

**AUDIT COMMITTEE  
2nd October, 2018**

Present:- Councillor Wyatt (in the Chair); Councillors Vjestica and Walsh; together with Mr. B. Coleman (independent member).

Messrs. G. Mills and T. De Zoya, Grant Thornton UK LLP, were also present.

Apologies for absence were received from Councillor Cowles.

**29. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**31. MINUTES OF THE PREVIOUS MEETING HELD ON 30TH JULY, 2018**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 30<sup>th</sup> July, 2018.

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

**32. AUDIT COMMITTEE TERMS OF REFERENCE**

Consideration was given to a report presented by David Webster, Head of Internal Audit, proposing an update to the Audit Committee's Terms of Reference.

The Chartered Institute of Public Finance and Accountancy (CIPFA) had published 'Audit Committees – Practical Guidance for Local Authorities and Police' in May 2018, an update of the 2013 guidance. The Guidance included suggested Terms of Reference for audit committees which had been used as the basis for the proposed update.

The main changes to the Terms of Reference were:-

- Inclusion of the extended membership agreed in December 2015
- A Statement of Purpose outlining the role of the Committee
- Detailed responsibilities were given for governance, risk and control, Internal Audit, External Audit, financial reporting, Treasury Management and accountability

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A number of textual amendments were suggested to the Terms of Reference and it was proposed that an item also be included in respect of the Audit Committee having oversight of the Council's whistle-blowing procedure.

Resolved:- (1) That the updated Terms of Reference for the Audit Committee, as now amended, be approved insofar as this Committee is concerned.

(2) That the updated Terms of Reference for the Audit Committee be recommended for further consideration by the Constitution Working Group and to the Council for approval and adoption.

### **33. INTERNAL AUDIT CHARTER**

Further to Minute No. 22 of the meeting of the Audit Committee held on 19th September, 2017, David Webster, Head of Internal Audit, presented the revised Internal Audit Charter which had been reviewed to ensure compliance with Public Sector Internal Audit Standards (PSIAS).

The main changes were:-

- Updates to refer to the International Professional Practices Framework which PSIAS were based upon
- The need for auditors to have regard to the Committee in Public Life's Seven Principles of Public Life (the Nolan Principles)
- Changes in reporting arrangements whereby summary reports were sent to Cabinet Members
- The referral of reports to the Corporate Risk Manager so that findings could be considered for inclusion in Risk Registers

A number of textual amendments were suggested to the Internal Audit Charter. The external assessment of Internal Audit against PSIAS last took place in early 2016 and it was suggested that, although the requirement is for this to be completed at intervals of five years, the next review ought to take place at an earlier date.

Resolved:- That the Internal Audit Charter, as now submitted and with the inclusion of the suggested textual amendments, be approved.

### **34. ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY**

Further to Minute No. 23 of the Audit Committee meeting held on 19<sup>th</sup> September, 2017, consideration was given to a report presented by David Webster, Head of Internal Audit, which detailed the proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy following an annual review process designed to ensure that the Policy and Strategy were up-to-date with current best practice and to take into account any changes to the Council's organisational structure.

The report also provided a summary of proposals to further strengthen the Council's fraud and corruption arrangements following a refresh of the self-assessment against the CIPFA Code of Practice on managing the risk of fraud and corruption.

The main changes to the documents were:-

- Update on the way to report a suspected wrongdoing, so that it was in line with the Whistleblowing Policy
- The inclusion of information on the use of a Protected disclosure
- Clarification on the procedure for reaching a decision on contacting the Police
- Deletion of reference within the Strategy to the Rotherham Improvement Plan

The updated Anti-Fraud and Corruption Policy was attached at Appendix A and the updated Strategy at Appendix B. Appendix C of the report contained an update to the self-assessment against the CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and Appendix D was an update to the Council's action plan for Managing the Risk of Fraud. It was important that the arrangements continued to be reviewed and updated where necessary to ensure the risk of fraud continued to be minimised.

A number of textual amendments were suggested to the Anti-Fraud and Corruption Policy and Strategy. Discussion took place on the possibility of matters of concern initially being raised with Elected Members.

Resolved:- (1) That the proposed revisions to the Anti-Fraud and Corruption Policy and Strategy, including the textual amendments now discussed, be approved.

(2) That the proposed actions intended to strengthen the Council's fraud and corruption arrangements be noted.

(3) That all Members of the Council be informed that matters of concern which were raised with them should be referred in the first instance to the Council's Monitoring Officer/Assistant Director of Legal Services in accordance with the Council's Whistleblowing Policy.

### **35. PLANNED AUDIT FEE FOR 2018-19**

Consideration was given to correspondence dated 17th April, 2018, received from Grant Thornton UK LLP concerning the scale fees for the audit of the Borough Council's accounts for the current, 2018/19 financial year. The scope of the scale fees would cover the Company's work on:-

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- : the audit of the Council's financial statements;
- : reaching a conclusion on the economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion); and
- : the work on the whole of Government accounts return.

Resolved:- That the correspondence now submitted from Grant Thornton UK LLP relating to the scale fees for the audit of the Council's 2018/19 accounts, be received and its contents noted.

### **36. EXTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report submitted by Grant Thornton UK LLP providing details of the progress of the external audit of the Council's accounts and financial statements for the 2018/19 financial year, for the period from 1st April to 24th September, 2018.

The Committee welcomed Messrs. G. Mills and T. De Zoysa (representatives of Grant Thornton UK LLP) who presented the report and answered questions from Members.

It was noted that a meeting was to be arranged between the members of the Audit Committee and the team of auditors from Grant Thornton UK LLP.

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

(2) That the Audit Plan be submitted to the meeting of the Audit Committee to be held on 29th January, 2019.

### **37. AUDIT COMMITTEE FORWARD PLAN**

Consideration was given to proposed forward work plan for the Audit Committee covering the period November, 2018 to September, 2019.

Resolved:- That the Audit Committee forward work plan, now submitted, be supported and any amendments arising actioned in due course.

### **38. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral to Scrutiny.

**39. EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:- That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following 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).

**40. INTERNAL AUDIT PROGRESS REPORT 1ST JUNE TO 31ST AUGUST 2018**

Consideration was given to a report presented by the Head of Internal Audit which provided a summary of Internal Audit work completed during 1<sup>st</sup> June to 31<sup>st</sup> August, 2018, and the key issues that had arisen therefrom.

The completion of the audit plan had been impacted by 2 staff vacancies within the Audit Team. The recruitment process had now begun in respect of these vacancies.

Performance against key indicators had been maintained with performance meeting or almost reaching the required level with the Service having been impacted by the departure of 2 members of staff.

Summary conclusions in all significant audit work concluded during the period were set out in Appendix B of the report submitted. 14 audits had been finalised since the last Audit Committee meeting 2 of which had No Assurance and 6 had Partial Assurance. The remaining 6 all had Substantial Assurance or Reasonable Assurance.

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

Appendix D showed the results of a Control and Risk Self-Assessment exercise undertaken by maintained schools during 2017/18. The results will be used to develop themed audits on specific subjects, to be carried out in a sample of schools with the results reported to all.

Appendix E summarised Internal Audit's performance against a number of Indicators and Appendix F showed the number of outstanding recommendations that had passed their original due date, age rated. For those over 120 days old the detail was then given, where they had been deferred the comment received from the Manager was given and where there was no change to the due date or comment, the Manager had not updated the system.

Discussion ensued on various matters contained within the agreed actions section of the report.

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> June to 31<sup>st</sup> August, 2018, and the key issues arising therefrom be noted.

(2) That the information submitted regarding the performance of Internal Audit and the actions being taken by management in respect of the outstanding actions be noted and an updated version of the report be submitted to the next meeting.

(3) That the progress of the following items be reviewed at the next meeting:-

Supported Living, Day Care Services and Direct Payments  
Supported Living – new contracts

#### **41. RISK REGISTER - ASSISTANT CHIEF EXECUTIVE**

Consideration was given to a report, presented by Shokat Lal (Assistant Chief Executive) providing details of the Risk Register and risk management activity within the Assistant Chief Executive's Directorate and in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Involvement of the Cabinet member for Finance and Corporate Services
- How risks were included on and removed from the Register
- Anti-fraud activity in the Directorate

Discussion ensued with the following issues raised:-

- partnership working and commissioning arrangements - the need for the Council to be satisfied as to the governance arrangements of those organisations which received funding from the Council and which delivered services on behalf of the Council (via the commissioning process);
- Three risks were currently rated as red :
  - Tackling Family Poverty
  - Improving Confidence in Rotherham
  - Operating sound Recruitment Practices encompassing statutory and safeguarding requirements.
- Reference was made to the new HR and Payroll system being implemented in April, 2019.

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

(2) That a further report be submitted to a future meeting of the Audit Committee concerning the governance arrangements of those organisations which received funding from the Council and which delivered services on behalf of the Council (via the commissioning processes for Adult Social care and for Children and Young People's Services).

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

Resolved:- That the next meeting of the Audit Committee take place at the Town Hall, Rotherham on Tuesday, 27<sup>th</sup> November, 2018, commencing at 2.00 p.m.