
<b>Total Planned Days – Finance and Customer Services</b>					<b>210</b>	

<b><u>OTHER</u></b>						
Grants	Grant Certification	Statutory Requirement.	A	35		
<b>Total Planned Days – Other</b>						<b>35</b>

<b><u>INVESTIGATIONS, PROVISIONS AND DEVELOPMENT</u></b>					
Provision for investigations				150	
Pro-active fraud				50	
Follow up work				20	
Provision for ad-hoc requests from management				30	
Audit development – integrated software				40	
<b>Total</b>					<b>290</b>
<b>Overall Total</b>					<b>1000</b>

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## Summary Sheet

**Council Report:**  
Audit Committee

**Title:**  
Audit Committee Prospectus 2017/18

**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):**  
David Webster (*Head of Internal Audit*)

**Ward(s) Affected:**  
None

**Executive Summary:**  
This report presents to the Audit Committee a draft 2017/18 Prospectus for agreement. The Prospectus outlines the Audit Committee's objectives, how the Committee will operate and how it will deliver its objectives through its workplan, which is scheduled in the Prospectus.

The Prospectus highlights key activities to be carried out in relation to risk management, corporate governance, accounting and internal and external audit.

**Recommendation:**  
The Audit Committee is asked to agree the 2017/18 Prospectus.

**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:**

Audit Committee Prospectus 2016/17

**1. Recommendations**

1.1 The Audit Committee is asked to agree the 2017/18 Prospectus.

**2. Background**

2.1 The Audit Committee produces an annual Prospectus setting out the scope of its work, the standards it adheres to and its work programme for the year. This report refers to the 2017/18 Prospectus, which is attached at **Appendix A**.

**3. Details**

3.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The scope of the Audit Committee's responsibilities and its workplan, set out in the Prospectus, are designed to ensure the Committee meets the CIPFA standards.

3.2 Key Audit Committee activities, reflected in the Prospectus, include:

- Satisfying itself and others that the Annual Governance Statement reflects the Council's arrangements and position; for 2017/18 this will include the updated Local Code of Corporate Governance.
- Monitoring the effectiveness of the internal control environment and assurances obtained about its operation.
- Ensuring Internal Audit is independent and effective.
- Reviewing the Council's arrangements for managing the risk of fraud.
- Reviewing the external auditor's annual audit plan and ensuring it is consistent with the scope of the audit engagement.
- Reviewing the findings of the external auditor's work
- Reviewing the financial statements and the external auditor's opinion on the statements
- Considering external audit and inspection recommendations and ensuring these are fully responded to.
- Reviewing and monitoring treasury management arrangements.

3.3 An Audit Committee Annual Report will be produced at the end of the year summarising actual work done and activities undertaken, and demonstrating compliance with standards and fulfilment of the Committee's responsibilities.

**4. Options considered and recommended proposal**

4.1 The development of a Prospectus was conceived in 2015 through discussion with Commissioner Sir Derek Myers. The 2015/16 Prospectus was a helpful guiding document for the Committee itself and other stakeholders with an interest in the Committee's activities. It is considered relevant to produce a Prospectus covering each municipal year.

**5. Consultation**

5.1 Relevant officers, including the Strategic Director of Finance and Customer Services, have been consulted in producing the Prospectus.

**6. Timetable and Accountability for Implementing this Decision**

6.1 The Prospectus includes a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement).

**7. Financial and Procurement Implications**

7.1 There are no financial or procurement issues arising from this report.

**8. Legal Implications**

8.1 There are no direct legal implications associated with this report.

**9. Implications for Children and Young People and Vulnerable Adults**

9.1 The Audit Committee reviews the management of risks across the Council including relating to Children's and Adult Services. Review of the management of risks helps to ensure the risks are mitigated.

**10. Equalities and Human Rights Implications**

10.1 There are no immediate equalities or HR implications associated with the proposals.

**11. Implications for Partners and Other Directorates**

11.1 Partners will be able to take assurance on the Control's application of governance controls and management of risks from the work of the Audit Committee.

**12. Risks and Mitigation**

12.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a workplan is consistent with the CIPFA standards. The production of a workplan also helps the Audit Committee to ensure it achieves its terms of reference.

**13. Accountable Officer(s)**

David Webster (Head of Internal Audit).



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# Audit Committee Prospectus: 2017/18

*The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. CIPFA*

## The Context at Rotherham Council

This Prospectus sets out the scope and the standards of the Audit Committee, which are consistent with Local Government standards. It also describes the approach that will be taken by the Audit Committee and outlines its 2017/18 work programme.

In February 2015, the Government appointed five commissioners to take on executive responsibilities at the Council and to drive improvements in services. Positive progress has been made during 2015 and 2016, resulting in the return of some powers to the Council.

The Council improvement plan features a broad range of actions relating to governance procedures and policies. These are of direct interest to the Council's Audit Committee.

The 2016/17 Audit Committee prospectus provided a particular focus on the new Local Code of Corporate Governance, leading to changes in the Annual Governance Statement. This will remain central to the Audit Committee's activities for 2017/18.

During 2016/17 the Internal Audit team underwent major changes, whilst implementing an action plan to improve and at the same time delivering the audit plan. These will all continue during 2017/18 and the Audit Committee will continue to support the team.

Also for 2017/18, the Audit Committee will continue to oversee the Council's risk management arrangements, which are still developing.

After 2017/18 there will be a change to the external auditors under the new Public Sector Audit Appointments scheme. The Audit Committee will oversee the transition from KPMG to the new auditors.

## Scope and Standards

In accordance with CIPFA's Position Statement on Audit Committees, the Audit Committee will:

- ✓ Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position; for 2017/18 this includes the refreshed Local Code of Corporate Governance.
- ✓ Monitor the effectiveness of the internal control environment<sup>1</sup> and assurances obtained about its operation.

<sup>1</sup> The internal control environment comprises all the checks and balances in place, including risk management, to ensure the Council's actions are completed properly and recorded accurately

- ✓ Consider the accuracy and effectiveness of risk management.
- ✓ Ensure Internal Audit is independent and effective. In particular, the Committee will:
  - review and approve the responsibilities of the internal audit function and ensure the function has the necessary resources to enable it to perform in accordance with appropriate professional standards
  - review and assess the annual internal audit work plan
  - receive a report on the results of the internal auditor's work on a periodic basis
  - ensure Internal Audit implements its Quality Assurance and Improvement Plan and demonstrates compliance with auditing standards.
- ✓ Review the Council's arrangements for managing the risk of fraud.
- ✓ Review and approve the external auditor's annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- ✓ Review the findings of the external auditor's work with the external auditor, including a discussion of any major issues which arise during the audit.
- ✓ Review the financial statements and the external auditor's opinion on the statements. In particular, the Committee will review and challenge where necessary:
  - the consistency of, and any changes to, significant accounting policies
  - the methods used to account for significant or unusual transactions where different approaches are possible
  - whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
  - the clarity and completeness of disclosure in the financial reports and the context in which statements are made
- ✓ Consider external audit and inspection recommendations and ensure these are fully responded to.
- ✓ Review and monitor treasury management arrangements.
- ✓ Review the Council's policy relating to surveillance and its use of surveillance to ensure

compliance with the Regulation of Investigatory Powers Act 2000.

The Audit Committee has *Terms of Reference* that reflect the scope and standards, and agrees an annual work-plan showing how the Committee will deliver its responsibilities. The 2017/18 work-plan, which is a 'live' document that is updated throughout the year, is attached at **Appendix 1**.



The Audit Committee has a current membership of five Council Members and one co-opted member. It will meet five times in 2017/18. The Committee's operating model ensures that it:

- ✓ Has clear rights of access to other committees and functions, for example scrutiny.
- ✓ Will have as regular attendees, the Chief Financial Officer, the Head of Internal Audit and the external auditor. Other attendees may include the Council's Chief Executive and its Legal Officer.
- ✓ Meets privately and separately with the external auditor and with the head of internal audit.
- ✓ Has the right to call on any other officers as required.
- ✓ Will report regularly on its work to the Council.

## Priorities for 2017/18

The Audit Committee has a lead role in ensuring governance is in place across the Council. In 2017/18, the Committee will:

- ✓ Oversee the continuing implementation of the overall risk management framework, reviewing the Strategic Risk Register and requesting the attendance of Cabinet Members and senior managers to explain their management of risks.
- ✓ Support the Internal Audit team in continuing improvement and change, and in delivering the audit plan.
- ✓ Oversee the transition to new external auditors, due to change at the end of March 2018.

In addition, the Committee aims to strengthen its own contribution. It will:

- ✓ Provide an opportunity for **public questions** at the start of committee meetings.
- ✓ Maintain a **self-assessment** and take action to address gaps and develop strengths.

- ✓ Receive regular, detailed, update sessions on relevant topics throughout the year.
- ✓ Participate in KPMG<sup>2</sup> Audit Committee Institute seminars and other appropriate events.
- ✓ Receive other development and support as required, individually and/or collectively.

## Working with others

The Audit Committee Chair and Vice-Chair are members of the Council's Overview and Scrutiny Management Board. At the end of each Audit Committee meeting there will be a standing item to consider any matters to be referred to scrutiny, the Executive and / or Council for information or action.

## How will we know we have succeeded?

The role of the Audit Committee is crucial. The Committee has primary responsibility for ensuring there are effective governance arrangements in place and operating throughout the organisation, and is the principal advisory function to the Council and Executive on governance related matters.

The Audit Committee will be accountable for meeting its responsibilities. We expect the following outcomes to be achieved:

- ✓ Comprehensive risk registers, including fraud risks, with risks demonstrably controlled.
- ✓ Demonstrable implementation of audit and inspection recommendations.
- ✓ A clear risk-based Internal Audit plan that is adequately delivered.
- ✓ The achievement of a clear opinion on the Statement of Accounts.
- ✓ A new Local Code of Governance reflecting new CIPFA/Solace guidance.
- ✓ An Annual Governance Statement, external audit Value for Money opinion and Internal Audit control environment assessment that fairly reflect the Council's position.

The Audit Committee will produce an **Annual Report** which will show how the Audit Committee is delivering these success measures and contributing positively to improving governance and risk management. The Annual report will be presented to the Council in April 2018.

<sup>2</sup> KPMG are Rotherham Council's external auditors

## APPENDIX 1

## Rotherham MBC - Audit Committee Workplan 2017/18

Objective and Agenda Item	July 2017	Sept 2017	Nov 2017	Feb 2018	April 2018
Satisfy itself and others that the Annual Governance Statement reflects the Council's arrangements and position					
<b>Draft Annual Governance Statement 2016/17</b>	✓				
<b>Final Annual Governance Statement 2016/17</b>		✓			
<b>Refresh of the Local Code of Corporate Governance</b>			✓		
<b>Update on Annual Governance Statement Issues 2016/17</b>				✓	
<b>Audit Committee Annual Report 2017/18</b>					✓
Monitor the effectiveness of the internal control environment					
<b>Internal Audit Plan – Progress Report</b>	✓	✓	✓	✓	✓
<b>Internal Audit Annual Report 2017/18</b>					✓
Consider the accuracy and effectiveness of risk management					
<b>Internal Audit Plan – Progress Report</b>	✓	✓	✓	✓	
<b>Review of Risk Management Policy and Strategy</b>		✓			
<b>Strategic Risk Register</b>	✓		✓		✓
<b>Risk register 'deep-dive' review</b>	✓	✓	✓	✓	✓
Ensure Internal Audit is independent and effective.					
<b>Internal Audit Plan – Progress Report</b>	✓	✓	✓	✓	✓
<b>Review of Internal Audit compliance with auditing standards</b>				✓	
<b>Internal Audit Charter and Strategy</b>		✓			
<b>Internal Audit Plan 2018/19</b>					✓
<b>Internal Audit Annual Report 2017/18</b>					✓
Review the Council's arrangements for managing the risk of fraud					
<b>Review of Anti-Fraud and Corruption Arrangements</b>		✓		✓	
<b>Review of the Anti-Fraud and Corruption Policy and Strategy</b>		✓			
<b>Annual Fraud Report 2016/17</b>		✓			
Review the findings of the external auditor's work					
<b>External Auditor's Interim Audit Conclusion 2016/17</b>	✓				
<b>External Auditor's Report on the Accounts 2016/17</b>		✓			
<b>External Auditor's Annual Audit Letter 2016/17</b>			✓		
<b>External Audit Grants Report 2016/17</b>			✓		
<b>External Audit Plan 2017/18</b>				✓	

Objective and Agenda Item	July 2017	Sept 2017	Nov 2017	Feb 2018	April 2018
Review the financial statements and the external auditor's opinion on the statements					
<b>Draft Statement of Accounts 2016/17</b>	✓				
<b>Final Statement of Accounts 2016/17</b>		✓			
<b>External Auditor's Report on the Accounts 2016/17</b>		✓			
<b>Final accounts closedown arrangements and review of accounting policies 2017/18</b>				✓	
Review and monitor treasury management arrangements					
<b>Annual Treasury Report</b>	✓				
<b>Mid-Year Report on Treasury Management and Prudential Indicators 2017/18</b>			✓		
<b>Prudential Indicators and Treasury Management Strategy</b>				✓	
Consider external audit and inspection recommendations and ensure these are fully responded to					
<b>Audit and Inspection conclusions and progress on the Implementation of External Audit and Inspection recommendations</b>			✓		✓
Regulation of Investigatory Powers					
<b>Review of surveillance conducted</b>			✓		✓
<b>Review of Policy</b>					✓



Public Report  
Audit Committee Report

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## Summary Sheet

### Council Report:

Audit Committee 19<sup>th</sup> April 2017

### Title:

Annual Governance Statement Review for 2016-17

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

No

### Strategic Director Approving Submission of the Report:

Shokat Lal (*Assistant Chief Executive*)

### Report Author(s):

Simon Dennis (*Corporate Risk Manager*)

Assistant Chief Executive's Department

Extension 22114

[simon.dennis@rotherham.gov.uk](mailto:simon.dennis@rotherham.gov.uk)

### Ward(s) Affected:

None

### Executive Summary:

The Council is required to produce an Annual Governance Statement (AGS) for the 2016/17 financial year alongside the Council's financial statements. The report sets out for the Committee the process that is currently being followed to construct this year's AGS.

The 2015/16 AGS referred to six areas of concern which were:

- Sheffield City Region
- Service Planning and Performance Management
- Risk Management
- Major Project Developments
- Procurement and Contracts Management
- Information Governance

In addition, the 2015/16 AGS identified a number of other matters which had been referred to in the 2014/15 AGS but still had action outstanding at the point that the 2015/16 AGS was completed. These related to:

- Taxi Licensing
- Adult Social Care

For these eight areas in total, this report provides a brief summary of the progress in each.

The 2015/16 AGS also referred to a range of other issues connected to the reviews carried out by Professor Alexis Jay and Louise Casey in 2014 and 2015 respectively. This report does not cover the content of the Council's response to those reviews as that is reported as part of the overall "fresh start" improvement plan. However, the 2016/17 AGS will include full information on the progress of the Council's "Fresh Start" improvement programme.

**Recommendations:**

- **The Audit Committee is asked note the updates provided**

**Background Papers:**

"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in April 2016.

Audit Committee Report 8<sup>th</sup> February 2017 "Local Code of Corporate Governance"

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

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No

**Title:**

Annual Governance Statement review for 2016-17.

**1. Recommendations:**

- **The Audit Committee is asked note the updates provided**

**2. Background**

- 2.1 The Accounts and Audit Regulations require the Council to produce an Annual Governance Statement alongside its Statement of Accounts in each financial year. It is currently intended that the 2016-17 Annual Governance Statement will be published in draft and presented to the Audit Committee at its July meeting. A process to gather assurances and evidence from Strategic Directors and Heads of Service is currently underway. This process is being led by the Head of Internal Audit, the Corporate Risk Manager and the Insurance and Risk Manager.
- 2.2 The assurance and evidence process underway will identify any new issues for inclusion in the 2016-17 Annual Governance Statement. In addition to any new issues, the 2016-17 Statement will include an update on the matters included in the 2015-16 Statement. As a result, the process is also seeking evidence around the actions taken to address issues in the previous year.
- 2.3 As noted in the Executive Summary, the following issues were highlighted in the 2015-16 Statement which require follow up in 2016-17:
  - Sheffield City Region
  - Service Planning and Performance Management
  - Risk Management
  - Major Project Developments
  - Procurement and Contracts Management
  - Taxi Licensing
  - Adult Social Care
- 2.4 Additionally, the 2015-16 AGS also referred to a range of other issues connected to the reviews carried out by Professor Alexis Jay and Louise Casey in 2014 and 2015 respectively. This report does not cover the content of the Council's response to those reviews as that is reported as part of the overall "fresh start" improvement plan.

### **3. Process to construct the 2016-17 AGS**

- 3.1 In constructing the AGS for 2016-17, the Council needs to assemble sufficient evidence to support the statements that it will make. To achieve this, a Statement of Assurance is to be completed and signed by each Strategic Director. These Statements have been issued and all are expected to be returned by mid-April. Each Statement is expected to either state that there are no issues or to highlight the issues from the Directorate that need to be included in the AGS.
- 3.2 In order to construct the signed Statement, self-assessments are being completed in each Directorate. A self-assessment checklist on the seven governance principles set out in the Council's Local Code of Corporate Governance has been sent to each Assistant Director for completion before the Statement of Assurance from the Directorate is completed.
- 3.3 Strategic Directors are expected to gather the self-assessments from each Assistant Director and use them to form their conclusion when signing their Statement of Assurance.
- 3.4 In addition, for the various issues raised in the 2015-16 AGS, a further request has been sent to Strategic Directors alongside the Statement of Assurance, asking for a report on the progress that has been made.
- 3.5 Once these reports have been received, they will be included in the evidence pack supporting the final Annual Governance Statement for 2016-17.

### **4. Updates of individual issues from 2015-16**

- 4.1 The following paragraphs provide a brief summary and update on reported progress throughout 2016-17. In each case, management will provide a fuller summary by the end of April so that more information can be included in the 2016-17 AGS.

#### *Sheffield City Region*

- 4.2 The 2015-16 AGS reported that the Sheffield City Region (SCR) governance arrangements were subject to a review at the current time, in reflection of its changing and growing role and, for example, a proposed new Strategic Economic Plan for the City Region.
- 4.3 Governance arrangements for the SCR have continued to develop during 2016-17. Specifically, at its meeting on 22<sup>nd</sup> March 2017 the SCR approved a new Assurance and Accountability Framework which

will form the basis of governance for the SCR as it continues to develop in the coming year.

*Service Planning and Performance Management*

- 4.4 The 2015-16 AGS said that while arrangements were in place in key areas for 2015-16, for example Children's Services, there was not an overall corporate framework or consistent arrangements in place across all Council services. The development of service planning and performance management arrangements was to be a priority for 2016-17.
- 4.5 Following the approval of the Corporate Plan and the Performance Management Framework in the early part of 2016-17, Corporate Performance management arrangements are now embedded with public reporting in each quarter of the financial year throughout 2016-17. Service Plans have recently been completed for all service areas and will be monitored throughout the 2017-18 financial year.

*Risk Management*

- 4.6 The 2015-16 AGS reported that whilst Risk Management arrangements and detailed corporate and service risk registers were now in place and subject to regular review, a priority for 2016-17 was to embed the refreshed arrangements and demonstrate the effectiveness of the arrangements in place.
- 4.7 The revised Risk Management Policy and Guide includes all elements of current operational risk management practice. Extensive Risk Management training has taken place throughout the Council and Risk Champions are now in place who ensure that Risk Management arrangements are adhered to. A recent Internal Audit report gave "Reasonable Assurance" on the controls operating around the Council's Risk Management process.

*Major Project Development*

- 4.8 The 2015-16 AGS referred to the Council having a series of substantial and major projects in progress to improve systems and the services they support. Two specific examples, implementation of a new social care system and a new integrated housing management system were referred to and it was noted that audit work revealed various process weaknesses that needed to be addressed through stronger project and programme management.

4.9 The immediate priorities were addressed and there has been some development of the Council's approach and arrangements for major project management. A more detailed report will be included in the 2016-17 AGS.

*Procurement and Contracts Management*

4.10 The Council gathered information to update its contracts register during 2015-16 and this was reported in the AGS. This revealed significant weaknesses in the forward planning and establishing of contracts to ensure the Council complied effectively with relevant procurement rules and achieved best value from its procurement of goods and services.

4.11 An Internal Audit review carried out in 2016-17 reported that there was now "reasonable assurance" on the controls in place around procurement and contracts management and the actions from this work are currently being implemented.

*Taxi Licensing*

4.12 The 2015-16 AGS stated that Internal Audit follow up work during 2015-16 identified the need for improvements in relation to the issuing of licences and the processes for investigating complaints. It also stated that the Commissioners had agreed that the Council was in a position to have its Licensing functions returned to its control.

4.13 In the course of 2016-17 these powers were returned to the Council following extensive improvements to the service.

*Adult Social Care*

4.14 The 2015-16 AGS reported the details of the Council's self-assessment of Adult Social Care Services. It reported that the exercise had concluded that the Care Act statutory guidance had not been fully implemented and a number of areas required action, development and change. These recommendations formed the basis of an action plan to implement improvement opportunities, developed by the Adult Safeguarding Board, which was implemented during 2015/16.

4.15 The Council has also produced a new vision and strategy describing the outcomes that it is seeking to achieve for all adults with disabilities and older people and their carers in the borough. The delivery of this strategy is being closely monitored and the Council's powers relating to this function have been returned

*Information Governance*

- 4.16 The 2015-16 AGS reported that significant weaknesses had been highlighted in relation to the Council's management of information, including information security, from incidents arising / reported during 2015-16.
- 4.17 Since the completion of the 2015-16 AGS there have been significant changes in the structure of the Council's Customer, Information and Digital Services Service as well as in the Information Governance Group. Both of these developments have helped to respond to the issues set out in the 2015-16 AGS.

## **5. Options considered and recommended proposal**

- 5.1 As this paper only considers the process being followed for completion of the AGS for 2016-17 and provides feedback on the progress to date. As a result, no specific options have been considered.

## **6. Consultation**

- 6.1 All Strategic Directors have been asked for their input into the 2016-17 AGS process through the submission of signed Statements of Assurance.

## **7. Timetable and Accountability for Implementing this Decision**

- 7.1 The Corporate Risk Manager, the Insurance and Risk Manager and the Head of Internal Audit will ensure that the issues outlined in this report are addressed and updated as part of the completion of the Annual Governance Statement for 2016-17.

## **8. Financial and Procurement Implications**

- 8.1 There are no direct financial and procurement implications in relation to this report. Completion of the AGS for 2016-17 will identify any financial or procurement implications and these will be reported as appropriate.

## **9. Legal Implications**

- 9.1 There are no direct legal implications arising from this report, although it is a statutory requirement for an AGS to be published alongside the Council's Financial Statements. This report endeavours to set out how the Council intends to comply with that requirement.

## **9. Human Resources Implications**

- 9.1 There are no Human Resources implications directly associated with the paper.

## **10. Implications for Children and Young People and Vulnerable Adults**

10.1 No direct implications for Children and Young People are expected from the completion of the 2016-17 AGS.

## **11. Equalities and Human Rights Implications**

11.1 There are no direct implications expected from the completion of the 2016-17 AGS for Equalities and Human Rights.

## **12. Implications for Partners and Other Directorates**

12.1 None expected.

## **13. Risks and Mitigation**

13.1 The AGS is expected to be completed each year to sit alongside the Financial Statements. The risk of failing to produce an AGS has been considered and, although this is a remote risk resources are in place to ensure that a complete and accurate AGS is delivered on time.

## **14. Accountable Officer:**

14.1 Shokat Lal (*Assistant Chief Executive*)

Approvals Obtained from:-

Strategic Director of Finance and Customer Services: Judith Badger

Director of Legal Services: Stuart Fletcher

Simon Dennis  
Corporate Risk Manager

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