

AUDIT COMMITTEE

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

Time:- 2.00 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 30th July, 2018 (Pages 1 - 6)
7. Audit Committee Terms of Reference (Pages 7 - 16)
8. Internal Audit Charter (Pages 17 - 34)
9. Anti-Fraud and Corruption Policy and Strategy (Pages 35 - 71)
10. Planned Audit Fee for 2018-19 (Pages 72 - 75)
11. External Audit Progress Report (Pages 76 - 85)
12. Audit Committee Forward Plan (Pages 86 - 94)
13. Items for Referral for Scrutiny

14. Exclusion of the Press and Public
That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).
15. Internal Audit Progress Report 1st June to 31st August 2018 (Pages 95 - 123)
16. Risk Register - Assistant Chief Executive (Pages 124 - 131)
17. Date and time of next meeting
Tuesday, 27th November, 2018 at 2.00 p.m.



Chief Executive.

Membership 2018/19

Chairman – Councillor Wyatt.
Vice-Chairman – Councillor Walsh
Councillors Cowles, Evans and Vjestica
Bernard Coleman, Independent Person.

AUDIT COMMITTEE
30th July, 2018

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

Amy Warner (KPMG).

17. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

18. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

19. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH JUNE, 2018

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19th June, 2018.

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

20. AUDIT COMMITTEE ANNUAL REPORT 2017/18

David Webster, Head of Internal Audit, submitted the Audit Committee 2017/18 Annual Report in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance which recommended that audit committees report annually on how they had discharged their responsibilities during the previous municipal year.

The draft annual report was attached at Appendix 1 together with the Committee's Terms of Reference. The report set out:-

- A summary of the work undertaken
- External Audit
- Internal Audit
- Anti-Fraud and Corruption
- Risk Management
- Corporate Governance
- Finance
- Other
- Training
- Terms of Reference

AUDIT COMMITTEE - 30/07/18

The Committee's Terms of Reference had not been changed in the recent review of the constitution. However, in May CIPFA had produced further guidance for audit committees including model terms of reference which were far more detailed than those the Committee currently operated within and included Risk Management, Treasury Management and Fraud. Revised Terms of Reference would be submitted for consideration.

Resolved:- (1) That the Audit Committee Annual Report 2017/18 be noted and submitted to Council for approval.

(2) That the Audit Committee's Terms of Reference be revised in accordance with the Chartered Institute of Public Finance and Accountancy guidance and submitted for approval.

21. AUDIT COMMITTEE FORWARD PLAN

Consideration was given to proposed forward work plan for the Audit Committee covering the period October, 2018-June, 2019.

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

22. FINAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT ISA 260 REPORT

Consideration was given to a report presented by Graham Saxton, Assistant Director of Finance and Customer Services, which advised on matters arising from the external audit of the Council's 2017/18 Statement of Accounts as presented in the External Auditor's ISA260 report and, in acknowledging these findings, requested that the Audit Committee approve both the Letter of Management Representation and the audited Statement of Accounts 2016/17.

KPMG intended to issue an unqualified audit opinion on the Statement of Accounts and their representative at the meeting confirmed the unaudited Statement of Accounts and draft Narrative Report had 4 audit adjustments, none of which affected the prime financial statements, and 8 unadjusted audit differences (Appendix 3). None of the changes affected the financial performance or financial position of the Council previously reported in the unaudited Statement of Accounts.

The ISA 260 also confirmed that working papers were of a high standard and the audit queries were dealt with in a timely and efficient manner.

A number of recommendations had been made, set out in Appendix 1, namely:-

- High level review of valuation of land and buildings
- Impact of valuations on whole asset classes
- Valuation of fixed assets to 31st March

- Northgate user review frequency
- Northgate generic administrator access
- Northgate privileged access authorisation
- Improvements to closedown process
- Review of fixed asset register for existence of assets

Section 2 of the ISA 260 set out the approach, risks, work and conclusion reached by KPMG on whether the Council had satisfactory arrangements in place to secure the economy, efficiency and effectiveness in the use of its resources. The conclusion reached was that the Council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. All the recommendation set out in the ISA 260 2016/17 report had been implemented.

It was noted that the recommendations contained within the ISA 260 with regard to property, plant and equipment were very similar to those of other councils within Yorkshire and the Humber.

The Chair wished to convey his thanks to all the staff involved within the Authority and KPMG for their hard work in meeting the very challenging timescales for the closure of the accounts.

Resolved:- (1) That the Auditor's ISA 260 2017/18, as submitted at Appendix 1, be approved.

(2) That the Statement of Accounts 2017/18 (Appendix 2 of the report submitted) and the 2017/18 Narrative Report (Appendix 3 of the report submitted) be signed and approved for publication.

(3) That KPMG be issued with the Letter of Management Representation.

23. ANNUAL TREASURY MANAGEMENT REPORT AND ACTUAL PRUDENTIAL INDICATORS 2017/18

In accordance with Minute No. 7 of the Cabinet and Commissioners' Decision Making Meeting on 9th July, 2018, consideration was given to a report presented by Graham Saxton, Assistant Director of Finance and Customer Services, which detailed how the Council approved the Treasury Management Strategy in March, 2017, and received a mid-year report on 21st November, 2017, representing a mid-year review of treasury activity during 2017/18.

The Annual Treasury Management report was the final treasury report for 2017/18. Its purpose was to review the treasury activity for 2017/18 against the Strategy agreed at the start of the year.

The report also covered the actual Prudential Indicators for 2017/18 in accordance with the requirements of the Prudential Code.

Presentation of the report met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council was required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Appendix A of the report submitted gave a summary of the Prudential Indicators.

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

- The majority of local authorities followed the same strategy as the Authority with regard to the level of under-borrowing
- A training session was to be held on Treasury Management
- The position was kept under constant review

Resolved:- That the Annual Treasury Management Report be noted.

24. ANNUAL GOVERNANCE STATEMENT

Further to Minute No. 8 of 19th June, 2018, consideration was given to the updated 2017-18 draft Annual Governance Statement (AGS) presented by Simon Dennis, Corporate Risk Manager.

The AGS had been updated as a result of developments since the last meeting the main changes being:-

- Paragraphs 3.10-3.13 had been added to reflect the publication of the Commissioners' 36 and 39 month progress reviews and the outcomes of the independent Health Check
- Section 7 had been updated to include publication of the reviews mentioned in paragraphs 3.10-3.13
- Paragraphs 4.15 and 4.17 had been updated to reflect the latest position with the external audit at the time of production of the report

Recommended practice required the Leader of the Council and the Chief Executive to sign the Annual Governance Statement prior to its publication.

Resolved:- (1) That the 2017-18 draft Annual Governance Statement be noted.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to the publication of the Annual Governance Statement be noted.

25. ITEMS FOR REFERRAL FOR SCRUTINY

Resolved:- That Simon Dennis, Corporate Risk Manager, circulate the briefing presentation to the 3 Select Commission Chairs for consideration and discussion.

26. EXCLUSION OF THE PRESS AND PUBLIC

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

27. STRATEGIC RISK REGISTER

Simon Dennis, Corporate Risk Manager, presented the current Strategic Risk Register which took account of updates from Directorates, the Strategic Leadership Team and the Audit Committee.

The Register was currently reviewed six weekly by the Strategic Leadership Team (SLT) and reported quarterly to the Committee.

The current Register had been constructed from updates provided by risk owners. There were currently 16 risks included on the Strategic Risk Register, 2 less than when the Register was previously considered and no new risks added.

It was noted that the format of the Register had been amended to improve the focus and actions that needed to be carried out in order to reduce the level of risk and clarity of the risk scoring. Each individual risk score was reviewed by Directorate Leadership Teams and Strategic Directors. In the future there would be a specific focus on risk scores that had not moved over the past 12 months.

Discussion ensued with the following issues raised/highlighted:-

- Demand on Children's Services
- Budget
- Learning Disability Service
- New Waste Collection Service arrangements
- Medium Term Finance Strategy
- Emergency Planning
- Future reporting to include those risks that had been removed from the Register

Resolved:- That the updated Strategic Risk Register be noted.

28. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 2nd October, 2018, commencing at 2.00 p.m.

Council Report

Audit Committee – 2 October 2018

Title

Audit Committee Terms of Reference

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director Finance and Customer Services.

Report Author(s)

David Webster, Head of Internal Audit
Internal Audit, Finance and Customer Services
Tel. 01709 823282 E.mail: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Executive Summary

This report refers to a proposed update to the Terms of Reference of the Council's Audit Committee. In May 2018 CIPFA (the Chartered Institute of Public Finance and Accountancy) published 'Audit Committees – Practical Guidance for Local Authorities and Police', an update of previous guidance from 2013. The guidance includes suggested Terms of Reference for audit committees, which have been used as the basis for the attached proposed Terms of Reference.

The Terms of Reference form part of the Council's Constitution, so if approved by the Committee they will be referred to the Constitution Working Group and then to Council for final approval.

Recommendations

The Audit Committee is asked to:

- **Consider and approve the updated Terms of Reference for the committee, and**
- **Recommend to the Constitution Working Group and Council that they are adopted.**

List of Appendices Included:-

Appendix A – Proposed Audit Committee terms of Reference

Background Papers

CIPFA paper – Audit Committees, Practical Guidance for Local Authorities and Police, 2018 Edition.

RMBC Constitution

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Subject to approval by the Audit Committee, to be referred to the Constitution Working Group.

Council Approval Required

Yes.

Exempt from the Press and Public

No.

Title: Audit Committee Terms of Reference

1. Recommendations

The Audit Committee is asked to:

- **Consider and approve the updated Terms of Reference for the committee, and**
- **Recommend to the Constitution Working Group and Council that they are adopted.**

2. Background

- 2.1 The Audit Committee is responsible for overseeing the Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Audit Committee is referred to in Section 9 of the Constitution, and its specific powers and duties are set out in Appendix 9 under the Terms of Reference of the Audit Committee. These have been in place for a number of years and were not changed during the recent update to the Constitution.
- 2.2 In November 2015 the Audit Committee recommended that the Constitution be amended to extend the membership of the Audit Committee to include a voting independent member. Council discussed this at their meeting on 9th December 2015 and resolved 'That the reports and minutes of the meeting of the Audit Committee be adopted'. However, the Constitution was not changed at that time to reflect the extended membership. Since then each annual Prospectus for the Audit Committee has included the extended membership, been submitted to Council and approved as part of the Audit Committee papers.
- 2.3 In May 2018 CIPFA issued an update to their publication Audit Committees – Practical Guidance for Local Authorities and Police. Following the guidance is not a statutory requirement, but is regarded to be essential good practice. The guidance details the purpose of Audit Committees; their core functions and possible wider functions; independence and accountability; and membership and effectiveness. Appendices refer to government guidance; suggested terms of reference; the skills and knowledge framework for audit committee members; and self-assessments of good practice and assess effectiveness.
- 2.4 The Audit Committee has received a briefing on the Guidance, and the suggested terms of reference have been used as the basis for the proposed Terms of Reference for RMBC Audit Committee.

3. Key Issues

- 3.1 The proposed Terms of Reference for the Audit Committee are attached at **Appendix A**. The existing entries in the Constitution are included at **Appendix B**.
- 3.2 The main changes to the Terms of Reference are as follows:
- They include the extended membership agreed in December 2015.
 - A Statement of purpose outlines the role of the committee
 - Detailed responsibilities are given for governance, risk and control; internal audit; external audit; financial reporting; treasury management; and accountability.

4. Options Considered and Recommended Proposal

4.1 This report is presented to update the Terms of Reference for the Audit Committee and to bring them into line with the CIPFA guidance.

5. Consultation

5.1 The proposed Terms of Reference have been reviewed by the Monitoring Officer and the Strategic Director Finance and Customer Services.

6. Timetable and Accountability for Implementing this Decision

6.1 If approved, for onward submission to the Constitution Working Group and Council for final approval.

7. Financial and Procurement Implications

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

8. Legal Implications

8.1 The report recommends a change to the Council Constitution.

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 immediate implications associated with the proposals.

11. Equalities and Human Rights Implications

11.1 There are no immediate implications associated with this report.

12. Implications for Partners and Other Directorates

12.1 Partners will be able to take assurance on the Council'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 CIPFA. The adoption of Terms of Reference based on the CIPFA guidance contributes to enabling this compliance.

14. Accountable Officer(s)

David Webster, Head of Internal Audit

Audit Committee Terms of Reference October 2018

Committee Size

To be comprised of:-

- Five Councillors, none of which are members of the Cabinet.
- One person who is not a councillor or officer of the Council (independent member).

Statement of purpose

- 1 The audit committee is a key component of RMBC's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the audit committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of RMBC's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider RMBC's code of governance.
- 4 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To approve the final AGS for publication.
- 6 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 8 To monitor the effective development and operation of risk management in the council.
- 9 To monitor progress in addressing risk-related issues reported to the committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 12 To monitor the counter-fraud strategy, actions and resources.

- 13 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

- 14 To approve the internal audit charter.
- 15 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 16 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 17 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 19 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards. This will include:-
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS
- 20 To consider reports from the head of internal audit on internal audit's performance during the year. These will include updates on the work of internal audit including:-
 - progress against the plan
 - key findings and issues of concern
 - action in hand as a result of internal audit work
 - performance indicators
- 21 To approve the head of internal audit's annual report:-
 - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
 - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 22 To consider summaries of specific internal audit reports.
- 23 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 24 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

- 25 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for him to meet privately with the committee.

External audit

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 27 To approve the external auditor's annual plan
- 28 To approve any revisions to the external auditor's plan
- 29 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30 To consider specific reports as agreed with the external auditor.
- 31 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 32 To commission work from internal and external audit.
- 33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 34 To receive the draft annual statement of accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 35 To approve the final audited annual statement of accounts for publication. Specifically to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 36 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 37 To deal with any matters referred to the Committee by the Strategic Director Finance and Customer services in relation to her responsibilities under section 151 of the Local Government Act 1972.

Treasury Management

- 38 To review treasury management policy, strategy and procedures and to be satisfied that controls are satisfactory
- 39 To receive annual reports on treasury management, specifically the outturn report and the mid-year report
- 40 To review the treasury risk profile and adequacy of treasury risk management processes
- 41 To review assurances on treasury management, for example an internal audit report, external audit report or other review.

Accountability arrangements

- 42 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 43 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 44 To submit a report on the work of the committee to the Council on an annual basis.

Current Constitution

9. Audit Committee

9.1 The Council has established an Audit Committee comprising five nonexecutive members of the Council. The Committee will be attended by a representative of the Council's external auditors as well as senior officers of the Council. The Committee's remit is –

- to consider all issues relating to audit matters, both internal and external;
- to monitor and review the effectiveness of risk management systems, including systems of internal control;
- to consider the preparation and monitoring of the internal audit plan;
- to consider summary reports of each internal audit and value for money study undertaken;
- to consider the external audit plan;
- to consider reports from the external auditor, including value for money, systems and final accounts audits;
- to review and monitor the performance of internal audit;
- to review and monitor the anti-fraud strategy and initiatives;
- to ensure the receipt of 'Best Value' from all audit resources;
- to review and monitor corporate governance matters in accordance with audit guidelines.

The Audit Committee will consider the external auditor's annual report on the Council's statement of accounts income and expenditure and will also consider the SAS 610 report from the external auditor. However, the external auditor's management letter will be presented to the full Council.

Current Constitution Appendix 9

The Audit Committee has the delegated power to determine the following:-

1. approve the internal auditor's annual plan
2. approve revisions to the internal auditor's plan
3. approve the internal auditor's annual report
4. approve the annual review of the effectiveness of internal audit
5. approve the external auditor's annual plan
6. approve revisions to the external auditor's plan
7. approve the external auditor's annual report
8. approve the annual governance statement
9. approve the draft statement of accounts for audit
10. receive and respond to the external auditor's ISA260 (International Standards on Auditing) report on the accounts
11. approve the final audited statements of accounts.

Council Report

Audit Committee – 2 October 2018.

Title

Internal Audit Charter.

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

Internal Audit, Finance and Customer Services

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

Ward(s) Affected

All wards.

Executive Summary

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.”

Public Sector Internal Audit Standards (PSIAS) state:-

“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, Code of Ethics and Standards.”

Additionally, the Standards require the “chief audit executive” (in Rotherham’s case, the Head of Internal Audit), to periodically review the Internal Audit Charter and present it to the Audit Committee for approval.

The current Charter was produced in September 2017. The attached revised Charter has been slightly updated to ensure it meets the requirements of PSIAS.

Recommendations

The Audit Committee is asked to approve the Internal Audit Charter as attached in Appendix A.

List of Appendices Included:-

Appendix A – Internal Audit Charter

Background Papers

Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Committee on Standards of Public Life's Seven Principles of Public Life

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 Charter.

1. Recommendations

The Audit Committee is asked to approve the Internal Audit Charter.

2. Background

2.1 Internal Audit produced the current Charter in September 2017, reflecting not only the standard approach / template recommended by CIPFA, but also including additional best practice relating to anti-fraud arrangements and arrangements for carrying out non-audit duties.

2.2 A further review has now been completed, with a few minor amendments to ensure it complies with Public Sector Internal Audit Standards. The Charter has been presented to SLT.

2.3 The revised Charter is attached at **Appendix A**.

3. Key Issues

3.1 The main changes made to the current version of the Charter are:

- The Charter has been updated to refer to the International Professional Practices Framework, which PSIAS are based upon (Para 1.3).
- The need for auditors to have regard to the Committee in Public Life's Seven Principles of Public Life (the Nolan Principles) (Para 3.2).
- The changes in reporting arrangements whereby summary reports are sent to Cabinet Members (Para 8.2).
- The referral of reports to the Corporate Risk Manager so that findings can be considered for inclusion in risk registers (Para 9.5).

4. Options Considered and Recommended Proposal

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

5. Consultation

5.1 The Strategic Director Finance and Customer Services has been consulted during compilation of the Internal Audit Charter.

6. Timetable and Accountability for Implementing this Decision

6.1 The Audit Committee is asked to receive this report at its September 2017 meeting.

7. Financial and Procurement Implications

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

8. Legal Implications

- 8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. 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 The scope of Internal Audit's work, as defined in the Charter, will extend to all areas of the Council and its key risks, including CYPS and Adult Services.

11. Equalities and Human Rights Implications

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

12. Implications for Partners and Other Directorates

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

13. Risks and Mitigation

13.1 The following risks have been identified with regard to the implementation of the Charter:

Risk	Likelihood	Impact	Mitigation
<i>Internal Audit may have insufficient and / or ineffective resources / skills to achieve the audit plan and give an annual opinion on the Council's risk management, governance and control environment.</i>	<i>Med</i>	<i>High</i>	<i>Recruitment taking place, ongoing review and prioritisation of the plan.</i>
<i>Department processes and ways of working not adequate or effective. Staff not adequately trained / qualified / experienced to meet Standards. Audit process not aligned with Standards.</i>	<i>Low</i>	<i>High</i>	<i>Internal Assessment showed general conformance with Standards. QAIP produced to improve conformance. Integrated software introduced which enforces processes and improves efficiency.</i>

14. Accountable Officer

David Webster, Head of Internal Audit.



Internal Audit Charter

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1. Introduction

- 1.1 The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the activity's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the 'board'; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the 'board'.
- 1.2 Internal Audit is a statutory requirement for local authorities. The two pieces of legislation that impact upon internal audit in local authorities are:
- The Accounts and Audit (England) Regulations 2015 states that "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."
 - Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.
- 1.3 The Public Sector Internal Audit Standards (PSIAS) published in 2013 and updated in 2016 and 2017 encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows
- Definition of Internal Auditing
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing
- 1.4 They provide a mission and core principles for internal audit and the activity and standards that are mandatory for all internal audit departments in the UK public sector.
- 1.5 PSIAS state that the charter must:
- Define the terms 'senior management' and 'board' for the purposes of internal audit activity;
 - Cover the arrangements for appropriate resourcing
 - Define the role of internal audit in any fraud related work; and
 - Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities
- 1.6 Within Rotherham Council:
- 'chief audit executive' is the Head of Internal Audit
 - 'board' refers to the Audit Committee;

- 'senior management' refers to the Chief Executive and Strategic Directors.
- 1.7 The role of 'senior management' is not linked to a specific job title or pay grade, but includes the following key duties:-
- Input to the risk based internal audit plan (Standard 2010);
 - Receive periodic reports from the Head of Internal Audit on internal audit activity (Standard 2060); that includes follow-up reports (Standard 2500); and
 - Receive the results of the quality assurance and improvement programme from the Head of Internal Audit (Standard 1320).
- 1.8 The PSIAS lays out the role of a "board" in relation to specific standards, with the key duties being as follows:
- Approve the internal audit charter (Standard 1000);
 - Approve the risk based internal audit plan, including the approval of the internal audit budget and resource plan (Standard 1110);
 - Receiving communication from the Head of Internal Audit on internal audit performance relative to its plan and other matters (Standard 2020);
 - Receive an annual confirmation from the Head of Internal Audit with regard to the organisational independence of the internal audit activity (Standard 1110);
 - Receive the results of the quality assurance and improvement programme from the Head of Internal Audit (Standard 1320);
 - Make appropriate enquiries of the management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.

2. Mission, Definition and Core Principles of Internal Audit

- 2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the organisation and PSIAS defines this as:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

- 2.2 Internal Auditing is defined as:-

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

- 2.3 The standards include 10 core principles for the professional practice of internal auditing. These, taken as a whole, should be present and be operating effectively in an effective internal audit function. Failure to achieve any of the core principles would imply that an internal audit activity was not effective as it could be in achieving internal audit's mission. The ten Core Principles are listed as follows:-

- Demonstrates Integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk- based assurance
- Is insightful; proactive and future - focussed
- Promotes organisational improvement.

3. Code of Ethics

3.1 Anyone delivering internal audit work for the Council must comply with the PSIAS Code of Ethics. This covers:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Internal Auditors:

- Shall perform their work with honesty, diligence and responsibility
- Shall observe the law and make disclosures expected by the law and the profession
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation
- Shall respect and contribute to the legitimate and ethical objectives of the organisation

Objectivity

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation
- Shall not accept anything that may impair or be presumed to impair their professional judgement
- Shall disclose all material facts known to them that ,if not disclosed, may distort the reporting of activities under review

Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Internal Auditors:

- Shall be prudent in the use and protection of information acquired in course of their duties
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation

Competency

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Internal Auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing
- Shall continually improve their proficiency and effectiveness and quality of their services.

- 3.2 Internal auditors who work in the public sector must also have regard to the Committee in Public Life's Seven Principles of Public Life (the Nolan Principles).

4. Independence

- 4.1 The Council's Internal Audit Services is an appraisal and advisory function having independent status within the Council. PSIAS state that 'Organisational independence is effectively achieved when the Head of Internal Audit reports functionally to the board'. Within RMBC this is achieved as outlined in Para 1.7.

4.2 The Head of Internal Audit:

- Has direct access to the Leader, Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, the Chair and Members of the Council's Audit Committee and any other officer or member of the Council as the Head of Internal Audit shall determine.
- Is able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

- 4.3 Internal Audit activity is free from interference in determining the scope of activity, performing work and communicating results. It is independent of all activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations without giving rise to conflicts of interest. Internal Auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited. To ensure compliance with PSIAS Standards 1130A1 and A2, Internal Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the last 12 months.

4.4 The Internal Audit department is part of the Finance and Customer Services Directorate. The Head of Internal Audit reports administratively to the Strategic Director Finance and Customer Services.

4.5 To further ensure the independence of the Head of Internal Audit, the Chief Executive and Chair of the Audit Committee provide feedback into his annual Performance Development Review.

5. Authority

5.1 The Head of Internal Audit and Internal Audit staff have the authority to:

- Enter any Council premises and access Council records, assets, personnel and premises, including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, the examination of which is necessary for the proper performance of internal audit duties.
- Require prompt response, every assistance, all information and explanation from any Council employees or Council Members necessary for the internal auditors to carry out their audit duties.
- Require any officer of the Council to account for cash, stores or any other Council asset under their control.
- Access as listed above, depending on the terms of the contract with the partner organisation, those items held by contractors / partner organisations that affect the business of Rotherham Council or its control environment.

6. Role and Scope of Internal Audit Work

6.1 Internal Audit must provide the Council with an annual independent and objective opinion on the adequacy and effectiveness of its risk management, control and governance processes.

6.2 This involves:

- Reviewing and appraising risks related to the achievement of objectives and business goals, and evaluating the adequacy and effectiveness of the system of internal control related to those risks;
- Appraising the relevance, reliability and integrity of information;
- Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the achievement of the Council's objectives and business operations;
- Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed, and the delivery of services in a best value manner;
- Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned;
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes;

- Maintaining a program of development, review and audit in relation to quality improvement and assurance methodologies;
 - Assisting management in conducting special assignments and investigations into any matter or activity affecting the interests of the Council.
- 6.3 The internal audit coverage embraces the entire control environment of the Council, and extends to all areas of the Council and its controlled entities.
- 6.4 Particular attention is given to any aspects of the control environment affected by significant changes to the Council's risk environment.
- 6.5 Internal Audit completes advisory / consultancy work in agreement with senior management by responding to requests for audit reviews and by contributing to projects and working groups throughout the Council.
- 6.6 Internal Audit provides advice and practical support to service management in investigating fraud. Any allegation of fraud and corruption received is followed-up in accordance with the agreed procedures of the Anti-Fraud and Corruption Policy, Whistleblowing Policy and Disciplinary Procedures.
- 6.7 The Council also participates in the biennial National Fraud Initiative. Internal Audit administers the initiative.
- 6.8 Where the Council has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where Rotherham Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by RMBC Internal Audit.
- 6.9 Internal Audit may undertake work for new clients by extending its work to third parties. All engagements will be performed in accordance with this Charter to an agreed schedule of audit days. The scope of Internal Audit's work for external bodies is primarily to provide assurance relating to the bodies' systems of internal control, although the bodies might also ask for additional consultancy work to be conducted. Where appropriate, Internal Audit might also be asked to assist in or carry out investigations into suspected irregularities. Example of this work is where internal audit carry out work for Academies.

7. Responsibilities

- 7.1 It should be noted that internal audit is not responsible for the operation of control functions within the Council; these responsibilities rest with management. Internal audit should not be regarded as a substitute for good management.
- 7.2 The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it adopts a predominantly risk-based approach to audit.

- 7.3 The Head of Internal Audit is required to manage the provision of a complete audit service to the Council that includes risk based, systems, and advisory audit in addition to the investigation of potential fraud and irregularity. In discharge of this duty the Head of Internal Audit has a responsibility to:
- Prepare and implement an effective strategic and annual internal audit plan, providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives;
 - Ensure that the scopes and boundaries of individual audit assignments are in line with the plan;
 - Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe;
 - Undertake follow up reviews and action tracking to ensure management has implemented agreed internal control improvements within specified and agreed timeframes;
 - Ensure a system of close supervision of audit work;
 - Maintain the appropriate auditing standards as defined by the PSIAS.
 - Maintain a Quality Assurance and Improvement Programme including annual internal assessments and external assessments at least every five years;
 - Report the results of assessments to the Audit Committee and state that the department conforms with the standards or disclose any non-conformance;
 - Develop, implement and have oversight of internal audit methods and procedures, including the maintenance of an Audit Manual;
 - Maintain knowledge, skills and expertise within the department specifically for the investigation of fraud and irregularity;
 - Liaise with the external auditor to provide consistent advice to management and the Audit Committee;
 - Prepare reports on audit and investigation activities for presentation to the Audit Committee, and other reports as may be required.
 - Utilise designated internal audit resources to maximise the efficiency and effectiveness of the internal audit function.

8. Audit Reports

- 8.1 All standard audit assignments are the subject of formal reports. Draft reports are issued to the manager of the area under review. Debrief meetings are then held for agreement of the factual accuracy of findings and the necessary actions. After agreement, final reports are issued to management and the respective Strategic Director. The Head of Internal Audit considers the release of investigation reports on a case by case basis.
- 8.2 All reports that give an overall audit opinion of either “Partial Assurance” or “No Assurance” are submitted to the Chief Executive. A summary of reports is presented to SLT meetings to inform all Strategic Directors of areas of concern within the Council, and also sent to Cabinet Members.

- 8.3 Progress Reports are presented to the Audit Committee at every meeting summarising outcomes of audit activities. The reports contain significant findings and issues arising from the internal audit work undertaken
- 8.4 The Progress Reports include the tracking of audit recommendations, any agreed actions that are not implemented within the agreed timescales and any failure of managers to respond to internal audit reports and requests for information relating to the implementation of recommendations within the set time limits.
- 8.5 The Head of Internal Audit submits an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:
- An annual Internal Audit Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
 - Any qualifications to the opinion, together with the reasons for those qualifications
 - Disclosure of any impairments to independence or objectivity
 - A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).
 - Any particular control weaknesses judged to be relevant to the preparation of the annual governance statement.
 - A comparison of work undertaken against planned work and a summary of performance of internal audit against performance targets
 - A statement on conformance with PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme.
- 8.6 In giving the opinion it should be noted that assurance can never be absolute, the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes.

9. Relationships

- 9.1 To provide optimum benefit to the organisation, internal audit works in partnership with management to improve the control environment and assist the organisation in achieving its objectives.
- 9.2 The internal audit function, as part of an effective process of service delivery, maintains good and effective working relationships with its clients and with those charged with responsibility for partner organisations.
- 9.3 It also maintains effective working relationships with the Audit Committee, the Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, other inspection and agency teams, and the Council's Members, management and employees.
- 9.4 Internal audit is not responsible for the management of the Council's risks; this is the responsibility of the Council's management. However, internal audit takes account of the corporate risk management processes in the way it relates to managers in the control of risks. Emphasis is placed on the importance of risk management to all managers in the Council as part of the delivery of the

internal audit service. Internal Audit regularly reviews the Council's risk management arrangements as an integral aspect of its work.

- 9.5 Internal audit's work assists managers to better understand risk management. This is an important educational / informative role that adds value to the organisation where appropriate. All reports that have No Assurance or Partial Assurance are submitted to the Corporate Risk Manager to ensure that findings are considered for inclusion in risk registers to ensure they are kept up-to-date and relevant.
- 9.6 Where the Council has partnership arrangements, the Head of Internal Audit ensures that there is effective and efficient control environment which takes account of the governance, risk and control framework of the partner body, and that the risks associated with such an arrangement are subject to internal audit review. Suitable protocols are in place where these safeguard the Council's interests for effective internal audit.
- 9.7 Where there are incidents of fraud the Head of Internal Audit advises or intervenes as appropriate in ensuring that there is suitable involvement with the Police or other agencies and seeks to maintain effective working relationships with them.
- 9.8 Internal audit comments on the efficient, economic and effective use of resources, where appropriate, in both the routine internal audit work and also where specifically charged with evaluating value for money / efficiency improvements.

10. Resources and Prioritisation

- 10.1 Internal Audit endeavours to maintain an effective number of staff to undertake the required workload, supported by effective systems of operation. Internal Audit applies staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS.
- 10.2 The Head of Internal Audit, s151 Officer and Audit Committee all have a responsibility to ensure Internal Audit has sufficient resources to enable it to fulfil its mandate. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Audit Committee.
- 10.3 Internal Audit's annual planning process sets out clearly the range of work it expects to do.
- Risk Based Audits
This refers to our work on assessing the management of the key risks currently facing the Council.
 - Systems Audits
This includes work on fundamental financial systems that helps the s.151 officer to fulfil her statutory responsibilities for proper financial administration and control.

- **Advisory Work**
This refers to our work on supporting continuous improvement by reviewing change projects and systems developments and by contributing to working groups
- **Follow Up**
This is the completion of full follow up reviews for selected audits, and the tracking of the implementation of audit recommendations.
- **Responsive Work**
This refers to responding to requests from management for additional work.
- **Investigations**
Responding to the need to investigate potential fraud and irregularity.
- **Work for External Bodies**
There is also some work arising that does not fall into these headings such as income earning work for external bodies such as audit work for academy schools.

- 10.5 The quantum of work is identified following a full assessment of risks across the Council and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities).
- 10.6 Internal Audit prepares a plan of work each year. Resources to deliver the plan of work, in terms of the level of resources and the skills required, are identified at the planning stage of the audit. Both the Head of Internal Audit and the Strategic Director Finance and Customer Services satisfy themselves at the start of the year that there are sufficient resources in place at least to deliver the plan and to give an opinion on the Council's system of governance, risk management and internal control at the end of the year, and to ensure some coverage in other necessary areas in accordance with PSIAS.
- 10.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Strategic Director Finance and Customer Services will, firstly, try to provide additional audit support to the section. Where it becomes necessary to limit the amount of work it is possible for the Service to do, work for external parties, risk related work, follow up and responsive work will be reduced.
- 10.8 Internal Audit annually carries out a review of the skills within the team and any development needs, linked to operational requirements. Training and development is prioritised to reflect the needs of the service and individuals. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments.
- 10.9 Where necessary, appropriate staff from within the Council or from external sources, will be obtained to complete specialist reviews.

11. Fraud and Corruption

- 11.1 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit assists management in the effective discharge of this responsibility. There is a need for the Council to maintain an effective counter-fraud culture and the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. There is a public expectation for public monies to be spent wisely and safeguarded against fraudulent activity. Accordingly, the section's audit plans provide for counter fraud activity.
- 11.2 Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have the responsibility for the identification, prevention or detection of fraud and corruption. Internal Audit will, however, be alert in all their work to risks and exposures that could allow fraud and corruption.
- 11.4 Council Policy requires that where there is suspicion or detection of fraud or corruption by employees they report it to the appropriate manager, or if necessary, directly to the Chief Executive, Assistant Director Legal and Democratic Services or the Head of Internal Audit. Management will notify Internal Audit immediately. Depending on the nature and anticipated extent of the allegation(s), the Head of Internal Audit will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated and reported so that maximum recoveries are achieved. If the irregularity or suspected irregularity involves theft or suspected theft of assets, it must be referred to the Police. In addition where a break-in is suspected, the Police must be informed immediately.

12. Performance Reporting

- 12.1 Performance indicators for Internal Audit are reported to each Audit Committee meeting and the Strategic Director Finance and Customer Services.

13. Definition of Consulting Services

- 13.1 The standards define consulting services as follows: "Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."
- 13.2 The standards require that approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130.) Within RMBC any such significant requests will be submitted to the Audit Committee for approval.

Council Report

Audit Committee – 2 October 2018

Title

Anti-Fraud and Corruption Policy and Strategy

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director Finance and Customer Services.

Report Author(s)

David Webster, Head of Internal Audit
Internal Audit, Finance and Customer Services
Tel. 01709 823282 E.mail: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Executive Summary

This report refers to a proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy. The update follows an annual review process which is designed to ensure that the Policy and Strategy are up to date with current best practice and to take into account any changes to the Council's organisation structure.

The report also provides 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.

Recommendations

The Audit Committee is asked to:

- **approve the revised Anti-Fraud and Corruption Policy and Strategy, and**
- **note the proposed actions intended to strengthen the Council's fraud and corruption arrangements.**

List of Appendices Included:-

Appendix A – Anti Fraud and Corruption Policy 2018

Appendix B – Anti Fraud and Corruption Strategy 2018

Appendix C – Fraud Self-Assessment Against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

Appendix D – Action Plan for Managing the Risk of Fraud

Background Papers

CIPFA checklist included in their Code of Practice on Managing the risk of fraud and corruption.

Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy 2016-2019.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Title: Anti-Fraud & Corruption Policy and Strategy

1. Recommendations

The Audit Committee is asked to:

- approve the revised Anti-Fraud and Corruption Policy and Strategy, and
- note the proposed actions intended to strengthen the Council's fraud and corruption arrangements.

2. Background

2.1 Rotherham Metropolitan Borough Council, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for. It expects the highest standards of conduct and integrity from all who have dealings with it including staff; members; contractors; volunteers and the public. The Council is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically; honestly and to the highest possible standard.

2.2 The Council's last update of its Anti-Fraud and Corruption Policy and Strategy was in September 2017. At the time the Council had also completed a self-assessment against the CIPFA checklist included in its new Code of Practice on Managing the Risk of Fraud and Corruption and proposals were made to strengthen the Council's arrangements using the findings from the self-assessment.

2.3 This report provides an update to the Anti-Fraud and Corruption Policy and Strategy, taking into account actions taken following the self-assessment.

3. Key Issues

3.1 The Council's updated Anti-Fraud & Corruption Policy is attached at **Appendix A**, and the updated Strategy is included at **Appendix B**.

Changes to the Anti-Fraud & Corruption Policy Strategy

3.2 The main changes to the previous versions are:

- An update on the way to report a suspected wrongdoing under the whistleblowing policy – to ensure consistency between this policy and the whistleblowing policy (Para 5.3).
- The inclusion of information on the use of a Protected Disclosure – to ensure consistency between this policy and the whistleblowing policy (Paras 5.4 to 5.8).
- Clarification on the procedure for reaching a decision on contacting the police (Para 6.9).
- Deletion of reference within the Strategy to the Rotherham Improvement Plan, 2015, (was Para 1.5).

Self-Assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

3.3 Attached at **Appendix C** is an update to the self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This leads to the action plan for maintaining / developing the Council's arrangements.

Action Plan for Managing the Risk of Fraud

3.4 Attached at **Appendix D** is an update to the Council's Action Plan for Managing the Risk of Fraud. It is important that the Council continues to keep its arrangements under review and updates them where necessary, to ensure the risk of fraud continues to be minimised.

3.5 The key actions to be carried out over the next few months are to:

- Improve the consistency of fraud risk reporting in the risk registers
- Follow up with officers the completion of the e-learning course relating to anti-fraud and corruption arrangements
- Publicise all anti-fraud and corruption policies; strategies; protocols and cases of proven fraud and corruption to highlight the Council's commitment of a zero policy towards any form of fraud or corruption

4. Options Considered and Recommended Proposal

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for ensuring the Council has appropriate arrangements in place for managing the risk of fraud.

5. Consultation

5.1 The proposed changes and resulting Policy and Strategy have been reviewed by the Monitoring Officer and the Strategic Director Finance and Customer Services.

6. Timetable and Accountability for Implementing this Decision

6.1 Timescales for implementation of the actions are given in the Action Plan at Appendix C.

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 immediate implications associated with the proposals.

11. Equalities and Human Rights Implications

11.1 There are no immediate implications associated with this report.

12. Implications for Partners and Other Directorates

12.1 Implementation of the Anti-Fraud and Corruption Strategy will contribute towards ensuring the Council operates and maintains a culture in which fraud and corruption are understood to be unacceptable.

13. Risks and Mitigation

13.1 Failure to refresh the anti-fraud and corruption initiatives could expose the Council to increased risk of fraud and corruption as new and emerging risks appear.

14. Accountable Officer(s)

David Webster, Head of Internal Audit



Anti-Fraud & Corruption Policy

A guide to the Council's approach to preventing fraud and corruption and managing any suspected cases

September 2018

Contents

- 1. Background and Principles of Public Life.**
- 2. Policy Context.**
- 3. Anti-Fraud and Corruption Statement.**
- 4. How the Council Currently Manages the Threat of Fraud and Corruption**
 - 4.1 Internal Control Environment**
 - 4.2 Key Controls**
 - 4.3 Roles and Responsibilities**
 - 4.4 Policies; Procedures and Controls**
 - 4.5 Internal Audit Activity**
- 5. Procedure for Reporting Suspected Fraud and Corruption**
- 6. Procedure for the Investigation of Suspected Fraud and Corruption.**
 - 6.1 Responsibilities**
 - 6.2 Procedures**
 - 6.3 Objectives of an Investigation**
 - 6.4 Conduct of an Investigation**
 - 6.5 Interviewing**
 - 6.6 Conclusion of an Investigation**

1. Background – Principles of Public Life

- 1.1 The Nolan Report relating to the Principles of Public Life published in 1997 defined seven general principles that should underpin public life. These were subsequently incorporated by the Government into the “Relevant Authorities (General Principles) Order 2001”. The Council expects both members and employees to follow these principles when carrying out their roles and responsibilities:-
- **Selflessness.** Holders of public office should act solely in terms of the public interest.
 - **Integrity.** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
 - **Objectivity.** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
 - **Accountability.** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
 - **Openness.** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
 - **Honesty.** Holders of public office should be truthful.
 - **Leadership.** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.
- 1.2 The Council is fully committed to ensuring that it carries out its day to day operations in accordance with the principles of good Corporate Governance, including integrity, openness and accountability. These principles require a culture within the Council that is based upon honesty, where accountability is clear and where decisions and behaviours can be challenged.
- 1.3 An Anti-Fraud and Corruption Policy is an essential element of such a culture and signifies the Council’s expectation that elected Members and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

2. Policy Context

- 2.1 The Council recognises that it is important that its policy is deliverable and clearly links to operational considerations. Our approach is articulated in the Council’s Anti-Fraud and Corruption Strategy, which is focused on identifying, delivering and monitoring outcomes, and an action plan which includes practical measures which ensures the Council’s Policy is turned into practice.

3. Anti-Fraud and Corruption Policy

- 3.1 The Council is determined to prevent and eliminate all fraud and corruption affecting itself, regardless of whether the source is internally or externally based. Our strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti-fraud culture. We will promote this culture across all our service areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.
- 3.2 We will seek to promote an anti-fraud culture within our community by publicising the impact of fraud on the community. We will also seek to assist our partners and our community to understand and reduce fraud threats through a programme of awareness training. Furthermore, we will seek to deter fraudsters through specific publicity and general campaigns.
- 3.3 The Council takes a holistic approach to anti-fraud measures. Fraud prevention and system security is an integral part of the development of new systems and ongoing operations. Managers will consider the fraud threats and take advice where appropriate when implementing any financial or operational system.
- 3.4 To achieve this aim the Council will:-
- Identify the procedures to encourage Members, employees and the general public to report any suspicions of fraud and corruption in the knowledge that such reports will be treated confidentially and not result in discrimination against the person providing the information.
 - Identify procedures and policies within the Council to encourage prevention.
 - Promote detection.
 - Determine the procedure for investigation and subsequent actions required following the conclusion of the investigation.
- 3.5 The Policy is designed to supplement existing Council policies and procedures including Standing Orders and Financial Regulations, Codes of Conduct (Employees and Members) and the Disciplinary Procedure.
- 3.6 For ease of reference, this document lists the following existing Council policies, which form the key building blocks in the Council's anti-fraud and corruption governance arrangements:
- Financial and Procurement Procedure Rules
 - Code of Official Conduct
 - Members Code of Conduct
 - Anti-Money Laundering Policy
 - Confidential Reporting Code / Whistleblowing Policy
 - Regulation of Investigatory Powers Act Policy.

4. How the Council Currently Manages the Risk of Fraud and Corruption

- 4.1 In recent years the Council has experienced a relatively low level of detected fraudulent and corrupt activity. Where such activity has been identified prompt action has been taken to investigate and seek sanctions and redress. In its policies and procedures the Council gives out the clear message that it will not tolerate any impropriety by employees or Members.
- 4.2 The Council manages the risk of fraud and corruption in a number of ways:-

Internal Control Environment.

- 4.3 The Council revised its Constitution in May 2018, incorporating responsibilities for decision making and rules of procedure. These procedures, together with detailed Financial Regulations, act as the framework for financial control within the Council. All officers are required to act in accordance with these rules and regulations when carrying out their duties.
- 4.4 The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility for maintaining such systems lies with service managers with support provided by the Council's Internal Audit function.

Key Controls

- 4.5 Corporate Governance best practice specifies that the following key controls should exist within an authority committed to the prevention of financial irregularities:
- The Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption
 - All Members and employees act with integrity and lead by example.
 - Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.
 - High standards of conduct are promoted amongst Members by the Standards Committee, including the provision of advice and relevant training on matters relating to the Code of Conduct.
 - A Register of Interests is maintained to enable Members and employees to record any financial or non-financial interests that may bring about conflict with the authority's interests.
 - A Register of Gifts and Hospitality is maintained to enable employees to record gifts and hospitality either received, or offered and declined, from the authority's contractors and suppliers.
 - Confidential Reporting ("Whistle blowing") procedures are in place and operate effectively.
 - All relevant legislation is adhered to.
 - The risk of theft, fraud and corruption is specifically considered as part of the Council's risk management processes.
- 4.6 The Council is fully committed to ensuring that the examples of best practice indicated above are an integral part of its operations.

Roles and Responsibilities

4.7 Members should:

- Be aware of situations of potential conflict of interest and should always declare any interests and also the receipt of gifts and hospitality valued in excess of £25 that are in any way related to the performance of their duties as an elected member of the Council. Examples of situations of potential conflict include letting of contracts to external suppliers, planning and land issues. Members' conduct and decisions should always be seen to be impartial together with an obligation to ensure that confidential information is not improperly disclosed to others.

4.8 Strategic Directors will:

- Ensure that all suspected financial irregularities or financial impropriety that are brought to their attention are reported to the Head of Internal Audit.
- Instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- Maintain both a Departmental Register of Interests and a Departmental Register of Gifts and Hospitality.
- Ensure staff dealing with financial systems including cash handling and payment systems (cashier / payroll / creditors etc) are appropriately trained.
- Ensure that as far as possible all new employees, regardless of type of employment contract, have their honesty and integrity verified by authenticated written references and qualifications checks. In circumstances where potential employees are working with children and vulnerable members of society that Disclosure and Barring Service [DBS] checks are undertaken.

4.9 The Head of Internal Audit will:

- In conjunction with the Monitoring Officer develop and maintain an Anti-Fraud and Corruption Policy.
- Maintain adequate and effective internal control arrangements.

4.10 Employees should:

- Always be alert to the possibility of theft, fraud and corruption occurring in the workplace and be aware of the mechanisms available for reporting such issues to management within the authority.
- Comply with the Council's Code of Official Conduct together with any additional code relating to their professional qualifications.
- Act in accordance with Financial and Procurement Procedure Rules.
- Declare any interests and offers of gifts and hospitality that are in any way related to the performance of their duties of employment at the Council.

Policies, Procedures and Codes

4.11 The Council has in place a Constitution and Codes of Conduct for both Members and officers. It also has Financial Regulations which provide clarity

about accountabilities of individuals, Members and Chief Officers. Specific policies and procedures are in place regarding the Council's approach to fraud and corruption and these include:

- Anti-Fraud and Corruption Policy
- Anti-Money Laundering Policy
- Whistleblowing and Serious Misconduct Policy
- Employee Code of Conduct
- Members Code of Conduct.

4.12 These policies provide a framework within which the organisation operates. Having clear policies ensures clarity about the appropriate course of action in any given event. The policies ensure that a consistent and fair approach is taken during any investigations regarding suspected fraud or corruption; this is of particular importance where referral to the police and Crown Prosecution Services is deemed appropriate.

Internal Audit Activity

4.13 The audit plan provides for system reviews of all major financial and management systems, whether computerised or manual, on a risk assessed basis. Auditors are required to be alert to the risk of fraud at all times in all their work.

5. Procedure for the Reporting of Suspected Fraud and Corruption

5.1 This procedure and the employee obligations contained within it have been adopted as Council policy and it is, therefore, incorporated into all employees' terms of employment and specified in Appendix 5a of the Employees Code of Conduct.

5.2 Anyone who suspects a fraud in the workplace, including fraud perpetrated by Council contractors, or who receives information from an external source regarding fraud, should **make an immediate note of all relevant details, including:**

- ✓ The date and time of the event.
- ✓ A record of conversations relating to the issue (including telephone conversations).
- ✓ The names of persons present (or description if the name is not known).
- ✓ Other details as appropriate, for example for vehicles the type, colour, registration etc.

They should also:

- ✓ Report any suspicions as rapidly as possible together with the relevant details to an appropriate level of authority and experience. This can either be a line manager **OR** the Internal Audit Service on Ext 23282 **OR** the Assistant Director Legal Services on Ext 55768 **OR** the Chief Executive on Ext 22770. Alternatively any suspicions may be put in writing to the **Head of Internal Audit, Riverside House, Main Street,**

Rotherham, S60 1AE, with the envelope marked “CONFIDENTIAL – TO BE OPENED BY THE ADDRESSEE ONLY”.

Anyone suspecting fraud should not:

- Confront or accuse any suspected culprit directly.
- Try to investigate the matter themselves.
- Discuss their suspicions with anyone else other than the appropriate level of authority
- Be afraid to report a matter on the basis that any suspicions may be groundless; all reports will be treated on the basis that they are made in good faith.

5.3 A person who wishes to report a suspected serious wrongdoing under the whistleblowing policy should do so by:-

E-mail to: whistleblowing@rotherham.gov.uk

Post to:- Whistleblowing,

c/o the Assistant Director of Legal Services,
Rotherham Metropolitan Borough Council,
Riverside House,
Main Street,
ROTHERHAM. S60 1AE

Or

Telephone: 01709 255768

Setting out the following information:-

- Name: (unless they wish to be anonymous)
- Contact details (unless they wish to be anonymous)
- Who has committed the alleged serious wrong doing?
- What is the nature of the alleged serious wrong doing?

Alternatively a person wishing to report any suspected wrong doing may contact the following, providing the same information:

- Chief Executive - Telephone: 01709 822770

Or

- Head of Internal Audit - Telephone: 01709 823282

5.4 Council employees are also entitled to make a Protected Disclosure through their manager, if they feel confident in approaching their manager to report a concern or allegation of serious wrongdoing that falls under this policy. The manager must follow the obligation of confidentiality, but must, as soon as possible, and no later than 2 working days after receiving the Protected Disclosure, log the disclosure in accordance with 5.2 above, and then confirm to the employee concerned, in writing or email, that this matter has been recorded.

5.5 The Council prefers anyone raising any suspicions not to provide information anonymously as it may be necessary for them to provide further information. However, all anonymous information that is received will be investigated. All reported suspicions will be dealt with sensitively and confidentially.

5.6 In the event that an employee does not feel comfortable in making a disclosure internally to Council officers, they are entitled to also make a Protected Disclosure in a number of other different ways:-

- Local Councillors - Details of how to contact them and surgery hours are on the Council's website www.rotherham.gov.uk;
- The Council's External Auditors. They are completely independent from the Council and can be contacted on 0113 245 5514 or by writing to them at:-

Grant Thornton UK LLP,
No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

- Relevant professional bodies;
- Solicitors;
- South Yorkshire Police - Telephone: 101;
- Public Concern At Work (PCaW) - An independent authority which seeks to ensure that concerns about malpractice are properly raised and addressed in the workplace. PCaW can provide confidential advice at any stage about how to raise a concern about fraud or other serious malpractice in the workplace. PCaW can be contacted by telephone on **020 7404 6609**. Contact details are on their website at www.pcaw.org.uk.

5.7 Concerns about a child safeguarding issue, e.g. that a child may have suffered harm, neglect or abuse, can be reported to the Children's Social Care Service on 01709 336080; or in an emergency contact South Yorkshire Police direct.

5.8 Adult safeguarding concerns can be reported to the Adult Care Service on 01709 822330, or in an emergency contact South Yorkshire Police direct.

6. Procedure for the Investigation of Suspected Fraud and Corruption

6.1 The responsibility for the prevention of fraud, other irregularities and error rests with management. Internal Audit is responsible for reporting to management on areas of weakness and deficiencies in internal controls and financial systems, together with investigating circumstances where occurrence of fraud is suspected.

6.2 Once management has discovered or suspected a fraud Internal Audit should be notified immediately.

- 6.3 When Internal Audit discovers or suspects a fraud, management of the relevant department should be contacted and discussion take place and agreement reached on how the matter will be investigated. The Chief Executive and Strategic Director Finance and Customer Services should be briefed regarding the issues.
- 6.4 Where the matter involves employees of the Council it will be necessary to tie the investigation into the Council's Disciplinary procedure and it will be appropriate to consult with a Human Resource Manager to discuss procedures for possible suspension of the employee pending further investigation.
- 6.5 Members shall be informed of any investigation into Council affairs that requires reporting to the External Auditor as soon as is practical without prejudicing the investigation.
- 6.6 The objectives of any investigation shall be to:
- ✓ Prove or disprove the original suspicions of fraud.
 - ✓ Provide evidence in an appropriate format to substantiate proven cases of fraud.
 - ✓ To implement appropriate controls to prevent a recurrence of the incident.
- 6.7 The investigation should be conducted by Internal Audit in conjunction with management of the department in the following manner:
- ✓ Secrecy and confidentiality shall be maintained at all times.
 - ✓ An early decision may be required, in consultation with Human Resources, on whether to suspend an employee to ensure evidence is not tampered with, subject to the proviso that the suspension does not prejudice the outcome of the investigation.
 - ✓ All documentation and evidence that is relevant to the investigation should be requisitioned and secured at an early stage by either management or Internal Audit. Evidence and relevant information should be properly documented, considered and evaluated.
- 6.8 Interviews with potential perpetrators of fraud will normally be held both at the beginning and at the end of an investigation. However, this procedure may be subject to alteration dependent upon circumstances. Interviews will be held in accordance with the Council's disciplinary procedure and, in cases where the person(s) under investigation are employees of the Council, they will be allowed to have a work colleague, friend, or trade union representative present.
- 6.9 Once a decision has been reached after interviewing the suspect, the following further matters will need to be considered:
- Involvement of Police: the Council should always have a consistent and fair approach to the involvement of the Police in proven cases of fraud and corruption. The question of Police involvement should be discussed by the relevant Strategic Director, the Strategic Director Finance and Customer Services, the Head of Internal Audit and the Human Resources Manager for the relevant area. The Chief Executive should then be informed of the decision reached. In appropriate cases the Police will be notified, in order for them to investigate and determine with the Crown Prosecution Service whether any prosecution will take place.

- Informing the External Auditor: the External Auditor should always be informed of the outcome of all fraud investigations as required to fulfil their role relating to fraud.
- Review of Systems - where a fraud has occurred as a result of weaknesses in existing systems, then steps must be taken to remedy the problem to prevent recurrence.
- Insurance / Recovery of Losses incurred: Chief Officers shall take appropriate action to ensure that the losses incurred by the Council are minimised including:
 - (i) Recovering losses directly from the perpetrator of the fraud.
 - (ii) Recovery from an employee's contributions to the Superannuation Fund, where appropriate.
 - (iii) Claiming against the Council's insurance policy.



Anti-Fraud & Corruption Strategy

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1. Introduction

Context

- 1.1 Fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures relating to fraud was published by the University of Portsmouth Centre for Counter Fraud Studies in 2016, and indicates that fraud may be costing the UK £193bn a year.
- 1.2 The Council employs around 7,200 staff and spends around £670 million per year. The Council both commissions and provides a wide range of services to individuals and households, working with a range of many other private and public and voluntary sector organisations. The size and nature of our services, as with any other large organisation, mean that there is an ever-present risk of loss due to fraud and corruption, from sources both internal and external.
- 1.3 RMBC takes a responsible, long-term view of the need to continuously develop anti-fraud initiatives and maintain its culture of anti-fraud awareness.
- 1.4 The Council expects all Councillors, employees, consultants, contractors and service users to be honest, and to provide any information, help and support the Council needs to prevent and detect fraud and corruption.

Links to Strategic Objectives

- 1.5 The Council developed a new Council Plan for 2017-20 and the Cabinet continues to work jointly with the Commissioners to ensure Council decisions reflect the concerns of local people and the needs of local communities.
- 1.6 The Council has sought expert guidance to strengthen its Scrutiny System and are also working more proactively with partners across Rotherham on new arrangements for joint working in the best interests of local communities.
- 1.7 An effective anti-fraud and corruption policy and strategy is a critical component of the Council's improved scrutiny and governance framework and will support partnership objectives to create safe and healthy communities.

Assessment and Action Plan

- 1.8 This strategy highlights actions the Council proposes to take to strengthen its arrangements for managing the risk of fraud. The actions are identified as follows in this document are included in the action plan for maintaining / strengthening the Council's arrangements:

2. Purpose and Objectives of this Document

- 2.1 The purpose of this document is to establish a strategy for taking forward counter fraud and corruption work within RMBC. Whilst the term 'anti-fraud' is used in the document, the strategy also covers anti-theft and anti-corruption measures, including bribery.
- 2.2 The key objectives of this anti-fraud strategy are to maintain minimal losses through fraud and corruption and embed the management of fraud risk within the culture of the organisation. These objectives will be achieved by ongoing revision and implementation of a plan of action based on a fraud self-

assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. ("Chartered Institute of Public Finance and Accountancy, Code of Fraud Risk Management, CIPFA, 2014").

- 2.3 In the Audit Commission's publication, "Protecting the Public Purse 2014", the Commission encourages all public bodies, including local authorities, to assess themselves against the CIPFA Code. The code can be applied in any public service organisation and has five principles:
- Acknowledge responsibility
 - Identify risks
 - Develop a strategy
 - Provide resources
 - Take action.

3. What is Fraud and Corruption?

Fraud

- 3.1 The Fraud Act 2006 came into force on 15th January 2007 as a response to the recommendations of the Law Commission Report 'Fraud' published in 2002. The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways: -
- False representation.
 - Failure to disclose information where there is a legal duty to do so.
 - Abuse of position.

The Act also created four new offences of: -

- Possession of articles for use in fraud.
 - Making or supplying articles for use in fraud.
 - Obtaining services dishonestly.
 - Participating in fraudulent business.
- 3.2 The Fraud Act has defined fraud in law for the first time, defining it in three classes: fraud by false representation; fraud by failing to disclose information; and fraud by abuse of position. CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain".

Theft

- 3.3 Theft is defined in the 1968 Theft Act:-

'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.

Corruption

- 3.4 The Council defines the term "corruption" as:-

“The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers.”

Bribery

3.5 A bribe is:

“A financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity” [CIPFA].

3.6 The Bribery Act replaces the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also creates two further offences: namely that of bribing or attempting to bribe a foreign official (S6) and being a commercial organisation failing to prevent bribery (S7). An S7 offence can only be committed by a commercial organisation.

3.7 The ‘Corruption Acts 1889 to 1916’ are repealed in their entirety. Wider offences are created by the 2010 Act which render the more specific offences created by the old Acts otiose. Other statutes less relevant to Local Authorities have been repealed or amended by the 2010 Act and a full list is in one of the schedules of the Acts.

4 How the Council Measures Up Against Best Practice (the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption)

4.1 Internal Audit completed a self-assessment against the CIPFA checklist in 2015 and a fraud and corruption action plan was produced to indicate actions that would be taken to ensure compliance with the Code. The action plan is tracked and reported to the Council’s Audit Committee on a regular basis (at least yearly). Completion of the self-assessment exercise helps the Council demonstrate substantial compliance with best practice, as well as providing a framework upon which to develop its anti-fraud and corruption strategy.

5 Objectives of the Strategy

5.1 The Council’s objectives for its anti-fraud and corruption strategy are to maintain minimal losses through fraud and corruption and further embed management of fraud risk within the culture of the organisation. The intention is to achieve this by implementing the CIPFA Fraud Standards which state that the foundations of an effective anti-fraud framework comprise five key elements:-

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action.

5.2 The next sections (**A to E**) of this strategy outline each of the CIPFA fraud standards and the specific actions required to ensure compliance with the standards. Additionally, several other actions have been identified, over and above the CIPFA requirements, which will strengthen arrangements.

A Acknowledge Responsibility

A1 The Council should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation. Specific steps should include:

- The Council's leadership acknowledges the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.
- The Council's leadership acknowledges the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.
- The Council acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.
- The Council sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.

B Accurately Identifying the Risks

B1 Fraud risk identification is essential to understanding specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users. Specific steps should include:

- Fraud risks are routinely considered as part of the Council's risk management arrangements.
- The Council identifies the risks of corruption and the importance of behaving with integrity in its governance framework.
- The Council uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.
- The Council evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

C Develop a Strategy

C1 An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action. Specific steps should include:

- The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.

- The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.
- The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

Proactive

- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Using techniques such as data matching to validate data.
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.

Responsive

- Detecting fraud through data and intelligence analysis.
- Implementing effective whistleblowing arrangements.
- Investigating fraud referrals.
- Applying sanctions, including internal disciplinary, regulatory and criminal.
- Seeking redress, including the recovery of assets and money where possible.

- C2 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

D Provide Resources

- D1 The organisation should make arrangements for appropriate resources to support the counter fraud strategy. Specific steps should include:
- An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.
 - The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.
 - The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.
 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

E. Take Action

- E1 The Council should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.
- E2 The Council has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:
- Counter fraud policy

- Whistleblowing policy
- Anti-money laundering policy
- Anti-bribery policy
- Anti-corruption policy
- Gifts and hospitality policy and register
- Pecuniary interest and conflicts of interest policies and register
- Codes of conduct and ethics
- Information security policy
- Cyber security policy.

E3 Other actions include:

- Ensuring plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.
- Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

E4 A report is presented to the Council (Audit Committee) at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance statement.

6 Defining Success

6.1 Activity should not be confused with outcomes. The focus should always be fixed firmly on the clear outcomes described above for work to counter fraud and corruption. It is important that outcomes relate to the actual sums lost to fraud and corruption rather than to the activity around it. This is no different from a commercial organisation focusing on profit rather than turnover. While activity can give an organisation the air of being busy and, therefore, successful, what matters is the bottom line. Preventing fraud prevents losses that can be directed into core business. A comprehensive and professional approach to countering fraud and corruption is required to effectively protect an organisation's valuable resources.

7 Keeping Ahead

7.1 In order to try and stay one step ahead of the fraud to which the Council may be exposed, it will be necessary to undertake a regular review of national developments and strengthen systems and procedures. Key sources of information that will be used to inform the ongoing continuous improvement of the Anti-Fraud Strategy will be:

- National Audit Office Publications
- Audit Commission Publications / HM Treasury Publications
- CIPFA Better Governance Forum (IPF).
- National Anti-Fraud Network

- Member of the South and West Yorkshire Fraud Group.

8 Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy 2016 – 2019

- 8.1 Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. The strategy resulted from an intensive period of research, surveys, face to face meetings and workshops. The strategy provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using the strategy it is hoped that local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable.
- 8.2 The strategy highlights a number of areas where local authorities need to ensure compliance with best practice. These are highlighted below. An ongoing assessment is maintained of the Council's position relative to best practice and an action plan is kept showing where the Council's arrangements can be developed.

Whistleblowing Arrangements

- 8.3 The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing, a comprehensive, management led, anti-fraud and corruption culture needs to be maintained, including clear whistleblowing arrangements. These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review. The Council refreshed its whistleblowing arrangements in 2017.

Transparency Code

- 8.4 The Government published the Local Government Transparency Code on 27 February 2015 with the aim of strengthening transparency within local government." "The code sets out the requirements for local authorities to report on their counter fraud work".

Turning Strategy into Action

- 8.5 Local Authorities should consider their performance against each of the six themes that emerged from the research conducted:
- Culture – create a culture in which beating fraud and corruption is part of daily business
 - Capability – ensure range of counter fraud measures deployed is appropriate
 - Capacity – deploy the right level of resources to deal with the level of fraud risk
 - Competence – have the right skills and standards
 - Communication – raising awareness, deter fraudsters, share information
 - Collaboration – work together across internal and external boundaries.

These areas are covered within the Council's Anti-Fraud and Corruption Strategy.

Delivery Plan

- 8.6 The Council's own arrangements should consistently be checked against best practice guidance including the Fighting Fraud and Corruption Locally Companion Checklist and National Crime Agency advice. The Council will ensure that staff are trained on anti-bribery and corruption.

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
A Acknowledge responsibility The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.	A1 The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.	Y	Anti-Fraud & Corruption Strategy and Policy document presented to Audit Committee on 19 th September.		
	A2 The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.	Y	As above		
	A3 The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.	Y	As above		
	The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.	Y	As above		
B Identify risks	B1 Fraud risks are routinely considered	P	Fraud risks are	Work is ongoing	Rec 1

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.	as part of the organisation's risk management arrangements.		considered, but there is no consistency across the organisation.	with the Corporate Risk Manager to improve the consistency of fraud risk reporting.	
	B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.	Y	Anti-Fraud & Corruption Strategy and Policy. Code of Official Conduct.		
	B3 The organisation uses published estimates of fraud loss, and where appropriate, its own measurement exercises, to aid its evaluation of fraud risk exposures.	Y	When formulating the Internal Audit [IA] Plan, IA considers published national estimates of fraud loss. IA also considers previous fraud losses.		
	B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	N	This needs considering in the fraud risk register work ongoing with the Corporate Risk Manager.	The harm of different fraud risks to be considered in the risk registers	Rec 2

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
				across the Council. See also Action to B1.	
C Develop a strategy An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.	C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.	Y	Anti-Fraud & Corruption Strategy and Policy document presented to Audit Committee on 19 th September 2017.		
	C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.	Y	See Anti-Fraud & Corruption Strategy Sections 1.6 and 1.7.		
	C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below :				
	Proactive Developing a counter-fraud culture to increase resilience to fraud.	Y	Mentioned many times within the Anti-Fraud & Corruption Policy. A new E-learning 'Fraud Awareness' course has	Relevant staff who have not completed the course to be issued with a reminder	Rec 3

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
			been developed and rolled out to employees within Finance & Customer Services, HR & Payroll, Elected Members and M3 Managers. To date 565 completions out of 1069 (53%).		
	Proactive Preventing fraud through the implementation of appropriate and robust internal controls and security measures.	Y	Anti-Fraud & Corruption Policy, section C1. Anti-Fraud & Corruption Policy, section 4.3.		
	Proactive Using techniques such as data matching to validate data	Y	See Anti-Fraud & Corruption Policy, section C.1. We participate in the National Fraud Initiatives data matching exercise. We are a member of the West & South Yorkshire Fraud Group.		

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
	Proactive Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters	P	Anti-Fraud & Corruption Policy, section E4. Council website includes facility to report Blue Badge / Benefit fraud / Trading Standards	Anti-Fraud & Corruption Policy and Strategy should be available on the Council's website.	Rec 4
	Responsive Detecting fraud through data and intelligence analysis	Y	See Anti-Fraud & Corruption Strategy, section C.1 Internal Audit uses analytics for fraud and non-fraud work:		
	Responsive Implementing effective whistleblowing arrangements.	Y	Anti-Fraud & Corruption Strategy, section 8.3		
	Responsive Investigating fraud referrals.	Y	See Anti-Fraud & Corruption Strategy, section C.1 Link to Fraud and Investigation Plan and Disciplinary Procedures.		

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
	Responsive Applying sanctions, including internal disciplinary, regulatory and criminal.	Y	Anti-Fraud & Corruption Strategy, section C.1.		
	Responsive Seeking redress, including the recovery of assets and money where possible	Y	Anti-Fraud & Corruption Strategy, section C.1.		
	C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	Y	Anti-Fraud & Corruption Policy 4.3. A fraud awareness training session was delivered to members on 23 rd January 2017. The session was well attended by 12 members including the Leader.		
D Provide resources The organisation should make arrangements for appropriate	D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.	Y	The IA Planning exercise matches resources to risk.		
	D2 The organisation utilises an	Y	IA staff includes 1 fraud		

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
resources to support the counter fraud strategy.	appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation		qualified staff, and other very experienced staff.		
	D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.	Y	All IA staff has such access, in accordance with Financial Regulations.		
	D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.	Y	The Council participates in the National Fraud Initiative and follows agreed protocol.		
E Take action The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take	E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes: <ul style="list-style-type: none"> • Counter fraud policy • Whistleblowing policy • Anti-money laundering policy • Anti-bribery policy 	Y	These documents are available on the Council Internal Audit Intranet page.		

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
action to prevent, detect and investigate fraud.	<ul style="list-style-type: none"> • Anti-corruption policy • Gifts and hospitality policy and register • Pecuniary interest and conflicts of interest policies and register • Codes of conduct and ethics • Information security policy • Cyber security policy 				
	E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.	Y			
	E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.	Y	The Council participates in the National Fraud Initiative		
	E4 Providing for independent assurance over fraud risk management, strategy and activities.	Y	Annual self-assessment in conjunction with Fighting Fraud & Corruption Locally 2016-19 Checklist.		
	E5 There is a report to the governing body at least annually on	Y	Progress against the Anti-Fraud and Corruption Plan		

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
	<p>performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.</p>		<p>is reported to Audit Committee.</p>		
<p>Applying the code in practice</p>	<p>Where organisations are making a statement in an annual governance report about their adherence to this code, one of the following statements should be approved according to whether the organisation conforms to the code or needs to take further action. The statement should be approved by the governing body and signed by the person responsible for signing the annual governance report. Statement 1 Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud, or</p>	<p>Y</p>			

Fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
	<p>Statement 2 Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate.</p>				

Anti-Fraud and Corruption Policy & Strategy Action Plan

Ref	Guidance	Action	Officer	Target date
1	Fraud risks are routinely considered as part of the organisation's risk management arrangements.	Work is ongoing with the Corporate Risk Manager to include the risk of fraud into risk registers across the Council.	Head of Internal Audit	31 March 2019
2	The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	The harm of different fraud risks to be considered in the risk registers across the Council.	Head of Internal Audit	31 March 2019
3	Developing a counter fraud culture to increase resilience to fraud.	Relevant staff who have not completed the course to be issued with a reminder	Head of Internal Audit	31 October 2018
4	Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.	Anti-Fraud & Corruption Policy and Strategy should be available on the Council's website.	Head of Internal Audit	31 October 2018



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17 April 2018

Dear Judith,

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £108,438.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken

under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	27,110
December 2018	27,110
March 2019	27,110
June 2019	27,108
Total	108,438

Outline audit timetable

We will undertake our audit planning and interim audit procedures from October 2018 to February 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2019. Our work on the whole of government accounts return is driven by future NAO group audit instructions for 2018/19 and will be completed alongside the accounts audit subject to availability of NAO guidance.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	October 2018 - February 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June/July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June/July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	June/July 2019	Opinion on the WGA return	We anticipate this work will be completed alongside the accounts audit subject to availability of NAO guidance
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Gareth Mills	0113 200 2535	Gareth.Mills@uk.gt.com
Engagement Manager	Thilina De Zoysa	0113 200 1589	Thilina.De.Zoysa@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via sarah.howard@uk.gt.com

Yours sincerely

Gareth Mills

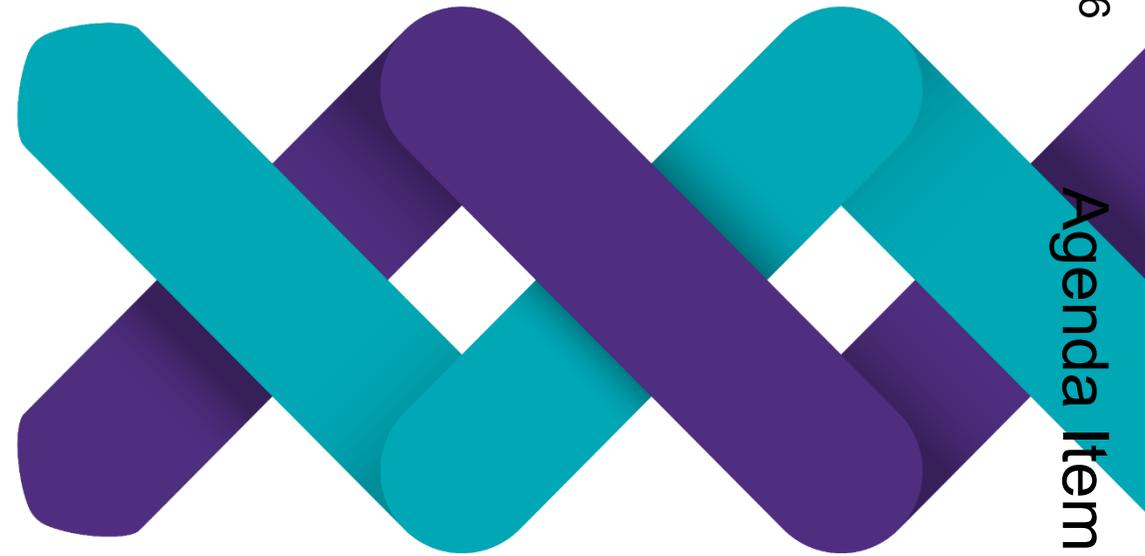
Engagement Lead

For Grant Thornton UK LLP

Audit Progress Report

**Rotherham Metropolitan Borough Council
Year ending 31 March 2019**

24 September 2018



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Introduction



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Thilina De Zoysa

Engagement Manager

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We are delighted to be appointed as your external auditor and look forward to working with you to ensure you get maximum value from our audit work. We will be pragmatic and actively engage with you throughout the year in an open and transparent manner, ensuring you benefit from our wider insights and observations at all times.

Gareth Mills will be the Engagement Lead for the audit. Gareth is based in our Leeds office and has extensive experience working with Local Government and NHS bodies across the North of England for over 15 years. His responsibilities on this audit will include liaising with the Audit Committee, overseeing the work of the audit team and delivery of our audit opinion.

Thilina De Zoysa will be the Engagement Manager. Thilina is also based in our Leeds office and has worked extensively in public sector audit over the past 15 years. Thilina will manage the delivery of our audit fieldwork, complete our value for money conclusion work and assist Gareth in reporting our findings to the Audit Committee.

This paper provides the Audit Committee with an introduction to Grant Thornton, our audit approach and a report on our progress in delivering our responsibilities as your external auditor.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Gareth or Thilina.

About Grant Thornton



Grant Thornton International Ltd

- One of the world's leading organisations of independent assurance, tax and advisory firms
- Combined turnover of \$4.6 billion
- Over 42,000 people based in over 130 countries.



Grant Thornton UK LLP

- UK member firm of Grant Thornton International Ltd
- Turnover of £534 million
- More than 180 partners, with 4,500 people
- Operates from 26 offices.



What we do

Audit and Assurance

- Audit
- Corporate governance
- Accounting support
- Technical accounting
- Royalty audits
- Cost and Contracts Assurance
- Healthcare Assurance
- Outsourced compliance services

Corporate Finance Services

- Strategic options reviews
- Taxation advice
- Acquisitions advice
- Disposals advice
- Advice on management buyouts, mergers and strategic alliances
- Advice on fund raising
- Capital markets

Recovery and Reorganisation Services

- Control assessment and implementation
- Credit advisory services
- Financial and operational turnarounds
- Liquidity management
- Performance improvement solutions
- Operational assessments
- Runoff
- Supply chain risk management
- Tax recovery
- Tax restructuring

Forensic and Investigation Services

- Expert witness
- Fraud solutions
- Forensic technology solutions
- Insurance claims solutions
- Internet intelligence tools
- Business Risk Services

Taxation

- Corporate tax
- International tax
- Expatriate tax
- IP and WHT planning
- Incentive arrangements
- Employee share schemes
- VAT and PAYE solutions
- Transfer pricing
- Outsourced compliance services

Transaction Advisory Services

- Due diligence
- Pensions and benefits
- Valuations
- Management assessment
- Operations and post deal services

Government Infrastructure Advisory

- Funding advice
- Financial modelling
- Economic advisory services
- Business growth advice
- Service delivery consultancy
- Procurement support
- General financial advisory services for the public sector

Business Risk Services

- Internal audit
- Corporate governance
- Business process Improvement
- Organisational change management
- Technology risk management

Our work in the Public Sector



Grant Thornton
An instinct for growth™

We are the only leading firm to have grown both our NHS and Local Government audit portfolios over the last two years. This achievement makes us the clear market leader in Local Public Audit.

We are the external auditors to:

- Approximately 40% of the Local Government sector.
- Over 30% of the NHS sector.

We have a dedicated Public Sector Assurance team, including:

- Over 300 Local Government and NHS audit specialists.
- Over 30 Accredited Public Sector Engagement Leads, more than any other firm.
- We are the largest single CIPFA employer in the country.

Locally we have been appointed as the auditors to a number of bodies in Yorkshire, including Barnsley MBC, Doncaster MBC, South Yorkshire Police, Leeds City Council, West Yorkshire Police, Kirklees MBC, Ryedale District Council, and North York Moors National Park Authority.

Our audit approach at a glance

Smooth transition

- We have extensive experience of transitioning into new clients and will do this at minimum disruption to you.
- We will quickly look to build up good working relationships with your team.



Audit planning

- We will meet with key management to identify financial statement and value for money risks.
- We will provide a prepared by client listing and agree a timetable for the audit.



Audit Plan

- Confirms financial statement and value for money risk areas.
- Sets out our audit scope and our responses to assessed risks.
- Formal communication with the Finance, Risk and Audit Committee.

Interim audit

- We will review key systems and controls.
- We will carry out early work on areas of audit risk.
- We will liaise with Internal Audit, review outputs and assess impact on our work.



Final accounts audit – June to July 2019

- Focused on risk areas.
- IDEA interrogation software utilised to provide efficiency and insight.
- Audit issues and potential adjustments, discussed and cleared with you as they arise.



Audit clearance meeting – July 2019

- Discuss audit issues with management.
- Agree treatment of any unadjusted differences.
- Practical recommendations on systems and controls.

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Audit Findings (ISA260) Report – July 2019

- Sets out key audit and accounting issues and how these have been resolved.
- Provides comments on systems and controls, and review of accounting policies; conclusions and judgements.
- Includes value for money conclusion.



Completion – July 2019

- Finalise audit by 31 July 2019 deadline.
- Obtain Letter of Representation from management.
- Issue opinion covering financial statements and our value for money conclusion.



Feedback from you – Summer 2019

- Debrief meeting with senior finance staff.
- Action Plan to address findings.
- On-line satisfaction survey and/or independent client service review.

Progress as at 24 September 2018

Financial Statements Audit

Gareth Mills held an introductory meeting with Sharon Kemp and Judith Badger on 23 July 2018. This was a useful session to get to know key management and the issues facing Council.

Gareth and Thilina held a series of introductory meetings on 18 September with Judith, key members of the finance team and the Head of Internal Audit, David Webster. The day helped to further our understanding of the Council and inform our audit planning on your key issues.

We issued our Audit Fee Letter to management, outlining our planned audit fee for 2018-19, in April 2018.

The Fee Letter is included in on the agenda for the Audit Committee on 2 October 2018.

In August 2018 we commenced handover procedures from the predecessor auditor, KPMG. During w/c 8 October, we anticipate reviewing their 2017-18 audit file and meeting with members of the prior year audit team to gain an understanding of the key issues and risks that impacted both the financial statements and value for money audits.

We will commence our audit planning in the Autumn and will present our Audit Plan to the Audit Committee in the New Year.

Our interim audit is expected to take place in February and March 2019 and our final accounts audit will take place in June and July 2019. Actual timings will be confirmed with the finance team in due course.

Our findings from the year-end audit will be reported to you in the Audit Findings ISA260 Report by 31 July 2019.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We will make our initial risk assessment to determine our approach and report this to you in our Audit Plan in the New Year.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other matters

Meetings

We have agreed quarterly liaison meeting dates during 2018-19 with the Chief Executive and the Strategic Director - Finance & Customer Services.

We will continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events. We will be inviting key finance staff to our annual accounts workshop which is expected to take place early in the New Year.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018-19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018-19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts Audit Plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	29 January 2019 (tbc)	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	26 March 2019 (tbc)	Not yet due
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work.	December 2019	Not yet due

Summary Sheet**Council Report:**

Audit Committee 2nd October 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
27 th November 2018	Review External Audit findings	Training – Code of Corporate Governance 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	Risk Management Strategy and Policy	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Regeneration and Environment	Damien Wilson
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
		Audit Committee Forward Work Plan	David Webster

Meeting Date	Objective	Agenda Item	Author
29 th January 2019	Review financial statements	Training Final Accounts closedown and accounting policies	Graham Saxton
	Review External Audit findings	External Audit Grants Report	External Audit / Graham Saxton
	Review External Audit Annual Plan	External Audit Plan	Grant Thornton / Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Finance and Customer Services	Judith Badger
	Effectiveness of internal control environment	Information Governance	Head of Information Governance
	Effectiveness of Internal Audit and internal control environment	IA Progress Report Audit Committee Forward Work Plan	David Webster David Webster

Meeting Date	Objective	Agenda Item	Author
26 th March 2019	Effectiveness of Internal Audit and internal control environment	Training 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	Risk Management Directorate Presentation – CYPS	Jon Stonehouse
	Effectiveness of Internal Audit	PSIAS Internal Assessment / QAIP	David Webster
		Audit Committee Self Assessment and Annual Report	David Webster
		Audit Committee Prospectus and Forward Work plan	David Webster
		Private Meeting	

Meeting Date	Objective	Agenda Item	Author
June 2019	<p>Review Financial Statements</p> <p>Review Governance Statement</p> <p>Regulation of Investigatory Powers</p> <p>Consider Audit and Investigation recommendations</p> <p>Effectiveness of Internal Audit and internal control environment</p> <p>Effectiveness of Internal Audit and internal control environment</p> <p>Effectiveness of Risk Management</p>	<p>Training – Statement of Accounts</p> <p>Draft Statement of Accounts</p> <p>Draft AGS</p> <p>Review of Surveillance and Policy</p> <p>External Audit Recommendations</p> <p>IA Progress Report</p> <p>IA Annual Report</p> <p>Risk Management Directorate Presentation – Adult Care and Housing</p> <p>Audit Committee Forward Plan</p>	<p>Graham Saxton</p> <p>Judith Badger</p> <p>Neil Concannon</p> <p>Sue Wilson</p> <p>David Webster</p> <p>David Webster</p> <p>Anne Marie Lubanski</p> <p>David Webster</p>

Meeting Date	Objective	Agenda Item	Author
July 2019		Training	
	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	GT / Graham Saxton
	Review Treasury Management	Annual Treasury Report	Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
		Audit Committee Annual Report	David Webster
Audit Committee Forward Work Plan		David Webster	

Meeting Date	Objective	Agenda Item	Author
September 2019	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 – Assistant Chief Executive	Shokat Lal
	Managing the risk of fraud	Anti-Fraud and Corruption Policy and strategy review and update	David Webster
		Audit Committee Forward Work Plan	David Webster

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