

## **AUDIT COMMITTEE**

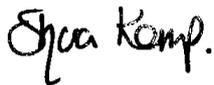
**Date:- Tuesday, 6th February, 2018**      **Venue:- Town Hall,  
Moorgate Street,  
Rotherham. S60 2TH**

**Time:- 4.00 p.m.**

### **AGENDA**

1. To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972.
2. To determine any item(s) which the Chairman is of the opinion should be considered later in the agenda as a matter of urgency.
3. Apologies for Absence.
4. Declarations of Interest
5. Questions from Members of the Public or the Press
6. Minutes of the previous meeting held on 21st November, 2017 (Pages 1 - 9)
7. Final Account Closedown and Accounting Policies (Pages 10 - 16)
8. External Audit Plan 2017/18 (Pages 17 - 46)
9. External Audit Grants Report 2016/17 (Pages 47 - 58)
10. Internal Audit Self-Assessment against the Public Sector Internal Audit Standards (Pages 59 - 100)
11. Audit Committee Forward Work Plan (Pages 101 - 108)
12. Items for Referral for Scrutiny.

13. 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).
14. Internal Audit Progress Report (Pages 109 - 155)
15. Strategic Risk Register (Pages 156 - 166)
16. Risk Register - Children and Young Peoples' Services (Pages 167 - 181)
17. Date and time of next meeting  
Tuesday, 12<sup>th</sup> June, 2018 at 4.00 p.m.



Chief Executive.

### **Membership 2017/18**

Chairman – Councillor Wyatt.  
Vice-Chairman – Councillor Walsh  
Councillors Cowles, Evans and Sansome.

**AUDIT COMMITTEE  
21st November, 2017**

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

Debra Chamberlin, KPMG, was in attendance.

Apologies for absence were received from Councillor Cowles and Evans.

**32. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**34. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH SEPTEMBER, 2017**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19<sup>th</sup> September, 2017.

Resolved:- That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

**35. UPDATE ON THE USE AND OPERATION OF SURVEILLANCE AND ACQUISITION OF COMMUNICATIONS DATA POWERS**

Neil Concannon, Legal Services, presented an update on the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA).

The Council was required to notify the Office of Surveillance Commissioners (OSC) of the number of directed surveillance/CHIS authorisations granted in each financial year. The annual return was made to the OSC in April for the financial year 2016/17 to confirm there had been no such authorisations in that period. There had also been no such authorisation this financial year so far.

The Council was also required to notify the Interception of Communications Commissioner's Office of the number of authorisations for the acquisition and disclosure of communications data granted each calendar year. There had been no such authorisations this calendar year so far.

As a result of the Investigatory Powers Act 2016, with effect from September 2017, the new Investigatory Powers Commissioner's Office took over the responsibility for oversight of investigatory powers from the OSC and IOCCO.

An inspection had taken place in January, 2017 by the OSC of the Council's use of surveillance powers. In line with one of the recommendations from the OSC inspection report, there would be further corporate training for relevant officers focussing on the use of CHIS in January 2018. The training would also include the interface between RIPA and the use of social media which had been a line of enquiry during the inspection.

Since publication of the report, notification had been received that the Regulator was consulting on revised Codes of Practice. Work would take place to ascertain if any revisions would impact on the Council.

Resolved:- (1) That there had been no requirement for the Council to make use of surveillance and acquisition of communication data powers under RIPA be noted.

(2) That, in line with the recommendations of the Office for Surveillance Commissioners' latest inspection report, further corporate training focussing on the officers acting as controllers and handlers of covert human intelligence sources (CHIS), take place in January 2018.

(3) That a further update be submitted in 6 months' time.

### **36. EXTERNAL AUDIT AND INSPECTION RECOMMENDATIONS**

Further to Minute No. 57 of the meeting of the Audit Committee held on 19th April, 2017, consideration was given to a report, presented by Bev Pepperdine, Performance Assurance Manager, stating that, in accordance with the Council's "fresh start" improvement plan (Minute No. 8 of the Council meeting held on 22nd May, 2015, refers), progress continued to be made against the recommendations from all of the key external audits and inspections. The report included detail of progress being made in respect of the following specific areas and Directorates:-

- : the "Fresh Start" Improvement Plan;
- : Adult Care and Housing;
- : Children and Young People's Improvement Plan;
- : Liberty House
- : Regeneration and Environment Services.

The summary of recommendations from "Active" Inspection and Audit Action Plans was appended to the submitted report.

It was noted that Children and Young People's Services were in the third week of an Ofsted inspection which was due to be completed on 30<sup>th</sup> November, 2017. Their report was expected on 29<sup>th</sup> January, 2018.

The Audit Committee's discussion of this matter highlighted the following salient issues:-

- An Early Help Worker had won the national Youth Worker of the Year award for their work with young people
- Nomination for the Children and Young People Now Awards for the Young Inspector Programme
- Rotherham had chosen not to fill the posts of Dedicated Activity Co-ordinators at Lord Hardy Court. Would this decision have a detrimental impact on a future inspection of non-compliance with a recommendation?

*Response from Service following the meeting – A review of the service and staffing structure is currently being undertaken by a Quality Assurance Consultant within Children's Services. It was not known at the present time if Activity Co-ordinators would be introduced back into the service or if alternatives for providing activities would be considered; the review should determine this. It was likely that, unless options could be found to better provide for activities for residents, that this would be raised again at the next CQC inspection*

- The January inspection had recommended, as part of any future upgrade to the heat/cooling system, a new volume meter should be installed. No future upgrades to the system, however, were currently being planned. Would this have a detrimental impact on a future inspection?

*Response from Service following the meeting - It was not necessary to install a volume meter; this was a suggestion from the Inspector rather than a requirement. There was no time based target on how often there should be an upgrade to the system; this was as required to maintain operation based on condition survey. If the Authority did not install it would not have any impact on future inspections*

- It would be appreciated if the risks could be known associated with the recommendations that were outstanding and what, if any, impact they had on performance. It was noted that any recommendations associated with CYPS could not be formally signed off until the outcome of Ofsted was known

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

(2) That the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections, as now reported, be noted.

(3) That the Audit Committee continue to receive regular reports in relation to external audit and inspections and the progress made in implementing recommendations.

**37. RELATIONSHIP WITH OVERVIEW AND SCRUTINY MANAGEMENT BOARD**

James McLaughlin, Democratic Services Manager, presented a proposed protocol to ensure that referrals between the Audit Committee and the Overview and Scrutiny Management Board (OSMB) were formally captured.

In the event of the Audit Committee being minded to refer an issue to OSMB, or vice versa, the issue, the reasons for referral and the desired outcome must be clearly understood and specified in the minutes and the reference.

If such a protocol was supported by both this Committee and OSMB, the protocol would be incorporated into the pending changes to the Overview and Scrutiny Procedure Rules and Terms of Reference for the Audit Committee. This would be reported to the Constitution Working Group and subsequently to Council for formal adoption.

Resolved:- (1) That the adoption of a concise protocol governing referrals between the Audit Committee and the Overview and Scrutiny Management Board be supported.

(2) That the report be submitted to the Overview and Scrutiny Management Board for consideration.

**38. CODE OF CORPORATE GOVERNANCE**

David Webster, Head of Internal Audit, submitted the refreshed Council Code of Corporate Governance for consideration.

In April 2016 CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in local government. The Council's Code of Corporate Governance was rewritten at that time to set out how it would comply with the new guidance. Although there had been no subsequent changes to the guidance in the last year, an annual review of the Code had been completed in order to ensure it remained up-to-date and relevant to the Council.

The 7 key principles set out in the guidance which underpinned the governance of each local government organisation had not changed. However, how each of those principles would be evidenced in Rotherham had and were set out in the report submitted.

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

(2) That Local Code of Corporate Governance be signed off by the Chief Executive and Leader of the Council.

**39. ANTI-MONEY LAUNDERING POLICY AND SUPPORTING GUIDANCE**

David Webster, Head of Internal Audit, submitted a proposed update to the Council's Anti-Money Laundering Policy. This was designed to ensure that the Policy was in line with current best practice and legislation. The Policy linked with the Anti-Fraud and Corruption Policy and Strategy and would be referred to in Fraud Awareness training being rolled out to relevant staff.

The updated Policy was attached at Appendix A of the report submitted. The definition of money laundering was given along with a summary of the relevant legislation. The guidance gave examples or signs of possible money laundering and the action to be taken if there were any suspicions of attempted money laundering. A template of the form to be completed was also included.

The Council's Money Laundering Reporting Officer was the Head of Internal Audit who would be responsible for reporting any suspicious transactions to the National Crime Agency.

Fraud Awareness training was to be delivered to relevant staff and would include reference to the Policy.

It was clarified that this applied solely to cash transactions and did not include online payments.

Resolved:- That the Anti-Money Laundering Policy and Supporting Guidance, as set out in Appendix A of the submitted report, be approved.

**40. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which detailed the proposed forward work plan for the Audit Committee covering the period February-November, 2018.

Resolved:- That the forward work plan be supported and any amendments arising actioned in due course.

**41. ANNUAL AUDIT LETTER 2016-17**

Graham Saxton, Assistant Director Financial Services, reported that KPMG had now concluded their 2016/17 audit and had issued their audit certificate on 31<sup>st</sup> October, 2017. Both the audit certificate and notice of conclusion of audit had been published on the Council's website.

**AUDIT COMMITTEE - 21/11/17**

Debra Chamberlin, KPMG, presented the Annual Audit Letter (AAL) 2016/17 produced by KPMG summarising the external audit work in relation to the 2016/17 audit plan and highlighted the findings in relation to the following:

Value for Money Conclusion  
Audit of Financial Statements  
Any Other Matters the external auditor was required to communicate.

A copy of the AAL was attached to the report.

The main headlines from the AAL in relation to the accounts and other audit responsibilities were that:-

- The external auditor had issued an unqualified Value for Money conclusion. KPMG was satisfied that the Authority had appropriate arrangements in place for securing economy, efficiency and effectiveness in the use of resources
- The Council's financial statements were produced to a good standard with only one minor presentational change being made. The financial statements were given an unqualified audit opinion on 26<sup>th</sup> September. The Narrative Report published alongside the financial statements was consistent with KPMG's understanding
- The Annual Governance Statement approved September's Audit Committee (Minute No. 20 refers), was consistent with KPMG understanding an compliant with the CIPFA/SOLACE framework on good governance in local government
- The Council's consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements
- There were no high priority recommendations or other matters that needed to be brought to the attention of the Audit Committee

Resolved:- That the final Annual Audit Letter 2016/17 presented to the Council by its external auditors, KPMG LLP, be noted and approved for publication on the Council's website.

**42. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT – 2017-18**

Consideration was given to the report presented by the Assistant Director, Financial Services, outlining a mid-year treasury review.

The review, as set out in the Appendix submitted, highlighted the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

With regard to investments, the primary governing principle remained security over return and the criteria for selecting counterparties continued to reflect this.

Overall borrowing remained fairly constant over the period covered by the report. The Council would maintain its strategy of being significantly under-borrowed against the capital financing requirement as the most cost effective approach in the current financial climate. The Council's existing Treasury Management Strategy provided for the Council to take out £30M of new borrowing per annum over the next 4 years to reduce the amount of under-borrowing over time. The position would remain under view and an update of the Strategy would be submitted to Members within the Budget and Council Tax 2018/19 report to Council in February, 2018.

With regard to governance, strategies and monitoring were undertaken by the Audit Committee.

The report showed that the underlying economic and financial environment remained difficult for the Council, foremost being the improving but still challenging concerns over investment counterparty risk. This background encouraged the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy was that investment returns remained low. The governing principle remained security over return and the criteria for selecting counterparties continued to reflect this.

Treasury Management and Prudential Indicators would form part of the 2018/19 budget report submitted to Council on 28<sup>th</sup> February, 2018.

Resolved:- That the report be noted.

#### **43. ITEMS FOR REFERRAL FOR SCRUTINY**

The Democratic Services Manager would submit Minute No. 37 (Relationship with Overview and Scrutiny Management Board) to Overview and Scrutiny Management Board.

#### **44. 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 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).

**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 1<sup>st</sup> August to 30<sup>th</sup> October, 2017, and the key issues that had arisen therefrom.

Performance against Key Indicators had improved. Productive time, completion of reviews within planned time and the issue of draft reports had all been hit previously by sickness, annual leave and the introduction of new software during the period impacting upon the completion of the audit plan. However, the end of the sickness and recruitment of a new member of staff would enable this to be recovered.

Summary conclusions in all significant audit work concluded during August to October 2017 were set out in Appendix A of the report submitted. All the reports issued during the period gave Substantial or Reasonable Assurance (set out as part of Appendix B).

Reference was also made Appendix C which detailed significant responsive work completed since the last Audit Committee.

Appendix D listed the outstanding recommendations and their current status and, as requested at a previous Audit Committee, Appendix E showed aged recommendations that were still outstanding with an explanation of progress made for each. These had been reported to the Strategic Leadership Team on 7th November. It was proposed to expand this procedure to include all recommendations raised that were still outstanding after 6 months.

Discussion ensued on the report with the following issues raised/clarified:-

- Work was on track to complete the plan by the end of the financial year
- Development of an E-learning module on Fraud Awareness
- Work within maintained schools

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee on 1<sup>st</sup> August and 30th October, 2017, and the key issues arising 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.

**THE CHAIRMAN AUTHORISED CONSIDERATION OF THE FOLLOWING ITEM TO ENABLE MEMBERS TO AWARE OF THE IMPENDING SELF-ASSESSMENT.)**

**46. SELF-ASSESSMENT**

The Chairman reported that in the New Year Committee Members, KPMG and appropriate officers would receive a self-assessment for completion on the work of the Audit Committee.

**47. DATE AND TIME OF NEXT MEETING**

Resolved:- That the next meeting of the Audit Committee be held on Tuesday, 6<sup>th</sup> February, 2018, commencing at 4.00 p.m.

## Summary Sheet

### Council Report

Audit Committee

### Title

Closure of the Accounts 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 of Finance & Customer Services

### Report Author(s)

Sarah Sweeney (Principal Finance Officer)

Finance & Customer Services Directorate

01709 254510 [sarah.sweeney@rotherham.gov.uk](mailto:sarah.sweeney@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 2017/18, including their effect on the Council's accounting policies, and to the statutory framework for preparing and reporting local authority financial statements (the Accounts and Audit Regulations 2015).

It also highlights the need to achieve faster closure to meet the shortening of the reporting timetable under the Accounts and Audit Regulations 2015 which will, from 2017/18, require unaudited financial statements to be published by the end of May instead of the end of June and audited financial statements to be published by the end of July instead of the end of September.

Finally, it reminds Members that the Audit Committee, as the body in the Council charged with governance, that it will need to formally approve the audited Financial Statements at its July meeting.

**Recommendations**

**The Audit Committee is asked to:**

- i. **Note the key accounting issues and main changes to the accounts in 2017/18 listed in Appendix A;**

**List of Appendices Included**

Appendix A – Key accounting issues and changes to the accounts in 2017/18

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2017/18  
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 2017/18**

### **1. Recommendations**

**The Audit Committee is asked to:**

- i. Note the key accounting issues and main changes to the accounts in 2017/18 listed in Appendix A;**

### **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 is based on internationally recognised accounting standards (International Financial Reporting Standards). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding Local Government.
- 2.3 The statutory framework is bringing about a major change to the timetable for local authority financial reporting which will require faster closure. Under the Accounts and Audit Regulations 2015, with effect from 2017/18, unaudited financial statements will have to be published by the end of May instead of currently the end of June and audited financial statements by the end of July instead of currently the end of September. The challenge for local authorities will therefore be to achieve the shorter reporting timetable whilst at the same maintaining financial statements of good quality.
- 2.4 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.
- 2.5 Materiality for financial reporting purposes is key. It determines the amount by which items or disclosures within the financial statements would need to be mis-stated before it would influence the understanding or a decision a reader of the accounts might make. An item is not material if its omission or mis-statement would not influence such decisions or understanding. For audit purposes, KPMG's overall materiality in 2016/17 was £11 million with differences of less than £550,000 being considered trivial.

### **3. Key Issues**

#### **3.1 Faster closure**

3.1.1 Bringing forward the timetable for publishing the unaudited financial statements by one month and for publishing the audited financial statements by two months represents a major challenge for all local authorities and will mean they will need to adopt radically different approaches if the tighter deadlines are to be achieved. It will entail having to re-engineer processes to:

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

These various workstreams were implemented during 2015/16 and 2016/17 in preparation for 2017/18.

#### **3.2 Accounts and Audit Regulations 2015 – Local elector rights**

3.2.1 The Local Audit and Accountability Act 2014 confers on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gives them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they think an item of account may be unlawful.

3.2.2 Under the Accounts and Audit Regulations 2015, local electors can only exercise their rights of inspection and to question the auditor or make formal objections for a single period of 30 working days commencing the day after the unaudited accounts have been published.

As accountability to the local electorate is an important part of the governance of the Council, notice of the inspection period will be advertised on the Council's website in advance of the unaudited financial statements being published.

3.2.3 A further consideration is that in order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) will need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report is therefore being co-ordinated with the publication of the unaudited financial statements to meet this requirement.

### **3.3 Local Authority Accounting Framework**

- 3.3.1 There are no major changes to the Local Authority Accounting Framework in 2017/18.
- 3.3.2 Major changes to service delivery that have taken place in 2017/18 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies.
- 3.3.3 The likely impact of the changes described in 3.3.1 to 3.3.2 above are listed in Appendix A.

### **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 2017/18 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 the unaudited financial statements is 31 May. The statutory deadline for publishing the audited financial statements is 31 July.

### **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 & Customer Services)

Approvals Obtained from:-

Strategic Director of Finance & Customer Services:- Judith Badger

This report is published on the Council's website or can be found at:-  
<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>

**KEY ACCOUNTING ISSUES / CHANGES TO THE ACCOUNTS IN 2017/18**

<b>Area of accounts</b>	<b>Issue</b>	<b>Action taken</b>
Narrative Report	The Narrative Report replaced the Explanatory Foreword in 2015/16. The purpose of the Narrative Report is wider than the Explanatory Foreword in that in addition to providing commentary on the Council's financial performance in the year it should also provide commentary on the Council's key strengths and resources and progress against its corporate objectives. <b>The timetable for production of the Narrative report needs to be brought forward in line with the date the unaudited financial statements are due to be published.</b>	Colleagues responsible for preparing the Narrative Report alerted to this requirement.
Commencement of local electors rights	In order for the inspection period to commence, the Annual Governance Statement and Narrative Report will need to be published alongside the Council's unaudited financial statements. <b>The timetable for their preparation therefore needs to be brought forward in line with the date the unaudited financial statements are due to be published.</b>	Colleagues responsible for preparing the Annual Governance Statement alerted to this requirement.
Schools converting to academy	<p>During the course of 2017/18, a further 17 schools are expected to convert to an academy. The impact on the Council's balance sheet and income and expenditure has yet to be determined but is likely to be material.</p> <p>By way of comparison, in 2016/17, the 15 schools which converted to an academy had an aggregate schools budget of £19.8m in the year prior to conversion.</p>	The Narrative Report will highlight the impact.

## Summary Sheet

### Council Report

Audit Committee

### Title

KPMG External Audit Plan 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 of Finance & Customer Services

### Report Author(s)

Sarah Sweeney (Principal Finance Officer)  
Finance & Customer Services Directorate  
01709 254510 [sarah.sweeney@rotherham.gov.uk](mailto:sarah.sweeney@rotherham.gov.uk)

### Ward(s) Affected

All

### Executive Summary

The Council's external auditor, KPMG, in their External Audit Plan sets out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements and to conclude on whether the Council has arrangements in place to secure value for money in the use of its resources.

The plan outlines the areas KPMG have determined to be significant risks the financial statements and Value for Money, these will be areas of audit focus.

### Recommendation

**The Audit Committee is asked to note KPMG's audit plan 2017/18**

### List of Appendices Included

KPMG Audit Plan 2017/18

### Background Papers

Audit Appointment Letter 2017/18  
Local Audit and Accountability Act 2014

National Audit Office – Code of Audit Practice

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**  
No

**Council Approval Required**  
No

**Exempt from the Press and Public**  
No

## **KPMG External Audit Plan 2017/18**

### **1. Recommendation**

**The Audit Committee is asked to KPMG's audit plan for 2017/18**

### **2. Background**

2.1 KPMG's 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.

The audit has two key objectives, requiring KPMG to audit/review and report on the Council's:

- financial statements (including the Annual Governance Statement): providing an opinion on the accounts; and
- use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

### **3. Key Issues**

3.1 KPMG's Annual Plan outlines the audit approach and in particular the key risks to the financial statements and Value for Money opinions and how they plan to cover these within the audit.

3.2 KPMG have identified the significant risks and areas of focus below. A brief description of each risk is provided on pages 6 to 8 (financial statements) and page 15 (value for money) of the Planning Document:

- Valuation of Property, Plant & Equipment
- Pension Liabilities
- Faster Close
- Financial Sustainability
- Delivery of Childrens' Services Improvement Plan

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

4.1 Consideration of alternative options was not required.

### **5. Consultation**

5.1 No consultation is required in respect of this report.

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

6.1 No decision which will require implementation is anticipated from this report.

**7. Financial and Procurement Implications**

7.1 A proposed fee of £140,828 has been set for 2017/18, compared to £144,028 for 2016/17. The fee for 2017/18 is governed by the Public Sector Audit Appointments (PSAA) company set up by the LGA as successor body to the Audit Commission, any change to the final fee will have to be agreed by the PSAA and RMBC's section 151 officer.

**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 Changes to the Plan and the fee may be necessary if significant new audit risks emerge or KPMG's expectations are not met. Should this be the case, KPMG will first discuss the reason for any change in fee with the Strategic Director of Finance and Customer Services. They will then be brought to the attention of the Audit Committee outlining the reasons for any change.

**14. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals Obtained from:-

Strategic Director of Finance & Customer Services:- Judith Badger

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

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

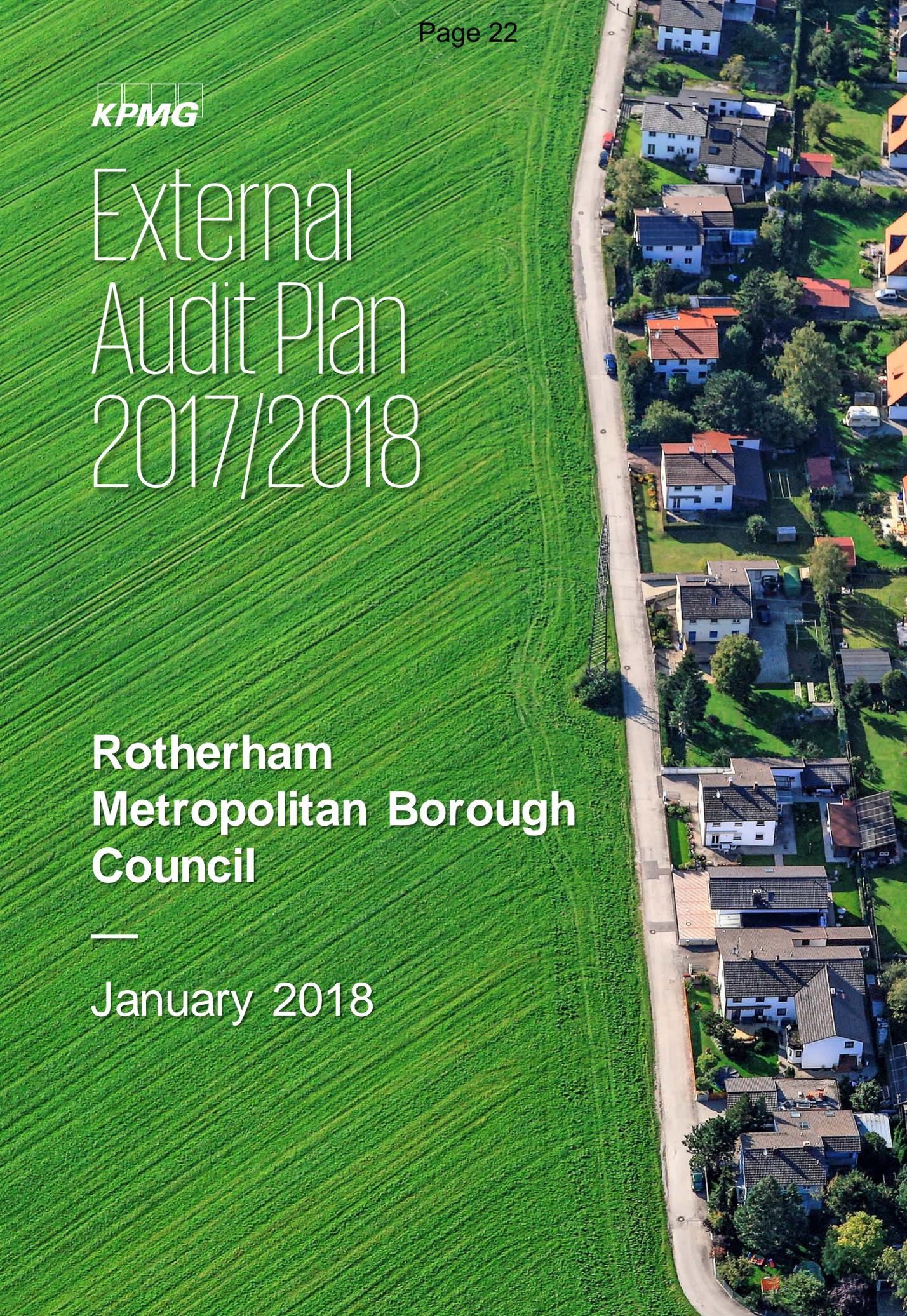


# External Audit Plan 2017/2018

**Rotherham  
Metropolitan Borough  
Council**

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January 2018



# Summary for Audit Committee

## Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. This represents a significant change for the Authority and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter. In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

## Materiality

Materiality for planning purposes has been 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 and this has been set at **£550,000**.

## Significant risks

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

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension Liabilities and assets** – The valuation of the Authority's pension liabilities and assets, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

## Summary for Audit Committee (cont.)

**Value for Money Arrangements work**

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

- **Financial Sustainability**– As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years. We will consider the way in which the Authority identifies, approves, and monitors both savings plans and how budgets are monitored throughout the year; and
- **Delivery of Children’s Services Improvement Plan** – In 2017/18 the Authority has continued to work towards delivering the improvement plan set up in order to allow the full return of powers from the Commissioners. We will consider progress against this plan as part of our Value for Money conclusion.

**See pages 11 to 15 for more details**

**Logistics**

Our team is:

- Tim Cutler – Partner
- Amy Warner – Manager
- Karin Hahn – Audit Assistant

More details are in **Appendix 2**.

Our work will be completed in four phases from October to July and our key deliverables are this Audit Plan, an Interim Report and a Report to Those Charged With Governance as outlined on **page 18**.

Our fee for the 2017/18 audit is £140,828 (£144,028 2016/2017 – this includes an uplift for additional VFM work undertaken in year) see **page 17**. These fees are in line with the scale fees published by PSAA who have announced there are no changes to the work programme for local government bodies for 2017/18.

**Acknowledgements**

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

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

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

- 01 | **Financial statements :**  
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **Use of resources:**  
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

## Financial Statements Audit

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



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 11 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during October 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Auditing 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.

# 01

## Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

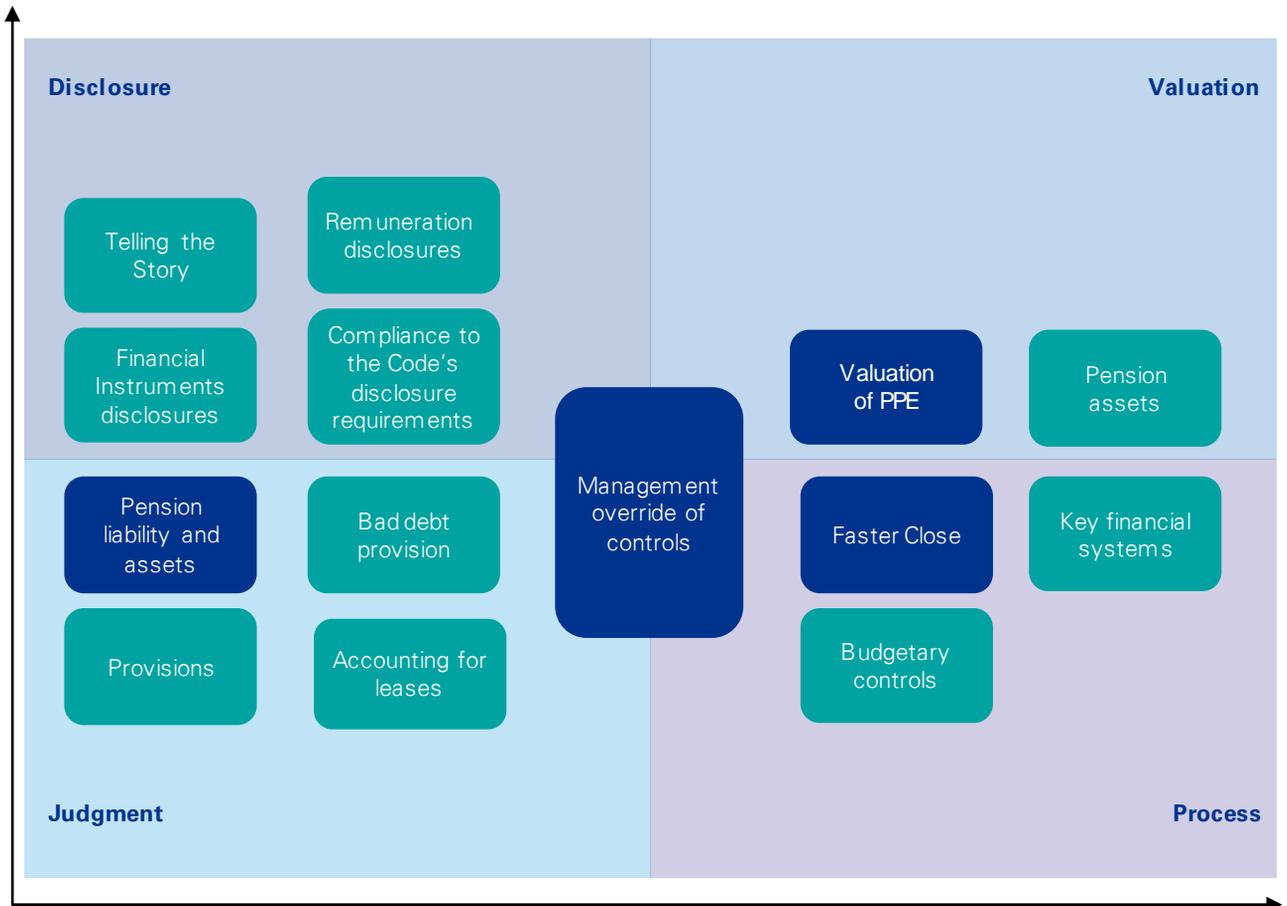
# 02

## 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.

# Financial statements audit planning (cont.)

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



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

# 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 in relation to the Authority.

### Risk:

#### Valuation of PPE

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.

### Approach:

We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.

In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<p><b>Pension Liabilities and assets</b></p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of South Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.</p>
<b>Approach:</b>	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Mercers.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Mercers.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<p><b>Faster Close</b></p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"> <li>— Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, subsidiaries and subsidiary auditors) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li> <li>— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li> <li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li> <li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li> </ul> <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
<b>Approach:</b>	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

# 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 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.

For the Authority, materiality for planning purposes has been set at £11 million, which equates to 1.8 percent of 2016/17 gross expenditure, once the one off impact of the change to the social housing discount factor has been taken into consideration..

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

### Authority Prior Year Gross Expenditure: £596m

#### Materiality

**£11m**

**1.8% of Expenditure**

(2016/17: £11m,  
1.5%)



**£550k** Misstatements reported to the audit committee (2016/17: £550k)

**£7.5m** Procedures designed to detect individual errors (2016/17: £7m)

**£11m** Materiality for the financial statements as a whole (2016/17: £11m)

# Financial statements audit planning (cont.)

## 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.

If management has 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:



Non-Trivial  
corrected audit  
misstatements



Non-trivial  
uncorrected audit  
misstatements



Errors and omissions in disclosure  
(Corrected and uncorrected)

# Value for money arrangements work

## VFM audit approach

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.'

## 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.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



# Value for money arrangements work (cont.)

## Value for Money sub-criterion

### Informed decision making

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.

### Sustainable resource deployment

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.

### Working with partners and third parties

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



### VFM audit risk assessment

#### Audit approach

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 *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



### Linkages with financial statements and other audit work

#### Audit approach

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.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



### Identification of significant risks

#### Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

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:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Value for money arrangements work (cont.)

## VFM audit stage



### Assessment of work by other review agencies, and Delivery of local risk based work

#### Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



### Concluding on VFM arrangements

#### Audit approach

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.

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.



### Reporting

#### Audit approach

On the following page, we report the results of our initial risk assessment.

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.

If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.

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.

# Value for money arrangements work (cont.)

## 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.

<b>Risk:</b>	<p><b>Financial sustainability</b></p> <p>The Authority identified the need to make savings of £24 million in their 2017/18 budget. The current forecast shows that the Authority will deliver an overspend of approximately £4.5 million. This is predominantly due to pressures on Children's Services (£3.987m forecast overspend) caused by increasing numbers of children in care, and Adult Care &amp; Housing (£5.280m forecast overspend) due to a shortfall in delivering the proposed budget savings.</p> <p>The Authority's budget for 2018/19 is in the process of being approved, but recognises a need for £31 million in savings over 2018/19 and 2019/20. The budget includes individual proposals to support the delivery of the overall savings requirement. It is recognised that further savings will be needed for future years due to reductions in local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p>
<b>Approach:</b>	<p>As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We will specifically consider the arrangement in place around savings identified in relation to Adult and Children's Services</p>
<b>VFM Sub-criterion:</b>	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none"> <li>— Informed decision making;</li> <li>— Sustainable resource deployment; and</li> <li>— Working with partners and third parties</li> </ul>

<b>Risk:</b>	<p><b>Delivery of Children's Services Improvement Plan</b></p> <p>In 2016/17, the Council saw the return of all their statutory powers, apart from those relating to Children's Services, following the commencement of implementing their improvement plan. During 2017/18, work is progressing to deliver this improvement plan, particularly in relation Children's Services. Successful implementation of robust governance arrangements will help improve quality of service. Without this, there could be an increased risk of litigation, poor decision making, and future financial risk.</p>
<b>Approach:</b>	<p>We will speak to key officers, and review the Council's process against their action plan. We will consider the results of external reviews, such as those undertaken by OFSTED, and assess how the Improvement Plan has been considered in relation to financial sustainability and budget setting.</p>
<b>VFM Sub-criterion:</b>	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none"> <li>— Informed decision making;</li> <li>— Sustainable resource deployment; and</li> <li>— Working with partners and third parties</li> </ul>

# 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 2017/18 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.



# Other matters

## Reporting and communication

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

## Independence and Objectivity

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

## Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £140,828, compared to 2016/2017 of £144,028, which includes an agreed uplift for additional work undertaken in relation to VFM.

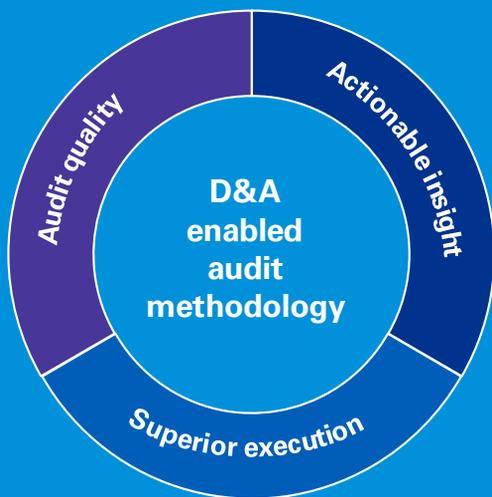
# Key elements of our financial statements audit approach

## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

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

We anticipate using data and analytics in our work around key areas such as journals.



## Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



# Key elements of our financial statements audit approach (cont.)

## Audit workflow

### Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

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### Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

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### Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

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### Completion

- Perform completion procedures
  - Perform overall evaluation
  - Form an audit opinion
  - Audit Committee reporting
-

# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Rotherham Metropolitan Borough Council audit last year except Karin Hahn who will be responsible for the on-site delivery of our work



**Tim Cutler**  
Partner

T: +44 (0) 161 246 4774  
E: Tim.Cutler@kpmg.co.uk

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‘My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Chief Executive.’



**Amy Warner**  
Manager

T: +44 (0) 0113 231 3089  
E: Amy.Warner@kpmg.co.uk

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‘I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Tim to ensure we add value. I will liaise with the Director of Finance and other Executive Directors.’



**Karin Hahn**  
Audit Assistant

T: +44 (0) 161 8383335  
Karin.Hahn@kpmg.co.uk

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‘I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.’

# Independence and objectivity requirements

## ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF ROTHERHAM MBC

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a Partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

# Independence and objectivity requirements (cont.)

## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of fees

We have considered the fees charged by us to the authority for professional services provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table

### Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2018 £	Value of Services Committed but not yet delivered £
Housing Benefits Audit for 2017/18	No threats to independence have been identified	As part of the PSAA contract, we are required to undertake the housing benefits audit work. As such appropriate safeguards have been applied by PSAA.	Fixed Fee	0	15,826
Pooling of Housing Capital Receipts Audit	No threats to independence have been identified	We have considered the following threats to independence and have concluded there are none that apply to this audit:  <ul style="list-style-type: none"> <li>- Self interest</li> <li>- Assumption of management responsibility</li> <li>- Self review</li> <li>- Familiarity</li> <li>- Advocacy</li> <li>- Intimidation</li> </ul>	Fixed Fee	0	TBC
Teachers Pension Audit	No threats to independence have been identified	We have considered the following threats to independence and have concluded there are none that apply to this audit:  <ul style="list-style-type: none"> <li>- Self interest</li> <li>- Assumption of management responsibility</li> <li>- Self review</li> <li>- Familiarity</li> <li>- Advocacy</li> <li>- Intimidation</li> </ul>	Fixed Fee	0	TBC

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

# Independence and objectivity requirements (cont.)

## Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

## KPMG LLP



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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.psa.co.uk](http://www.psa.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.

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## Summary Sheet

### Council Report Audit Committee

#### Title

KPMG Grants and Returns Report 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)

Sarah Sweeney (Principal Finance Officer)  
Finance & Customer Services Directorate  
01709 254510 [sarah.sweeney@rotherham.gov.uk](mailto:sarah.sweeney@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 attached report summarises KPMG's key findings from the certification work they have carried out in 2016/17.

KPMG were required to audit 3 claims and returns in 2016/17 with an aggregate value of £101m and issued an unqualified certificate for all 3.

## Recommendation

### The Audit Committee is asked to note

- the external auditor's report
- that fees were in line with those charged for 2015/16

**List of Appendices Included**

KPMG Annual Report on Grants and Returns Work 2016/17

**Background Papers**

Audit Appointment Letter 2016/17

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **KPMG Grants and Returns Report 2016/17**

### **1. Recommendation**

**The Audit Committee is asked to note**

- **the external auditor's report**
- **that fees were in line with those charged for 2015/16**

### **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 attached report summarises KPMG's key findings from the certification work they have carried out in 2016/17.

### **3. Key Issues**

- 3.1 KPMG were required to audit 3 claims and returns in 2016/17 with an aggregate value of £101m and issued an unqualified certificate for all 3.

Minor adjustments were made to the Housing Benefit Subsidy claim as a result of the certification work.

KPMG noted that there were no recommendations outstanding from previous years work, and have made no recommendations following this years certification work.

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

- 4.1 Consideration of alternative options was not required.

### **5. Consultation**

- 5.1 No consultation is required in respect of this report.

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

- 6.1 No decision which will require implementation is anticipated from this report.

### **7. Financial and Procurement Implications**

7.1 The Public Sector Audit Appointments (PSAA) set the Council's indicative 2016/17 Housing Benefit subsidy fee, the actual fee of £15,497 was in line with this.

7.2 KPMG other 'assurance' engagements were subject to agreement directly with the Council and were:

- The Teachers' Pensions Return - £3.3k
- The Pooling of Housing Capital Receipts - £2.5k

## **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 2016/17 claims and returns have been certified and submitted.

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

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals Obtained from:-

Strategic Director of Finance & Customer Services:- Judith Badger

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

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



# Annual Report on grants and returns 2016/17

**Rotherham Metropolitan Borough Council**

January 2018



# Contents

**The contacts at KPMG in connection with this report are:**

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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' website ([www.psaa.co.uk](http://www.psaa.co.uk)).

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## Headlines

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 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 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £86,287,587
- Under separate engagements we issued reports on 2 claims/returns as listed below.
  - Teacher's Pension Return. This included employers contributions of £10,218,574.
  - Pooled Housing Capital Receipts Return. The total receipts subject to pooling was £4,456,709.

### 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 unqualified.

Various adjustments were necessary to the Housing Benefit Subsidy Claim as a result of our certification work this year.

- Testing of the Rent Rebates identified one instance of an overpayment of £41.39 and an underpayment of £2.45, due to a system glitch where there was a change in the ESA by error.
- Testing of the Rent Rebates identified various misclassification errors due to errors in date processing. Adjustments were made to cell 65 which was decreased by £286.14 and cell 67 was increased by £286.15. Cell 113 was decreased by £33.98 and cell 114 was increased by £33.98. Further to this, cell 65 was decreased by £139.72 and cell 67 was increased by £139.72. Finally, cell 113 was decreased by £58.14 and cell 114 was increased by £58.14.
- Testing of the Non-HRA Rent Rebates identified an error where there was a part week overpayment. This resulted in cell 12 being reduced by £153.03 and cell 13 being increased by £163.03.
- Testing of the Non-HRA Rent Rebates also identified an error relating to week one payments. An amendment was made to cell 38 to restate the value to £0. This was an administrative error.

No adjustments were necessary to the other Council's grants and returns as a result of our certification work this year, which is the same as on previous years.

### Recommendations

We have made no recommendations to the Council from our work this year and agreed an action plan with officers. There were no recommendations outstanding from previous years' work on grants and returns.

### Fees (Page 5)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £15,497, which is in line with the indicative fee set by PSAA.

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

- Teacher's Pension Authority Return – £3,280
- Pooled Housing Capital Receipts Return – £2,500

# Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

- Two were unqualified with no amendment;
- One was unqualified but required some amendment to the final figures; and
- None 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 2016/17 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 grant/return engagements</b>					
— Teacher’s Pension Return	2				
— Pooled Housing Capital Receipts Return	3				
		0	0	1	3

# 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> <ul style="list-style-type: none"> <li>— Testing of the rent rebates identified there was a misclassification fail. This was an error in the input date for the evidence received so this showed as an LA error when in fact the evidence wasn't received until post payment.</li> <li>— Testing of the rent rebates identified an error where ESA had changed from a correct value to an incorrect value, causing overpayment. This was from a system glitch although it is not clear where the error came from.</li> <li>— Testing of Non HRA Rent Rebates identified the known error of the 12 / 13 split where there is a part week overpayment which doesn't split correctly between the two codes.</li> <li>— Testing of Non HRA Rent Rebates identified an error relating to week 1 payments. This was an administrative error by Rotherham MBC.</li> <li>— An amendment was made to the claim form for an error on completion with no impact on the subsidy claimed.</li> </ul>	<p>Amount owed by authority has reduced by £1,069</p>

## 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 2016/17 was £21,277.

### 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 2016/17 of £15,497. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £15,826.

### Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were in line with those in 2015/16.

### Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	15,497	15,826
Teacher's Pension Authority Return	3,280	3,280
Pooled Housing Capital Receipts Return	2,500	2,500
<b>Total fee</b>	<b>21,277</b>	<b>21,606</b>



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## Summary Sheet

**Council Report:**

Audit Committee – 6<sup>th</sup> February, 2018.

**Title:**

Internal Audit Self-Assessment against the Public Sector Internal Audit Standards.

**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):**

David Webster (Head of Internal Audit)

**Ward(s) Affected:**

None

**Executive Summary:**

All Internal Audit departments in Local Government must comply with the Public Sector Internal Audit Standards (PSIAS). The standards include the need for an annual self-assessment to confirm compliance, with an external assessment at least every five years.

An external assessment was completed by PwC in 2015-16, who found that the department did not conform to the standards. An internal self-assessment was completed in January 2017 which showed that substantial progress had been made so that the department demonstrated partial conformance with the standards.

This paper gives the results of the internal self-assessment for 2018 which shows that sufficient progress has now been made to conclude that the department now has general conformance with the standards. Summary and detailed results are given in the paper.

The department is still going through considerable change in the way it works. It is recommended that another external assessment take place next year when those changes have been worked through.

**Recommendation:**

**The Audit Committee is asked to**

- a. **Note the result of the self-assessment against the PSIAS.**
- b. **Note the progress made from the external assessment carried out in 2015/16 and the internal assessment last year.**

c. **Confirm that an external peer review should be completed in 2019.**

**Background Papers:**

Public Sector Internal Audit Standards.  
Local Government Advice Note.  
Audit Committee Paper February 2017.

**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 Self-Assessment against the Public Sector Internal Audit Standards.

**1. Recommendations**

**The Audit Committee is asked to:**

- **Note the result of the self-assessment against the PSIAS.**
- **Note the progress made from the external assessment carried out in 2015/16 and the internal assessment last year.**
- **Confirm that an external peer review should be completed in 2019.**

**2. Background**

2.1 Professional Standards for Internal Audit are set out in the Public Sector Internal Audit Standards (PSIAS). These require an annual internal assessment of conformance against the standards, with an independent assessment of internal audit at least every 5 years.

2.2 In 2015, the Interim Director of Finance and Corporate Services commissioned a review of Internal Audit to be conducted by PWC, following a competitive tender exercise. The PWC review was a comprehensive assessment. The report following the review was presented to the Audit Committee in February 2016. It recommended a number of actions required to improve the service and ensure compliance with audit standards.

2.3 One of the areas the review considered was the extent of Internal Audit's conformance with the PSIAS. Of the ten Standards tested at that time, Internal Audit was assessed as non-compliant in five, partially conforming in two and generally conforming in three.

2.4 An Action Plan was produced and the internal assessment in January 2017 showed an overall Partial Conformance with PSIAS. This assessment resulted in the production of a Quality Assurance and Improvement Programme (QAIP) which was presented to the Committee in June 2017.

2.4 The Chartered Institute of Internal Auditors (CIIA) definitions and guidance for conformance with the Standards are given in Appendix A.

**3. Annual Self-Assessment against the PSIAS.**

3.1 The self-assessment for 2017/18 has been completed by the Head of Internal Audit using the checklist used by the Chartered Institute of Internal Auditors (CIIA) when they conduct external assessments. The checklist gives details of the standards and the key conformance criteria for each one. There is space for the reviewer assessment and suggestions for improvement.

3.2 The review consists of an assessment against the definition of Internal Audit, the code of ethics, the four attribute standards and the seven performance standards.

3.3 Appendix A contains results of the review against each individual standard. It gives the definitions of general, partial, and non-conformance

followed by the detailed result against each individual standard. For comparison the results of the review in 2016/17 are noted. Key points are:

- The Internal Audit department has made substantial progress in the last year, now achieving an overall general conformance (last year partial conformance).
- The overall position and progress since the PwC report to the Audit Committee can be indicated as follows:

		<b>PwC 2015/16</b>	<b>Annual Assessment 2016/17</b>	<b>Annual Assessment 2017/18</b>
Overall Assessment		<b>DNC</b>	<b>PC</b>	<b>GC</b>
Definition		Not reported	<b>GC</b>	<b>GC</b>
Code of Ethics				
Integrity		Not reported	<b>GC</b>	<b>GC</b>
Objectivity		Not reported	<b>GC</b>	<b>GC</b>
Confidentiality		Not reported	<b>GC</b>	<b>GC</b>
Competence		Not reported	<b>GC</b>	<b>GC</b>
Attribute Standards				
1000	Purpose, Authority and Responsibility	<b>GC</b>	<b>GC</b>	<b>GC</b>
1100	Independence and Objectivity	<b>GC</b>	<b>GC</b>	<b>GC</b>
1200	Proficiency and Due Professional Care	<b>DNC</b>	<b>PC</b>	<b>PC</b>
1300	Quality Assurance and Improvement Programme	<b>DNC</b>	<b>GC</b>	<b>GC</b>
Performance Standards				
2000	Managing the Internal Audit Activity	<b>PC</b>	<b>GC</b>	<b>GC</b>
2100	Nature of Work	<b>DNC</b>	<b>PC</b>	<b>GC</b>
2200	Engagement Planning	<b>DNC</b>	<b>PC</b>	<b>GC</b>
2300	Performing the Engagement	<b>DNC</b>	<b>PC</b>	<b>GC</b>
2400	Communicating Results	<b>PC</b>	<b>GC</b>	<b>GC</b>

2500	Monitoring Progress		<b>GC</b>	<b>GC</b>	<b>GC</b>
2600	Resolution of Senior Management's Acceptance of Risk	of	Not reported	<b>GC</b>	<b>GC</b>

Key:

GC – Generally Conforms    PC – Partially Conforms

DNC – Does Not Conform

3.4 Since the last assessment there have been many changes to the department including a new structure; the end of the use of a contract auditor; recruitment to fill an extra post; the secondment of member of the team to finance with a corresponding secondment into the department; the introduction of integrated audit software, which is still being embedded. At the same time the department had to deal with long-term sickness. Even so, progress was made to bring the service up to general conformance with standards. However, there are still individual areas of partial conformance that need to be addressed.

3.5 The areas of partial conformance give rise to actions which will form the Quality Assurance and Improvement Plan for the next year. This has the aim of achieving general conformance within all areas of the standards by the time of the next assessment.

- Key actions include:

- Embedding new audit scoping, reporting and performance monitoring and management processes.
- Individual and team development plans implemented.
- Full 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 ways of working after the introduction of audit software

(nb this is not a full list)

3.6 The standards require that an external assessment be carried out every five years by a qualified independent assessor. One was completed two years ago, so to meet the standards another does not have to be completed until 2020-21. It is recommended that the next external assessment be carried out next year. By that time the changes from the introduction of the software will have been completed and the department will be in a more stable position.

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

4.1 Internal Audit work through the Quality Assurance and Improvement Plan to address those areas of PSIAS that have been self-assessed as partially conforming.

4.2 The next external assessment to be carried out in a year's time

#### **5. Consultation**

5.1 The report is presented to the Audit Committee to enable it to fulfil its responsibility for overseeing the work and standards of internal audit.

5.2 The Strategic Director, Finance and Customer Services has been fully briefed on progress.

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

6.1 Actions will be completed during 2018.

#### **7. Financial and Procurement Implications**

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

#### **8. Legal Implications**

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

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

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

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

#### **9. Human Resources Implications**

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

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

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

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

11.1 There are no direct Equalities or 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 Plan, the Corporate Improvement Plan and Children's Services Improvement Plan.

12.2 Senior management, Members and other stakeholders will be consulted in relation to the future expectations for the internal audit service, as part of the planning for 2018/19. The aim will be to ensure major issues and risks for services are reflected in the audit planning processes, including where relevant, partnership working.

## **13. Risks and Mitigation**

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

13.2 The following risks have been identified: -  
(i) Limitations in resources to implement the changes planned  
(ii) Failure to meet implementation timescales due to unforeseen 'responsive' or other unplanned work.

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

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

David Webster (Head of Internal Audit).

## Appendix A

### Evaluation Procedure

- Examine and reflect upon the requirements of the *Definition of Internal Auditing*, the *Code of Ethics* and each *International Standard*. Use the relevant *Interpretation* within the Standards to build your understanding.
- Consider the key conformance criteria that will demonstrate compliance. You may wish to add other conformance criteria that are specific to your organisation or there may be additional criteria you wish to suggest. If you have suggestions use the form at Appendix 1 to provide feedback.
- Record the full range and extent of the evidence that exists within the internal audit activity and the organisation that demonstrates conformance with the *Standard*. There are lots of ways to gather information to support your assessments. This might include interviews with stakeholders and internal auditors as well as reviewing files, work papers reports and personnel records. As a result you may need to prepare an interview schedule and timetable.
- Compare the evidence to the key conformance criteria and assess the degree of conformance. Use the definitions that are provided below to guide your evaluation. Any of the key conformance criteria that is not achieved, would strongly suggest a rating of '**does not conform**' or '**partially conforms**'.
- Record the assessments in the table provided (pages 4 to 6) shading the boxes green, amber or red. Use this to present a summary of the results and to make an overall assessment. If most of the *Standards* are judged to be '**does not conform**', then the overall assessment must be '**does not conform**'.

**Generally Conforms** means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

**Partially Conforms** means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

**Does Not Conform** means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

**Detailed Assessment against individual Standards – Current and Last Year (LY)**

		Generally Conforms	Partially Conforms	Does Not Conform
	<b>OVERALL ASSESSMENT</b>		LY	
	<b>Definition of Internal Auditing</b>	LY		
<b>Reference</b>	<b>Code of Ethics</b>			
1	Integrity	LY		
2	Objectivity	LY		
3	Confidentiality	LY		
4	Competence	LY		
<b>Reference</b>	<b>Attribute Standards</b>			
1000	Purpose, Authority and Responsibility	LY		
1010	Recognising Mandatory Guidance in the Internal Audit Charter	LY		
1100	Independence and Objectivity	LY		
1110	Organisational Independence	LY		

		Generally Conforms	Partially Conforms	Does Not Conform
1111	Direct Interaction with the Board		LY	
1112	Chief Audit Executive Roles Beyond Internal Auditing			
1120	Individual Objectivity	LY		
1130	Impairments to Independence or Objectivity	LY		
1200	Proficiency and Due Professional Care (The sum of <i>Standards</i> 1210-1230)		LY	
1210	Proficiency		LY	
1220	Due Professional Care		LY	
1230	Continuing Professional Development	LY		
1300	Quality Assurance and Improvement Programme (The sum of <i>Standards</i> 1310-1320)	LY		
1310	Requirements of the Quality Assurance and Improvement Programme	LY		
1311	Internal Assessments	LY		
1312	External Assessments	LY		
1320	Reporting on the Quality Assurance and Improvement Programme	LY		
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	LY		

		Generally Conforms	Partially Conforms	Does Not Conform
1322	Disclosure of Non-conformance	LY		
<b>Reference</b>	<b>Performance Standards</b>			
2000	Managing the Internal Audit Activity (Sum total of <i>Standards</i> 2010 – 2070)	LY		
2010	Planning	LY		
2020	Communication and Approval	LY		
2030	Resource Management	LY		
2040	Policies and Procedures		LY	
2050	Coordination and Reliance	LY		
2060	Reporting to Senior Management and the Board	LY		
2070	External Service Provider and Organisational Responsibility for Internal Audit	LY		
2100	Nature of Work (Sum of <i>Standards</i> 2110 – 2130)		LY	
2110	Governance			LY
2120	Risk Management	LY		
2130	Control		LY	

		Generally Conforms	Partially Conforms	Does Not Conform
2200	Engagement Planning (Sum of <i>Standards</i> 2201-2240)		LY	
2201	Planning Considerations			LY
2210	Engagement Objectives	LY		
2220	Engagement Scope	LY		
2230	Engagement Resource Allocation	LY		
2240	Engagement Work Programme	LY		
2300	Performing the Engagement (The sum of <i>Standards</i> 2310-2340)		LY	
2310	Identifying Information	LY		
2320	Analysis and Evaluation	LY		
2330	Documenting Information	LY		
2340	Engagement Supervision		LY	
2400	Communicating Results (Sum of <i>Standards</i> 2410-2450)	LY		
2410	Criteria for Communicating	LY		
2420	Quality of Communications	LY		

		Generally Conforms	Partially Conforms	Does Not Conform
2421	Errors and Omissions	LY		
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	LY		
2431	Engagement Disclosure of Non-conformance	LY		
2440	Disseminating Results	LY		
2450	Overall Opinions	LY		
2500	Monitoring Progress	LY		
2600	Resolution of Senior Management s Acceptance of Risks	LY		

## **Council Report**

Audit Committee – 6<sup>th</sup> February 2018.

### **Title**

Internal Audit Quality Assurance and Improvement Programme (QAIP).

### **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**

David Webster, Head of Internal Audit

Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

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

All wards.

### **Executive Summary**

Internal Audit is a major source of assurance to the Council on the framework of control, risk management and governance. It is therefore important that it operates in conformance with Public Sector Internal Audit Standards.

An internal self-assessment was completed in January 2017 which showed partial conformance with those standards. As a result a Quality Assurance and Improvement Programme (QAIP) was produced to address the areas where conformance was not achieved.

The Improvement programme has been implemented since then. The latest annual self-assessment has now been completed, showing general conformance with the standards. However, there are still actions that can be taken to maintain and improve performance. This paper shows the status of actions in last year's QAIP and the actions to be taken over the coming year.

### **Recommendations**

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

### **List of Appendices Included:-**

Appendix A Quality Assurance and Improvement Plan

### **Background Papers**

Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Audit Committee Paper July 2017.

**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 Quality Assurance and Improvement Programme 2018.**

**1. Recommendations**

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

**2. Background**

2.1 Internal Audit is required to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). Those standards require the existence of a Quality Assurance and Improvement Plan.

2.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. A self-assessment was completed in January 2017 and the results reported to the Audit Committee. Where conformance to the standards was not achieved actions were generated which in total comprised the Improvement Action Plan for 2017.

2.3 A further self-assessment has now been completed and the results reported to this committee. This included evaluating progress against the Improvement Action Plan and the production of a new Improvement Action Plan based on the latest results.

**3. Key Issues**

3.1 The current position against the 2017 Improvement Action Plan is given in Appendix A.

3.2 An updated QAIP has been produced using the results of the 2018 self-assessment and the resultant actions. This is given in Appendix B.

3.2 Implementation of the actions will be progressed throughout the year.

**4. Options Considered and Recommended Proposal**

4.1 There is no discretion on whether to comply with the PSIAS. The purpose of the report is to inform the Audit Committee of the QAIP that has been put in place and is being implemented.

**5. Consultation**

5.1 None.

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

6.1 The Audit Committee is asked to receive this report at its 6<sup>th</sup> February 2018 meeting.

**7. Financial and Procurement Implications**

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

## 8. Legal Implications

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

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

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

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

## 9. Human Resources Implications

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

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

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

## 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 risk has been identified.

Risk	Impact	Likelihood	Mitigation
Meet the requirements of the standards set down in the UK Public Sector Internal Audit Standards (PSIAS).	Low	Low	Internal assessment showed areas where standards are not currently met. Produce and implement Quality Assurance and Improvement Plan.

## 14. Accountable Officer

David Webster, Head of Internal Audit.

## Quality Assurance and Improvement Plan – 2017

## Actions from assessment January 2017 – questions not scored as conforming. Current Position.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1000	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	The internal audit (IA) activity has a formal definition of its purpose, authority and responsibility, which recognises the IIA definition of IA. Whatever document provides the formal definition will be the “internal audit charter” for the purposes of the standards - no matter what the document is actually called. The charter: <ul style="list-style-type: none"> <li>Establishes the position and reporting lines of IA within the organisation - both functional and administrative reporting lines.</li> </ul>	The Charter defines the terms ‘board’ and ‘senior management’, but does not explicitly establish reporting lines.	Make reporting lines explicit in next revision of the Charter.	Sept 2017	Implemented.
1100	The internal audit activity must be independent, and all internal auditors must be objective in performing their work.	IA role and relationships with regard to other assurance providers, inside and outside the organisation is established and documented		To be developed	2017	Not Implemented
1100	The CAE must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The CAE must confirm to the board, at least annually, the organisational independence of the internal audit activity.	Audit committee holds private meetings with the CAE.  Audit committee approves decisions regarding the performance evaluation of the CAE		Annual meeting held in April 2017.  HIA appraisal to be reviewed by the Chair of Audit.	Apr 2017  May 2017	Implemented  Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1111	The CAE must communicate and interact directly with the board.	One to one sessions between the CAE and the board are planned into the annual timetable, either as part of the annual schedule of meetings or through the agreed working relationship between CAE and chair of the board. This occurs at least annually.		First annual meeting held in April 2017. Included in the annual schedule.	April 2017	Implemented
1210	Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.	There is a job description or person specification for each post with the IA organisation structure that defines appropriate knowledge, skills and experience.  The job descriptions/person specifications are reviewed periodically or when positions become available.  The knowledge, skills and competencies referred to might include: <ul style="list-style-type: none"> <li>• Applying internal audit standards, procedures, and techniques in performing engagements.</li> <li>• Accounting principles and techniques if internal auditors work extensively with financial records and reports.</li> <li>• Knowledge to identify the indicators of fraud.</li> <li>• Knowledge of key information technology risks and controls and available technology-based audit techniques.</li> <li>• Communication and networking skills.</li> <li>• Managing people</li> </ul>	These are not specified in detail in the job descriptions.	Job descriptions to be amended to include specific IA responsibilities.	Summer 2017	Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1210.A1	The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.	<p>A process exists that identifies individual internal auditor training and development needs with support for qualification programmes and other training and development activities.</p> <p>Internal auditor performance is reviewed on a regular basis, the results of which feed back into the needs assessment and CPD process.</p>	Annual appraisals (PDRs) have been completed for all members of the team. These include development needs, but not how they will be achieved. One team member is studying for CIIA, another for CIPFA, both supported by the Council.	Development needs to be linked to training.	Summer 2017	Implemented
1220	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	The IA activity formally defines how it operates in a series of policies and procedures. For some the collection of documents may take the form of an Internal Audit Manual.	An Audit Manual existed but had not been fully updated since 2007. Now being comprehensively reviewed and updated. Some updates were communicated separately in 2015.	Completion of review of Audit Manual ready for software implementation, and needed again after implementation to reflect changes.	Spring 2017  December 2017	Implemented  Not Implemented
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.	Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other Computer Aided Audit Techniques (CAATs).	CAATS not used.	Develop use of CAATS	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1230	Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.	<p>There is a process to assess the training and development needs of internal auditors that provides input to the continuous professional development (CPD) programme required by the Institute.</p> <p>The process may be based upon the organisation's staff appraisal procedure but centres upon the development of professional proficiency and the changing demands upon the profession.</p>	<p>Annual appraisals completed for all staff, leading to identification of training needs.</p> <p>Programme of departmental training identified for 2016/17, but not delivered.</p> <p>Individuals are responsible for update of their own CPD. A record is kept within the dept.</p>	Link between appraisals, training needs and CPD.	2017	Implemented
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	Stakeholder expectations and the results of consultations with staff are documented.	Not documented.	Needs more feedback from stakeholders	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	<p>There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity.</p> <p>Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF</p> <p>Managers and the QAIP examine the application of policies and procedures – there is evidence to support supervision and quality management.</p> <p>Internal auditors meet to discuss the application of policies and procedures – with agreed actions.</p>	<p>Audit Manual, Audit Charter.</p> <p>In the process of procuring integrated audit software which will help regulate this.</p> <p>Needs more communication to auditors</p> <p>There is ongoing review of work, showing supervision and quality management.</p> <p>Team meetings are held, but more needed.</p>	<p>Manual, Charter, policies need better communication to the team.</p> <p>Reliance has been placed on experience.</p> <p>Briefings and team meetings to be instigated.</p>	2017	Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2110	<p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> <li>Promoting appropriate ethics and values within the organisation;</li> <li>Ensuring effective organisational performance management and accountability;</li> <li>Communicating risk and control information to appropriate areas of the organisation; and</li> <li>Coordinating the activities of and communicating information among the board, external and internal auditors, and management.</li> </ul> <p>The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programmes, and activities.</p>	<p>IA reviews the activities in place that manage and monitor the effective implementation of the organisation's;</p> <ul style="list-style-type: none"> <li>Ethics and values.</li> <li>Codes of conduct.</li> <li>Levels of authority and responsibility.</li> <li>Strategic objectives.</li> <li>Compliance with laws and regulations.</li> <li>Communication with stakeholders.</li> <li>Social and ethical objectives, including validation of reported results.</li> <li>IT governance, including information security.</li> </ul>	<p>Not ethics</p> <p>Not levels of authority and responsibility.</p> <p>Not communications</p> <p>Not social and ethical objectives.</p>	Full coverage of governance to be included in the Annual Plan for 2017/18	Spring 2017	Implemented
2110.A1						

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.	IA evaluate the potential occurrence for fraud as part of audit engagements – included within objectives and referred to in communications at the end of the audit engagement.	Consideration of fraud not included in all audit scopes. Now added to scoping document.  A fraud risk register is currently being developed.	Complete and issue the fraud risk register.	2017	Implemented
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.	Internal auditors support management upon the design of controls at appropriate points in the development of major change programmes – examples would include implementation of new computer systems, building and supply contracts.	More involvement needed in change programmes.	Better liaison with DMTs during 2017/18, with the aim of improving IA involvement in change programmes.	2017	Implemented
2201	In planning the engagement, internal auditors must consider: <ul style="list-style-type: none"> <li>The objectives of the activity being reviewed and the means by which the activity controls its performance;</li> </ul>	Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy.  Internal auditors document the following as part of their research and discussions with managers <ul style="list-style-type: none"> <li>The nature of the area under review and key areas of change and development</li> <li>The activities that occur and the way performance is monitored.</li> </ul>	Procedures exist for research and scoping. All scopes are signed off by a Principal Auditor or Head of Audit.  Yes/no. Key areas of change may not routinely be covered.  Yes/no. Performance elements of activity may not be considered.	Improvements to scoping to ensure all relevant areas area covered.	Summer 2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2201.A1	When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.	<p>The preparation for audit engagements leads to the documentation of objectives that are agreed with senior management and where appropriate clients outside the organisation. Options include:</p> <ul style="list-style-type: none"> <li>Assurance that management assurance is effective and, therefore, reliable.</li> <li>Assurance that specific responses, including controls, are effective in managing given risks.</li> </ul> <p>Consultancy to help managers improve the design or implementation of governance processes, risk processes and risk responses, including controls.</p>	Outside organisations to be updated (academies)	Arrangements for auditing academies to be reviewed.	2017	Implemented
2310	Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	Information is obtained from information systems about the way processing operates – options include reporting tools, exception reports and Computer Aided Audit Techniques (CAATs).	Reports are obtained where applicable. CAATS are not used.	Explore the possibility of using CAATS in 2017/18	2017	Not Implemented.
2340	Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	The results of supervision are incorporated into the QAIP and staff appraisal assessments – and where appropriate training and development plans.	To be completed.	Refer results of reviews into QAIP and individual training requirements.	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2420	Communications must be accurate, objective, clear, concise, constructive, complete, and timely.	The form and style of communications has been discussed and agreed with senior management and the board including the method of communications, format, and any grading of opinions and recommendations.	No. Have tended to be based on good practice / examples / templates from other authorities.	To be presented to senior management and audit committee.	2017	Not Implemented



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Quality Assurance and Improvement Plan 2018**

# 1 Introduction and Background

- 1.1 The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.
- 1.2 The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.3 The QAIP must include both internal and external assessments.
- 1.4 Internal assessments must include:
  - Ongoing monitoring of the performance of the Internal Audit activity. This is an integral part of the day-to-day supervision, review and measurement of internal audit. Ongoing monitoring is incorporated into the routine policies and practices used to manage internal audit and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, Code of Ethics and Standards; and
  - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices, to evaluate conformance.
- 1.5 External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.
- 1.6 Within RMBC the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit assignment level as well as at a broader level covering the entire internal audit department.
- 1.7 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.8 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of RMBC that it:
  - Performs its work in accordance with its Charter, which is consistent with the PSIAS
  - Operates in an efficient and effective manner
  - Is adding value and continually improving its operations

## 2 External Assessment

- 2.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 2.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.
- 2.3 At the end of 2015 a wide ranging external review of Internal Audit was completed by PwC, including an assessment against PSIAS. The results were reported to the Audit Committee in January 2016. 19 recommendations were made for improvement. By November 2016, 10 of the recommendations had been completed, 3 were rated green (certain to be achieved) and 6 were rated amber (in progress / on target).
- 2.4 The results showed non-conformance against PSIAS. One of the recommendations was that an improvement plan should be developed that brings about the necessary improvements to meet the PSIAS requirements. RMBC Internal Audit reviewed their report and considered there were 76 actions to be taken to meet full compliance. By November 2016, 47 of those actions were rated green and 29 were rated amber.

## 3 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

### 3.1 Ongoing quality assurance arrangements

3.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS.

### 3.1.2 Assignment level

- The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
- The objectives, scope and expected timescales for each audit assignment subject to agreement with the client before detailed work commences
- The results of all audit testing documented using standard working papers
- Documented review of file and working papers by a Principal Auditor to ensure that:
  - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
  - Audit files are complete and properly structured;

- The objectives of the audit have been achieved;
- Appropriate levels of testing have been carried out;
- The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence
- The audit report is complete, accurate, objective, clear, concise, constructive and timely
- Supervision of audit assignments
- Regular monitoring of progress of audit assignments
- Draft reports and recommendations are reviewed and approved by the Head of Internal Audit.
- Client View Questionnaires are issued with each draft report to obtain feedback on the performance of the auditor and on how the audit was received.

### 3.1.3 Internal Audit department level

- The Internal Audit annual plan is produced using a risk based approach
- The audit procedures manual provides a detailed description of the work of the department and the way in which the work should be carried out. This is a point of reference for staff and guides them through the relevant procedures followed within the department
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility for Internal Audit
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including
  - Job descriptions for each post
  - Annual performance appraisals, to include assessment against audit competencies
  - Individual development plans based on the results of the appraisals
- Performance against agreed quality targets reported to the Audit Committee at each meeting

### 3.1.4 Integrated Audit Software

The department is currently implementing integrated audit software supplied by Morgan Kai. This will enhance and enforce quality assurance at both assignment and departmental level, but will necessitate the revision of departmental documentation and the audit procedure manual.

### 3.1.5 Reporting to the Audit Committee

At each meeting Internal Audit provides the Audit Committee with a Progress Report summarising the audit activity undertaken since the previous meeting. This includes the following:

- Progress against the annual plan
- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations

- Performance Indicators for the department

### 3.2 Periodic Reviews

- 3.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS completed by the Head of Internal Audit using a checklist developed by the Chartered Institute of Internal Auditors.
- 3.2.2 The results of the self-assessment are used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.
- 3.2.3 Results are also used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the Audit Committee.
- 3.2.4 An annual self-assessment against the standards was completed in January 2017 and the results reported to the Audit Committee in February 2017. The Internal Audit Service was assessed as partially conforming, an improvement on the previous year. Partial conformance means the department is making good faith efforts to comply with the requirements but falls short of achieving some major objectives. These represent significant opportunities for improvement in effectively applying the standards. The partial conformance was not considered to impact on the effectiveness of the service, and the service complied with the Standards in all significant areas and operates independently and objectively. The assessment resulted in the development of a QAIP to continue the improvement.
- 3.2.5 An Improvement Action Plan was produced to address the individual areas identified as requiring improvement. Another self-assessment has now taken place which included an evaluation of progress against the actions. The results are shown in Appendix A.
- 3.2.6 The self-assessment for 2018 shows general conformance with the standards. However, there are still actions that can be taken to maintain and improve standards. The actions from this self-assessment are shown in Appendix B. These will be progressed throughout the year and the results reported back to the committee.

## Quality Assurance and Improvement Plan – 2018

### Actions from assessment January 2018

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1010	The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing, must be recognised in the internal audit charter.	<p>The charter includes reference to the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards.</p> <p>The charter makes a formal commitment to the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and the International Standards.</p>	<p>The Charter refers to the mandatory nature of PSIAS, including the definition, Code of Ethics and Standards.</p> <p>The ten Core Principles are listed and embedded in the Charter.</p> <p>It does not include reference to the International Standards, although they are applied</p>	Include in next update in 2018.	2018 update	DW
1100	The internal audit activity must be independent, and all internal auditors must be objective in performing their work.	IA role and relationships with regard to other assurance providers, inside and outside the organisation is established and documented		To be developed	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1220	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	<p>The IA activity formally defines how it operates in a series of policies and procedures. For some the collection of documents may take the form of an Internal Audit Manual.</p> <p>Policies and procedure recognise the elements and requirements of the IPPF.</p> <p>Audit engagements focus upon management's assessment of risk responses. Taking into consideration residual risk and management assurance upon the effectiveness of the risk response. Where this is not available internal auditors perform their own assessment of risks.</p>	<p>Audit Manual comprehensively reviewed and updated in early 2017.</p> <p>Refers to PSIAS and LGAN, not IPPF, but includes elements and requirements.</p> <p>Audit planning is risk based. In previous years this has been the IA assessment of risk. With further development of council risk registers, management's assessment is now used.</p> <p>RBIA to be further developed.</p>	<p>Completion of review of Audit Manual needed again after implementation of audit software to reflect changes.</p> <p>When updated, will specifically refer to IPPF.</p> <p>Needs further development of RBIA – training arranged for March 2018.</p>	<p>Summer 2018</p> <p>Summer 2018</p> <p>March 2018</p>	<p>DW</p> <p>DW</p> <p>DW</p>
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.	Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other Computer Aided Audit Techniques (CAATs).	CAATS not used.	Develop use of CAATS	2017	Not Implemented

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	Stakeholder expectations and the results of consultations with staff are documented.	Not documented.	Needs more feedback from stakeholders on expectations from audit	2018	DW
1310	The quality assurance and improvement program must include both internal and external assessments.	There is a plan or schedule agreed with senior management and the board that sets out the type, nature and timing of future assessments – both internal and external.	Internal assessment made to Audit Committee in February 2017. This internal assessment to be presented in February 2018, with proposal for external assessment in 2019.	Proposal to be presented.	Sept 2018	DW
1312	External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board: <ul style="list-style-type: none"> <li>• The form and frequency of external assessments.</li> <li>• The qualifications and independence of the assessor or assessment team, including any potential conflict of interest.</li> </ul>	The CAE consults with the board when deciding the frequency of the external assessment and the qualifications and independence of the external reviewer or review team.	External assessment carried out in late 2015 by PwC.  Internal assessments carried out in January 2017 and January 2018. Proposed external assessment to be completed in early 2019, after MKInsight is fully embedded and Risk Based Internal Audit Training has been received by the team.	Propose external assessment for 2019.	Jan 2019	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	<p>There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity.</p> <p>Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF</p>	<p>Audit Manual, Audit Charter.</p> <p>Integrated audit software used, which helps regulate this.</p> <p>Training received for software, arranged for RBIA.</p>	<p>Manual to be updated after software fully embedded. Procedures still being developed.</p> <p>RBIA training arranged for March 2018.</p>	2018	DW
2050	The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.	<p>IA work is coordinated with that of the external auditors and with other internal providers of assurance and consulting services. This might include regular meetings, documented agreements, coordinated plans, sharing resources, training arrangements.</p> <p>In some cases IA may be required to assess the reliability of the work of other assurance providers. This is established in the IA Charter and factored into the IA plans.</p>	<p>External audit plan taken into account when producing the audit plan and scoping work.</p> <p>Known sources of assurance are taken into account when producing the audit plan.</p> <p>Where relevant, the work of other providers of assurance is reviewed during audit assignments.</p>	<p>Assurance mapping needed to identify and evaluate other providers of assurance.</p>	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2110	<p>The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> <li>• Making strategic and operational decisions.</li> <li>• Overseeing risk management and control</li> <li>• Promoting appropriate ethics and values within the organisation.</li> <li>• Ensuring effective organisational performance management and accountability.</li> <li>• Communicating risk and control information to appropriate areas of the organisation.</li> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management.</li> </ul> <p>2110.A1 The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programmes, and activities.</p>	<p>IA reviews the activities in place that manage and monitor the effective implementation of the organisation's;</p> <ul style="list-style-type: none"> <li>• Ethics and values.</li> <li>• Codes of conduct.</li> <li>• Levels of authority and responsibility.</li> <li>• Strategic and operational objectives.</li> <li>• Compliance with laws and regulations.</li> <li>• Communication with stakeholders.</li> <li>• Risk management and control processes</li> <li>• Social and ethical objectives, including validation of reported results.</li> <li>• IT governance, including information security.</li> </ul> <p>Internal audit's consultancy engagements support the improvement of the organisations governance framework, including the board's self-assessment of</p>	<p>Not ethics. Reviewed. Not levels of authority and responsibility. Objectives – performance management included in plan. Compliance – regulatory audits</p> <p>Not Communications Reviewed.</p> <p>Not social and ethical objectives.</p> <p>IT governance and security part of audit plan. Work has been completed on the Information Governance Toolkit. Leicester Council ICT auditors used for specialist ICT reviews.</p> <p>Few consultancy engagements.</p>	<p>Further development of governance to be included in the Annual Plan for 2018/19.</p>	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
	2110.A2 The internal audit activity must assess whether the information technology governance of the organisation supports the organisations strategies and objectives.	performance, benchmarking and development of best practice based upon published reports such as the Combined Code.				
2201	<p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> <li>The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.</li> <li>The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.</li> <li>The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.</li> <li>The opportunities for making significant improvements to the activity's governance, risk management, and control processes.</li> </ul>	<p>Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy. Internal auditors document the following as part of their research and discussions with managers</p> <ul style="list-style-type: none"> <li>The nature of the area under review and key areas of change and development</li> <li>The activities that occur and the way performance is monitored.</li> <li>Strategic objectives and the way the area contributes to the organisation's strategy or purpose.</li> <li>The risks involved and the organisation's chosen responses to those risks.</li> <li>How managers know the responses are effective.</li> <li>Assurances managers give to whom and how often.</li> </ul>	<p>Procedures exist for research and scoping. All scopes are signed off by a Principal Auditor or Head of Audit.</p> <p>Yes.</p> <p>Yes/no. Performance elements of activity may not be considered. Objectives of the area noted.</p> <p>Risks confirmed to risk registers, including mitigating actions. Mitigating actions evidenced / tested in the review</p> <p>Governance around reporting included in the review.</p>	Scoping to be further developed after MKInsight fully embedded.	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2310	Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.	<p>The internal auditor plans what information they may need, where that information could be obtained from and whether that information is sufficient, reliable, relevant, and timely.</p> <p>The working files/papers for the audit engagement contain information that shows how activities and processes are designed and how they are meant to work.</p> <p>Information is obtained from information systems about the way processing operates – options include reporting tools, exception reports and CAATs.</p> <p>Information also includes observations, interviews and results of audit testing.</p>	<p>Information is gained in order to complete audit testing and support conclusions, and retained in the files.</p> <p>If documented systems / processes are available they will be obtained and used. If not such processes will usually be determined through discussion with auditee and recorded in the working papers.</p> <p>Reports are obtained where applicable. CAATs are not used.</p>	Explore the possibility of using CAATs in 2018/19.	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2340	Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	<p>There is an organisational and reporting structure within the internal audit activity that provides the basis for supervision.</p> <p>Job descriptions document supervisory requirements.</p> <p>Policies and procedures describe how supervision is supposed to be applied – this incorporates review of work in progress, amendment or corrective actions, follow-up and approval.</p> <p>IA files/working papers and reports illustrate how supervision works in practice.</p> <p>The results of supervision are incorporated into the QAIP and staff appraisal assessments – and where appropriate training and development plans</p>	<p>Structure of the team has been implemented.</p> <p>Job descriptions document supervisory requirements.</p> <p>Manual. Audit files are reviewed by PA's, reviewed through MKInsight.</p> <p>Files show review and implementation of review points.</p> <p>To be completed</p>	Refer results of reviews into QAIP and individual training requirements.	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2420	Communications must be accurate, objective, clear, concise, constructive, complete, and timely.	<p>There is a record of the timeline for the communication of results that spans the completion of the audit engagement through to communication with the board.</p> <p>There is a procedure that ensures discussions with managers between the close of the audit engagement and the delivery of communications are performed promptly.</p> <p>There is evidence to show IA communications are delivered in a timely manner and within the timeframe and level of resource set at the start of the audit engagement.</p> <p>Communications cover the full scope of the audit engagement.</p> <p>The form and style of communications has been discussed and agreed with senior management and the board including the method of communications, format, and any grading of opinions and recommendations.</p>	<p>Record kept of the progress of audits from completion of fieldwork to reporting to Audit Committee. Planned and actual key dates recorded in MKInsight.</p> <p>Closing meetings are held as soon as possible after completion of fieldwork.</p> <p>There are targets for issue and return of draft and final reports, which are followed up if necessary. Actual dates are noted on the files.</p> <p>Yes</p> <p>No. Have tended to be based on good practice / examples / templates from other authorities. Standard report format being produced. Reports show the link between objectives and conclusions</p>	<p>To be presented to senior management and audit committee.</p>	2018	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
		<p>There is evidence of review and approval of communications prior to their release</p> <p>Communications are clear and concise.</p>	<p>Draft and final reports are reviewed before release.</p> <p>Yes.</p>			
2500	<p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> <p>2500.A1 The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p>	<p>The CAE has established a follow-up process to monitor and ensure that management actions have been effectively implemented or risk accepted.</p> <p>Records of follow-up meeting and discussions.</p> <p>There is a process that require internal audit to confirm the implementation of actions by management in relation to high priority, high importance areas.</p>	<p>All recommendations are tracked as they fall due. Progress is reported to the Audit Committee, including non-implementation.</p> <p>E mail records kept.</p> <p>High priority actions are subject to follow up.</p>	To become automated within MKInsight.	Spring 2018	DW

**Summary Sheet****Council Report:**

Audit Committee 6<sup>th</sup> February 2018

**Title:**

Audit Committee Forward Work Plan

**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):**

David Webster (Head of Internal Audit).

Tel: 01709 823282 Email david.webster@rotherham.gov.uk

**Ward(s) Affected:**

None.

**Executive Summary:**

The report presents to the Audit Committee a forward work plan covering the next year. The plan shows how the agenda items relate to the objectives of the Committee. It is presented for review and amendment as necessary.

**Recommendation:**

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

**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 Forward Work Plan.

**1. Recommendations**

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

**2. Background**

2.1 Each year the Audit Committee publishes a Prospectus setting out the scope of its work, the standards it adheres to and its work programme for the year. The programme is subject to change and can be amended during the year to respond to any emerging areas of concern to the Committee. This report shows a rolling programme for the Committee for the forthcoming year.

**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 work plan are designed to ensure the Committee meets the CIPFA standards.

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

- Satisfying itself and others that the Annual Governance Statement reflects the Council's arrangements and position.
- Monitoring the effectiveness of the internal control environment and assurances obtained from its operation
- Consider the effectiveness of risk management
- Ensuring Internal Audit is independent and effective
- Review the responsibilities of internal audit and ensure it has the necessary resources to enable it to function in accordance with professional standards
- Review the internal audit work plan and receive reports on the results of internal audit work
- 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.

**4. Options considered and recommended proposal**

4.1 The Prospectus and work plan for the Audit Committee are helpful guiding documents for the Committee itself and other stakeholders with an interest in the Committee's activities. The work plan for the coming year by date is presented to each committee meeting for review and amendment.

**5. Consultation**

5.1 Relevant officers were consulted in producing the Prospectus.

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

6.1 The Forward Plan comprises 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. Human Resources Implications**

9.1 There are no Human Resources implications arising from the report.

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

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

**11. Equalities and Human Rights Implications**

11.1 There are no direct Equalities or Human Rights implications arising from this report.

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

12.1 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.

**13. Risks and Mitigation**

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

**14. Accountable Officer:**

David Webster (Head of Internal Audit).

Audit Committee Forward Work Plan

Meeting Date	Objective	Agenda Item	Author
June 2018		Training – Statement of Accounts	
	Review Financial Statements	Draft Statement of Accounts	Graham Saxton
	Review Governance Statement	Draft AGS	Judith Badger
	Regulation of Investigatory Powers	Review of Surveillance and Policy	Neil Concannon
	Consider Audit and Investigation recommendations	External Audit Recommendations	Sue Wilson
	Effective of internal control environment	Information Governance	Marie Buxton
	Effectiveness of Internal Audit and internal control environment	IA Strategy and Plan	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Annual Report	David Webster
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Adult Care and Housing	Simon Dennis
	Audit Committee Self Assessment and Annual Report	David Webster	
	Audit Committee Prospectus and Forward Work plan	David Webster	

Meeting Date	Objective	Agenda Item	Author
July 2018		Training – Risk Management	
	Review financial statements	Final Statement of Accounts	Graham Saxton
	Review Annual Governance Statement	Final AGS	Judith Badger
	Review External Audit findings	External Audit report on the Accounts	KPMG / Graham Saxton
	Review Treasury Management	Annual Treasury Report	Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Assistant Chief Executive	Simon Dennis
	Managing the risk of fraud	Annual Fraud report	David Webster
	Effectiveness of Internal Audit and internal control environment		IA Progress Report
		Audit Committee Forward Work Plan	David Webster

Meeting Date	Objective	Agenda Item	Author
September 2018	Effectiveness of Internal Audit	Training IA Charter review and update	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Risk Management	Risk Management Policy and Strategy	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Finance and Customer Services	Simon Dennis
	Managing the risk of fraud	Anti-Fraud and Corruption Policy and strategy review and update	David Webster
		Audit Committee Forward Work Plan	David Webster

Meeting Date	Objective	Agenda Item	Author
November 2018	Review External Audit findings	Training External Audit Annual Letter	External Audit / Graham Saxton
	Consider Audit and Inspection Recommendations	External Audit and Inspection recommendations	Sue Wilson
	Monitor Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Regulation of Investigatory Powers	Review of Surveillance	Neil Concannon
	Review Annual Governance Statement	Code of Corporate Governance	Simon Dennis
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Environment and Regeneration	Simon Dennis
	Effectiveness of Internal Audit and internal control environment	IA Progress Report  Audit Committee Forward Work Plan	David Webster  David Webster

<b>Meeting Date</b>	<b>Objective</b>	<b>Agenda Item</b>	<b>Author</b>
February 2019	Review financial statements	Training – Treasury Management Final Accounts closedown and accounting policies	Graham Saxton
	Review External Audit findings	External Audit Grants Report	Grant Thornton / Graham Saxton
	Review Annual Governance Statement	Update on AGS issues	Simon Dennis
	Review External Audit Annual Plan	External Audit Plan	Grant Thornton / Graham Saxton
	Monitor Treasury Management	Prudential Indicators and Treasury Management Strategy	Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Children and Young People	Simon Dennis
	Effectiveness of internal control environment	Information Governance	Marie Buxton
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Internal Audit	PSIAS Internal Assessment / QAIP	David Webster
		Audit Committee Forward Work Plan	David Webster

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