

## **AUDIT COMMITTEE**


**Date:-** Tuesday, 29th January, 2019      **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 27th November, 2018 (herewith) (Pages 1 - 10)
7. Liquid Logic and the Reg 24 Pathway (Pages 11 - 12)
8. Proposed Revisions to the Council's Regulation of Investigatory Powers Act Policy (Pages 13 - 61)
9. External Audit Accounts Audit Plan (Pages 62 - 81)
10. Final Accounts Closedown and Accounting \Policies Update (Pages 82 - 116)
11. Certification of Claims and Returns - Annual Report 2017-18 (Pages 117 - 124)
12. Internal Audit Self-Assessment against the Public Sector Internal Audit Standards (Pages 125 - 139)

13. Internal Audit Quality Assurance and Improvement Programme (QAIP) (Pages 140 - 182)
14. Audit Committee Forward Work Plan (Pages 183 - 191)
15. Items for Referral for Scrutiny
16. 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).
17. Internal Audit Progress Report for the period 1st November to 31st December, 2018 (Pages 192 - 215)
18. Risk Register - Finance and Customer Services (Pages 216 - 224)
19. Corporate Strategic Risk Register (Pages 225 - 238)
20. Date and time of next meeting  
Tuesday, 26<sup>th</sup> March, 2019 commencing 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  
27th November, 2018**

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

Mr. T. De Zoya, Grant Thornton, was also present.

Councillors Allen and Lelliott were in attendance for Minute No. 58 (Regeneration and Environment Directorate's Risk Register).

**43. DECLARATIONS OF INTEREST**

Minute No. 55 (Appointment of Independent Person) - Bernard Coleman made a Personal Declaration.

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

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

**45. MINUTES OF THE PREVIOUS MEETING HELD ON 2ND OCTOBER, 2018**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 2<sup>nd</sup> October, 2018.

Arising from Minute No. 32 (Audit Committee Terms of Reference), an update was sought as to whether the updated Terms of Reference had been considered by the Constitution Working Group.

Resolved:- (1) That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

(2) That an update be submitted to the next meeting with regard to the Terms of Reference.

**46. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT 2018-19**

Consideration was given to the report presented by the Finance Manager outlining a mid-year treasury review.

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

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

Overall borrowing remained fairly constant over the period covered by the report. The Council would maintain its strategy of being significantly under-borrowed against the capital financing requirement as the most cost effective approach in the current financial climate. The Council's existing Treasury Management Strategy provided for the Council to take out £30M of new borrowing per annum over the next 4 years to reduce the amount of under-borrowing over time. The position would remain under review and an update of the Strategy would be submitted to Members within the Budget and Council Tax 2019/20 report to Council in February, 2019.

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

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

Treasury Management and Prudential Indicators would form part of the 2019/20 budget report submitted to Council on 27<sup>th</sup> February, 2019.

Discussion took place with the following issues raised/clarified:-

- Acknowledgement that the delay in taking out new long borrowing did give rise to an element of interest rate risk as long term borrowing rates may rise. However, the situation was closely monitored
- Working with Treasury Management, the interest rates were looked at on an almost daily basis with further updates at a weekly briefing

Resolved:- That the report be noted.

#### **47. EXTERNAL AUDIT ANNUAL AUDIT LETTER 2017-18**

The Finance Manager reported that KPMG had now concluded their 2017/18 audit and had issued their audit certificate on 31<sup>st</sup> August, 2018. Both the audit certificate and notice of conclusion of audit had been published on the Council's website.

The audit work had been designed to specifically address the following significant risks:-

- Valuation of PPE
- Pensions Assets and Liabilities
- Faster Close

A copy of the AAL was attached to the report.

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

- The external auditor had issued an unqualified audit opinion on the Authority's financial statements on 31<sup>st</sup> July
- 4 adjusted audit differences were identified. These adjustments did not impact the prime financial statements
- 4 unadjusted audit differences were identified. As the majority related to estimates in property, plant and equipment, no amendment was required as the actual value of the adjustments was not certain
- An unqualified conclusion on the Authority's arrangements to secure value for money (VFM) for 2017/18 on 31<sup>st</sup> July, 2018
- A risk assessment had been undertaken as part of the VFM audit work to identify key areas impacting on their VFM conclusion. Financial sustainability and delivery of the Children's Services Improvement Plan had been identified
- The Annual Governance Statement approved at the July Audit Committee (Minute No. 24 refers), was consistent with KPMG understanding and compliant with the CIPFA/SOLACE framework on good governance in local government
- The Council's consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements
- There were no high priority recommendations or other matters that needed to be brought to the attention of the Audit Committee

Resolved:- That the final Annual Audit Letter 2017/18 presented to the Council by its former external auditors, KPMG LLP, be noted and approved for publication on the Council's website.

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

Further to Minute No. 7 of the meeting of the Audit Committee held on 19<sup>th</sup> June, 2018, consideration was given to a report, presented by Bev Pepperdine, Performance Assurance Manager, providing details of recent and current external audits and inspections including the details of

arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

The report included detail of progress being made in respect of the following specific areas and Directorates:-

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

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

Senior Managers attended the Annual Conversation with HMI Ofsted on 20<sup>th</sup> November, 2018. This was a formal discussion which included a self-evaluation by Children's Services and discussion of progress against the 8 recommendations from their previous inspection. It was hoped that a number of the 33 actions identified to address the 8 Ofsted report recommendations would be classed as complete when the outcome of the Annual Conversation was received in January 2019.

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

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

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

**49. USE OF SURVEILLANCE AND ACQUISITION OF COMMUNICATIONS DATA POWERS - UPDATE**

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

As previously with the Office of Surveillance Commissioners (OSC), the Council was required to notify IPCO of the number of directed surveillance/CHIS authorisations granted in each financial year. The annual return submitted in April for the 2017/18 financial year confirmed that there had been no such authorisations in that period nor had there been any such authorisations so far this calendar year.

The Council was also required to notify the Interception of Communications Commissioner's Office of the number of authorisations for the acquisition and disclosure of communications data granted each calendar year. There had been no such authorisations so far in 2018.

The Council's Policies were considered by the Committee in June, 2018 and re-adopted with minor amendments. However, the publication of the Revised Codes of Practice for Covert Surveillance and Property Interference and for Covert Human Intelligence Sources would require the RIPA Policy to be reviewed before the next scheduled annual review in June 2019.

Resolved:- (1) That it be noted that the Council had not made use of surveillance or acquisition of communication data powers under RIPA to date in 2018.

(2) That a further report be submitted on the implications of the Home Office's revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources.

## **50. CODE OF CORPORATE GOVERNANCE**

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

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

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

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

- Inclusion of Equalities and Human Rights Implications in accordance with the Council's reporting template
- Key decisions were included within the Forward Plan which was published 28 days before consideration by the Cabinet

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

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

**51. RISK MANAGEMENT POLICY AND GUIDE**

Further to Minute No. 48 of the meeting held on 8<sup>th</sup> February, 2017, Simon Dennis, Corporate Risk Manager, submitted proposed changes to the Risk Policy and Strategy.

The changes to the Policy and Strategy were:-

- Removal of references to structures and processes that no longer existed
- Greater emphasis on high impact, hidden risks as well as a summary of the different types of risk that the Council might face
- Recognition of the "word based" version of the Risk Register that Directorates could now use instead of the excel version
- Inclusion of Appendix F setting out the numbering conventions that the Council applied to risk management

Discussion ensued with the following issues raised/clarified:-

- The Risk Champions Group met on a monthly basis where discussions included the wider changing climate and associated risks to the Council
- The Local Resilience Forum met to discuss the forthcoming Brexit

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

**52. AUDIT COMMITTEE FORWARD PLAN**

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

It was noted that the next edition of the forward work plan would include the updated schedule of reports provided by Grant Thornton.

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

**53. EXTERNAL AUDIT PROGRESS UPDATE**

Consideration was given to a report submitted by Grant Thornton UK LLP providing details of the progress of the external audit of the Council's accounts and financial statements for the 2018/19 financial year, for the period ending 14<sup>th</sup> November, 2018.

Mr. T. De Zoysa (representatives of Grant Thornton UK LLP) presented the report and answered questions from Members.



It was noted that quarterly liaison meetings were to be held with the Chief Executive and the Strategic Director, Finance and Customer Services, throughout 2018/19 as well as a routine meeting with key members of the Senior Finance team on 3<sup>rd</sup> December to discuss key accounting and auditing issues impacting on the 2018/19 accounts.

Key Finance staff would be invited to Grant Thornton's annual accounts workshop in February, 2019.

A Local Authority Audit Committee Chairs and Members event was to be held in Leeds on 26<sup>th</sup> February, 2019.

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

**54. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral to Scrutiny.

**55. APPOINTMENT OF INDEPENDENT MEMBER**

(Mr. Bernard Coleman, Independent Member, left the room whilst this item was being discussed.)

David Webster, Head of Internal Audit, presented a report setting out the current arrangements with regard to the Audit Committee's Independent Member.

The Council had amended the Committee's Terms of Reference in 2015 to include the provision for the appointment of an Independent Member. On 9<sup>th</sup> December, 2015, Mr. Bernard Coleman had been appointed for a 3 year period.

The report set out 3 options for consideration as to how it wished to fill the vacancy that would arise on 9<sup>th</sup> December, 2018:-

Option 1 – commence a recruitment process for a new Independent Member

Option 2 – appoint the current Independent Member for a further 3 year term until December 2021

Option 3 – appoint the current Independent Member for a 12 month period to allow a recruitment process to take place.

Discussion ensued on the 3 options before the Committee.

Resolved:- (1) That Option 3 be approved by the Committee.

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(2) That the Council, at its meeting on 5th December, be recommended to appoint Mr. Bernard Coleman as Independent Member of the Audit Committee until 31<sup>st</sup> December, 2019.

(Mr. Bernard Coleman, Independent Member, rejoined the meeting.)

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

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

**57. INTERNAL AUDIT PROGRESS REPORT**

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

The completion of the audit plan had been impacted by 2 staff vacancies within the Audit Team. Recruitment was underway with 2 new starters expected to commence work in January 2019 and the secondments out of and into the team had become permanent.

Performance against key indicators had improved meeting the required level.

The updated plan was given in Appendix A and reasons for the deferral of specific reviews were set out in Appendix B of the report submitted along with proposed additions to the plan resulting from the consultation exercise and management requests. The inclusion of an audit on Eastwood Enforcement was discussed.

4 audits had been finalised since the last Audit Committee meeting one of which Partial Assurance; the remaining 3 all had Substantial or Reasonable Assurance.

Appendix D set out details of the unplanned responsive work completed since the last Audit Committee with Appendix E summarising Internal Audit's performance against a number of Indicators.

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

Discussion ensued on various matters contained within the agreed actions section of the report which included:-

- Setting of realistic completion dates by managers
- Adult Social Care Direct Payments
- Liquid Logic

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

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

(3) That a progress report be submitted by Performance and Planning on Liquid Logic.

#### **58. REGENERATION AND ENVIRONMENT'S DIRECTORATE RISK REGISTER**

Consideration was given to a report, presented by Paul Woodcock, Acting Strategic Director, Regeneration and Environment, and Tom Smith, Assistant Director, Community Safety and Street Scene, providing details of the Risk Register and risk management activity within the Regeneration and Environment's Directorate.

Cabinet Members for Jobs and the Local Economy and Cleaner, Greener Communities, were also in attendance.

The Committee sought reassurance on the Risk Register and risk management activity in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Involvement of the Cabinet Members for Jobs and the Local Economy, Waste Roads and Community Safety and Cleaner, Greener Communities
- How risks were included on and removed from the Register
- Anti-fraud activity in the Directorate

Discussion ensued with the following issues raised:-

- The Register currently had 17 risks listed 4 of which were also deemed Strategic risks
- Risks were regularly discussed and reviewed at the Directorate Leadership Team and escalated to the next strategic level for inclusion on the Risk Register where necessary
- The Risk Register was a standard item at the monthly meetings with the 3 Cabinet Members

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- 2 new risks added to the Register
- Update of Emergency Plan
- Planned approach to fraud
- Licensing Service as a whole
- Updating required with regard to members of staff and Commissioners
- Household Waste Collection Service
- Security of Council buildings

Resolved:- That the progress and current position in relation to risk management activity in the Regeneration and Environment Directorate, as detailed in the report now submitted, be noted.

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

Resolved:- That a further meeting be held on Tuesday, 29<sup>th</sup> January, 2018, commencing at 2.00 p.m.

<b>BRIEFING PAPER</b>
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<b>1.</b>	<b>Date:</b>	<b>21.2.19</b>
<b>2.</b>	<b>Title:</b>	<b>CYPS – LL and the Reg 24 pathway</b>
<b>3.</b>	<b>Directorate:</b>	<b>CYPS</b>

## 1. Background

1.1 This report is intended to provide some update around the actions identified as part of previous Internal Audit of the Reg 24 process and current electronic case management System Liquid Logic.

## 2. Key Issues

- 2.1 The current Liquid Logic electronic case management system has been in place since October 2016. Following going live there has been a number of additional pieces of practice that we have sought to embed into the base model. This included the Reg 24 pathway in relation to relative and connected persons who are assessed as foster carers.
- 2.2 Work has been completed by the IT Systems team and the lead CYPS Practitioners around the forms to support putting these into live testing in April 2018. Once these were progressed it was clear there was an issue with the LL pathway that would not support this progressing. We attempted a fix and attempts were made again in May 2018. What became apparent however was this was a wider system issue that we need to raise with the Liquid Logic provider and this happened in April and then May 2018.
- 2.3 Following discussion with the Liquid Logic provider it was clear that a wider system fix was needed and this would be delivered by the system Upgrade to version 14.
- 2.4 Version 14 of Liquid Logic progressed in November 2018. Following this upgrade we are able to use part of the Reg 24 pathway the Kinship pathway and log all key decision making. This allows us visibility of the key decisions and timeliness. The next step is to develop subsequent performance reporting
- 2.5 A number of the forms developed which are more narrative based still need to be completed as word document, so we do have more of a dual system. These forms are associated as a word document to LL so are all visible. We have continued to pursue making these forms live in the system but when tested these forms created further errors in the pathway so we have not gone live with these and we are in further discussion with Liquid Logic to address these errors.
- 2.6 Through discussion with the lead worker in fostering we have revisited the position around training for the workforce, which has also been delayed by the Liquid logic changes. This training will be planned and take place over the next 2 months.
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**3. Key actions and relevant timelines**

- 3.1 The current Kinship pathway is now live and parts of this are being used. Ensuring the forms can be live in the system is an ongoing piece of work, for which we do not have a current timescale; given this is a wider issue that we have raised as an urgent job with Liquid Logic. Oversight of this will continue for the CYPS systems user group.
- 3.2 The training of Practitioners is to be progressed over the next 2 months to ensure the use of the pathway is consistent, with reporting to be developed to increase visibility and compliance.

**4. Name and contact details**

**Rebecca Wall – Head of Safeguarding, Learning and Development**

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## Summary Sheet

### Council Report

Audit Committee - 29 January, 2019

### Title

Proposed Revisions to the Council's Regulation of Investigatory Powers Act Policy

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

No

### Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Resources and Customer Services

### Report Author(s)

Dermot Pearson, Assistant Director Legal Services

### Ward(s) Affected

All

### Executive Summary

At its meeting on 27 November 2018 the Audit Committee agreed to receive a report on the implications of the Home Office's Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources.

This report advises the Audit Committee on the revisions required to the Council's RIPA Policy to ensure compliance with the Home Office Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources made under the Regulation of Investigatory Powers Act 2000 (RIPA).

### Recommendations

That the Audit Committee:

1. Notes the revisions required to the Council's RIPA Policy to ensure compliance with the Home Office's Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources, as set out at section 3 of the report.
2. Adopts the revised Regulation of Investigatory Powers Act Policy at Appendix 1.
3. Notes that training on the use of RIPA powers is to be arranged for authorising officers and investigating officers.

**List of Appendices**

Proposed Amended RMBC RIPA Policy

**Background Papers**

Revised Code of Practice - Covert Surveillance and Property Interference [Home Office, 2018]

Revised Code of Practice - Covert Human Intelligence Sources [Home Office, 2018]

<https://www.gov.uk/government/publications/covert-surveillance-and-covert-human-intelligence-sources-codes-of-practice>

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

None

**Council Approval Required**

No

**Exempt from the Press and Public**

No



**Title**

Proposed Revisions to the Council's Regulation of Investigatory Powers Act Policy

**1. Recommendations**

1.1 That the Audit Committee:

1.1.1 Notes the revisions required to the Council's RIPA Policy to ensure compliance with the Home Office's Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources, as set out at section 3 of the report.

1.1.2 Adopts the revised Regulation of Investigatory Powers Act Policy at Appendix 1.

1.1.3 Notes that training on the use of RIPA powers is to be arranged for authorising officers and investigating officers.

**2. Background**

2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public bodies such as local authorities, to use directed (i.e. covert) surveillance and covert human intelligence sources e.g. undercover officers and public informants, for the purposes of the detection and prevention of crime. Any use of those powers has to be proportionate and necessary both in use and scope. The Council has a RIPA Policy that governs the use of those powers.

2.2 RIPA also provides a mechanism for public bodies such as local authorities to acquire communications data where it is proportionate and necessary to do so for the purposes of the detection and prevention of crime. The Council has a separate Acquisition and Disclosure of Communication Data Policy to cover this activity. Typically this activity might include acquiring mobile phone subscriber details and details of itemised calls but not the content of calls.

2.3 The Council's corporate policies in this regard make provision for the Audit Committee to oversee the operation of these policies by receiving reports on a 6 monthly basis to ensure that RIPA powers are being used in a manner consistent with the policy. The Committee received a report on the use of RIPA powers at its meeting on 27 November 2018.

2.4 This report considers the implications of the Home Office Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources and proposes amendments to the RIPA Policy to ensure compliance with the Revised Codes.

### 3. Key Issues

3.1 The proposed revisions to the RIPA policy, the proposed revised version of which is at the Appendix to this report, relate to the following issues:

3.1.1 There are various amendments to the RIPA Policy required to ensure that it refers to current legislation and Codes of Practice and that officer contact details and the list of authorising officers are up to date. Where the RIPA Policy referred to specific paragraph numbers in the previous versions of the Codes of Practice these have been amended to match the paragraph numbers in the Revised Codes of Practice.

3.1.2 At Section 6 of the Policy the responsibilities of the Senior Responsible Officer, who is the Assistant Director for Legal Services, have been amended to correspond with the Revised Codes of Practice. This now includes reference to the duties to report errors to the Investigatory Powers Commissioner, which are set out in the Investigatory Powers Act 2016.

3.1.3 The guidance on the definition of Private Information for the purposes of RIPA at Section 2 of the Policy has been amended to include the current wording of the guidance in the Revised Code of Practice on Covert Surveillance and Property Interference. This provides clarification on expectations of privacy when in a public place and makes it clear that covert surveillance of a person's activities in public may still result in the obtaining of private information.

3.1.4 The main amendments relate to the new guidance on the use of social media for surveillance set out in the Revised Codes of Practice. The revised guidance from the Revised Code of Practice on Covert Surveillance and Property Interference is incorporated in Section 2(i) and the revised guidance from the Revised Code of Practice on Covert Human Intelligence Sources is incorporated in Section 2(iii). The guidance includes specific advice on when a directed surveillance authorisation may be required for online activity:

*In order to determine whether a directed surveillance authorisation should be sought for accessing information on a website as part of a covert investigation or operation, it is necessary to look at the intended purpose and scope of the online activity it is proposed to undertake. Factors that should be considered in establishing whether a directed surveillance authorisation is required include:*

- *Whether the investigation or research is directed towards an individual or organisation;*
- *Whether it is likely to result in obtaining private information about a person or group of people (taking account of the guidance at paragraph 3.6 above);*
- *Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile;*

- *Whether the information obtained will be recorded and retained;*
- *Whether the information is likely to provide an observer with a pattern of lifestyle;*
- *Whether the information is being combined with other sources of information or intelligence, which amounts to information relating to a person's private life;*
- *Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s);*
- *Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties.*

There is also useful guidance on when on line surveillance activity may require an authorisation for a Covert Human Intelligence Source including the following:

*Where someone, such as an employee or member of the public, is tasked by a public authority to use an internet profile to establish or maintain a relationship with a subject of interest for a covert purpose, or otherwise undertakes such activity on behalf of the public authority, in order to obtain or provide access to information, a CHIS authorisation is likely to be required. For example:*

- *An investigator using the internet to engage with a subject of interest at the start of an operation, in order to ascertain information or facilitate a meeting in person.*
- *Directing a member of the public (such as a CHIS) to use their own or another internet profile to establish or maintain a relationship with a subject of interest for a covert purpose.*
- *Joining chat rooms with a view to interacting with a criminal group in order to obtain information about their criminal activities.*

- 3.2 It is proposed to arrange training for authorising officers and investigating officers on the revised RIPA Policy to ensure that those officers are properly equipped to comply with the Revised Codes of Practice and legislation.

#### **4. Other considerations and recommended proposal**

- 4.1 The recommendation is to adopt the revised RIPA Policy at the Appendix to this report. This will ensure that the Policy is in compliance with the Home Office Revised Codes of Practice and current legislation.

#### **5. Consultation**

- 5.1 The Home Office carried out a 6 week consultation on the Revised Codes of Practice.

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

6.1 If the recommendations are adopted the Assistant Director for Legal Services will circulate the Revised RIPA policy to relevant officers.

**7. Financial and Procurement Implications**

7.1 There are no financial and procurement implications arising from the proposed revisions to the RIPA Policy and the costs of further training for investigating and authorising officers would be met from existing budgets.

**8. Legal Implications**

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

**9. Human Resources Implications**

9.1 There are no human resources implications.

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

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

**11. Equalities and Human Rights Implications**

11.1 Adherence to the Council's policies and the statutory guidance in relation to the use of RIPA ers should ensure that the any actions taken are in accordance with human rights.

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

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

**13. Risks and Mitigation**

13.1 This report is part of the process of ensuring that elected members have oversight of the use of RIPA powers and to ensure policies remain fit for purpose. A failure to follow this guidance would increase the risk of misuse of RIPA powers and intervention by the Investigatory Powers Commissioner.

**14. Accountable Officer(s)**

Dermot Pearson, Assistant Director of Legal Services.

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

**ROTHERHAM BOROUGH COUNCIL**  
**RIPA Policy**

**JANUARY 2019**

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	i) <b>Directed Surveillance</b>	<b>Page 6</b>
	ii) <b>Intrusive Surveillance</b>	<b>Page 9</b>
	iii) <b>CHIS</b>	<b>Page 12</b>
3.	<b>Guidance for Authorising Officers</b>	<b>Page 15</b>
4.	<b>Seeking Magistrates' Approval</b>	<b>Page 27</b>
5.	<b>Notes to Assist Completion - Magistrates Approval</b>	<b>Page 33</b>
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**Appendix 1:           Non-RIPA Surveillance  
                          Sample Form for Non-RIPA Surveillance**

**Appendix 2:           Forms**

## **ROTHERHAM BOROUGH COUNCIL**

### **1. COVERT SURVEILLANCE POLICY STATEMENT**

#### **Introduction**

1. Rotherham Borough Council (“the Council”) is committed to building a fair and safe community for all by ensuring the effectiveness of laws designed to protect individuals, businesses, the environment and public resources.
2. The Council recognises that most organisations and individuals appreciate the importance of these laws and abide by them. The Council will use its best endeavours to help them meet their legal obligations without unnecessary expense and bureaucracy.
3. At the same time the Council has a legal responsibility to ensure that those who seek to flout the law are the subject of firm but fair enforcement action. Before taking such action, the Council may need to undertake covert surveillance of individuals and/or premises to gather evidence of illegal activity.

#### **Procedure**

4. All covert surveillance shall be undertaken in accordance with the procedures set out in this document.
5. The Council shall ensure that covert surveillance is only undertaken where it complies fully with all applicable laws in particular the:
  - Human Rights Act 1998
  - Regulation of Investigatory Powers Act 2000 (“RIPA”)
  - Protection of Freedoms Act 2012
  - Data Protection Act 2018
6. The Council shall, in addition, have due regard to all official guidance and codes of practice particularly those issued by the Home Office, the Investigatory Powers Commissioner’s Office, the Security Camera Commissioner and the Information Commissioner.
7. In particular the following guiding principles shall form the basis of the all covert surveillance activity undertaken by the Council:
  - Covert surveillance shall only be undertaken where it is absolutely necessary to achieve the desired aims.
  - Covert surveillance shall only be undertaken where it is proportionate to do so and in a manner that it is proportionate.
  - Adequate regard shall be had to the rights and freedoms of those who are not the target of the covert surveillance.

- All authorisations to carry out covert surveillance shall be granted by appropriately trained and designated authorising officers. A list of those authorising officers who have been nominated by their Directorate and have undertaken appropriate training is held by the Senior Responsible Officer (SRO).
- Covert surveillance which is regulated by RIPA shall only be undertaken after obtaining judicial approval.
- The operation of this Policy and Procedure will be overseen by the SRO, whose role is described later in this document.

### **Training and Review**

8. All Council officers undertaking and authorising covert surveillance shall be appropriately trained to ensure that they understand their legal and moral obligations.
9. Quality Assurance checks shall be carried out by the Solicitor with conduct of a specific case and the RIPA Co-ordinator to ensure that officers are complying with this policy when the authorisation forms are forwarded to Legal Services for the Judicial Approval applications. All other forms – Renewals, Review, and Cancellation forms are submitted to the RIPA Co-ordinator who will collate the forms for the Central Record.
10. This policy shall be reviewed at least once a year in the light of the latest legal developments and changes to official guidance and codes of practice.
11. The operation of this policy shall be overseen by the Council's Audit Committee by receiving reports on a 6 monthly basis to ensure that the RIPA powers are being used consistently with this policy.

### **Conclusion**

12. All citizens will reap the benefits of this policy, through effective enforcement of criminal and regulatory legislation and the protection that it provides.
13. Adherence to this policy will minimise intrusion into citizens' lives and will avoid any legal challenge to the Council's covert surveillance activities.
14. An electronic copy of this Policy can be found on the Council's Intranet on the Key Documents section of the Legal Services page.
15. Any questions relating to this policy should be addressed to:

Contact: Elizabeth Anderton, Service Manager [Litigation and Adults Law],  
Legal Services - Extension 23736



## 2. GUIDE TO SURVEILLANCE REGULATED BY PART 2 OF RIPA

Part 2 of RIPA sets out a regulatory framework for the use of covert investigatory techniques by public authorities to ensure that they are compatible with the European Convention of Human Rights (ECHR), particularly Article 8, the right to respect for private and family life. The purpose of this part of the procedure is to help you decide what type of surveillance you are doing and whether it is regulated by Part 2.

### The Law

- The Regulation of Investigatory Powers Act 2000  
<http://www.legislation.gov.uk/ukpga/2000/23/contents>
- RIPA Explanatory Notes  
<http://www.legislation.gov.uk/ukpga/2000/23/notes/contents>
- RIPA Statutory Codes of Practice (Revised August 2018)  
<https://www.gov.uk/government/publications/covert-surveillance-and-covert-human-intelligence-sources-codes-of-practice>
  - Covert Surveillance and Property Interference
  - Covert Human Intelligence Sources
- SI 2010 N0.521 - Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010  
[http://www.legislation.gov.uk/uksi/2010/521/pdfs/uksi\\_20100521\\_en.pdf](http://www.legislation.gov.uk/uksi/2010/521/pdfs/uksi_20100521_en.pdf)
- SI 2012 No.1500 (The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012)  
[http://www.legislation.gov.uk/uksi/2012/1500/pdfs/uksi\\_20121500\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/1500/pdfs/uksi_20121500_en.pdf)

### The Surveillance Techniques which Local Authorities may authorise

Part 2 of RIPA allows local authorities to authorise two out of the three techniques it regulates i.e. the use of directed surveillance and covert human intelligence sources. The first issue for any local authority officer, considering undertaking covert surveillance is; **is it something that can be authorised under RIPA?**

Let us consider the definitions of the different types of surveillance regulated by Part 2 of RIPA:

1. Directed Surveillance
2. Intrusive Surveillance
3. Covert Human Intelligence Source (CHIS)

i) **Directed Surveillance:** This is defined in S.26(2) of the Act:

*“Subject to subsection (6), surveillance is directed for the purposes of this Part if it is covert but not intrusive and is undertaken –*

- (a) *for the purposes of a specific investigation or a specific operation;*
- (b) *in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and*
- (c) *otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under this Part to be sought for the carrying out of the surveillance.”*

Typically local authorities may use Directed Surveillance when investigating benefit fraud, trading standards offences or serious environmental crime or antisocial behaviour. This may involve covertly filming or following an individual or monitoring their activity in other ways.

Before undertaking any covert surveillance activity an investigating officer must ask (and have an affirmative answer to) six questions before the activity can be classed as Directed Surveillance:

- Is the surveillance, actually “surveillance” as defined by the Act?
- Will it be done covertly?
- Is it for a specific investigation or a specific operation?
- Is it likely to result in the obtaining of private information about a person?
- Will it be done, otherwise than an immediate response to events?

***Please consult Flowchart 1 when deciding if your surveillance is Directed.***

### **Key Points to Note**

1. General observations do not constitute Directed Surveillance. The Covert Surveillance Code (para 3.33) states:

*“The general observation duties of many law enforcement officers and other public authorities do not require authorisation under the 2000 Act, whether covert or overt. Such general observation duties frequently form part of the legislative functions of public authorities, as opposed to the pre-planned surveillance of a specific person or group of people.”*

2. Surveillance is only Directed if it is covert. S.26(9)(a) states:

*“Surveillance is covert if, and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place;”*

This requires investigating officers to consider the manner in which the surveillance is going to be undertaken. If it is done openly, without making any attempt to conceal it or a warning letter is served on the target before the surveillance is done, then it will not be covert.

3. The definition of “private information” is very wide. The Covert Surveillance and Property Interference Code at paragraphs 3.3 to 3.6 states:
- 3.3 *The 2000 Act states that private information includes any information relating to a person’s private or family life<sup>10</sup>. As a result, private information is capable of including any aspect of a person’s private or personal relationship with others, such as family<sup>11</sup> and professional or business relationships. Information which is non-private may include publicly available information such as books, newspapers, journals, TV and radio broadcasts, newswires, web sites, mapping imagery, academic articles, conference proceedings, business reports, and more. Such information may also include commercially available data where a fee may be charged, and any data which is available on request or made available at a meeting to a member of the public. Non-private data will also include the attributes of inanimate objects such as the class to which a cargo ship belongs.*
- 3.4 *Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person’s activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person’s activities for future consideration or analysis.<sup>12</sup> Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly where accessing information on social media websites. See paragraphs 3.10 to 3.17 below for further guidance about the use of the internet as a surveillance tool.*
- 3.5 *Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a directed surveillance authorisation may be considered appropriate.*
- 3.6 *Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.*

4. Where covert surveillance needs to be done in an emergency and there is no time (or no Authorising Officer available) to authorise the activity, the surveillance can still be done. It will not constitute Directed Surveillance. The Covert Surveillance Code (para 3.32) states:

*“Covert surveillance that is likely to reveal private information about a person but is carried out by way of an immediate response to events such that it is not reasonably practicable to obtain an authorisation under the 2000 Act, would not require a directed surveillance authorisation. The 2000 Act is not intended to prevent law enforcement officers fulfilling their legislative functions. To this end section 26(2)(c) of the 2000 Act provides that surveillance is not directed surveillance when it is carried out by way of an immediate response to events or circumstances the nature of which is such that it is not reasonably practicable for an authorisation to be sought for the carrying out of the surveillance.”*

5. If the Council authorises a non-employee (e.g. an enquiry agent) to conduct covert surveillance then that person/company is acting as an agent for the Council. The Authorising Officer must ensure that the person/company is competent and they have provided a written acknowledgment that they are an agent of the Council and will comply with the authorisation.
6. The revised Code of Practice for Covert Surveillance and Property Interference at paragraphs 3.10 to 3.17 clarifies the position on the use of social media for surveillance and provides examples:

*3.10 The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual’s online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered. The following guidance is intended to assist public authorities in identifying when such authorisations may be appropriate.*

*3.11 The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private*

*information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed (paragraphs 4.10 to 4.16 of the Covert Human Intelligence Sources code of practice provide detail on where a CHIS authorisation may be available for online activity*

- 3.12 *In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where a public authority has taken reasonable steps to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.*
- 3.13 *As set out in paragraph 3.14 below, depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.*
- 3.14 *Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.*
- 3.15 *Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation*

*of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online. See also paragraph 3.*

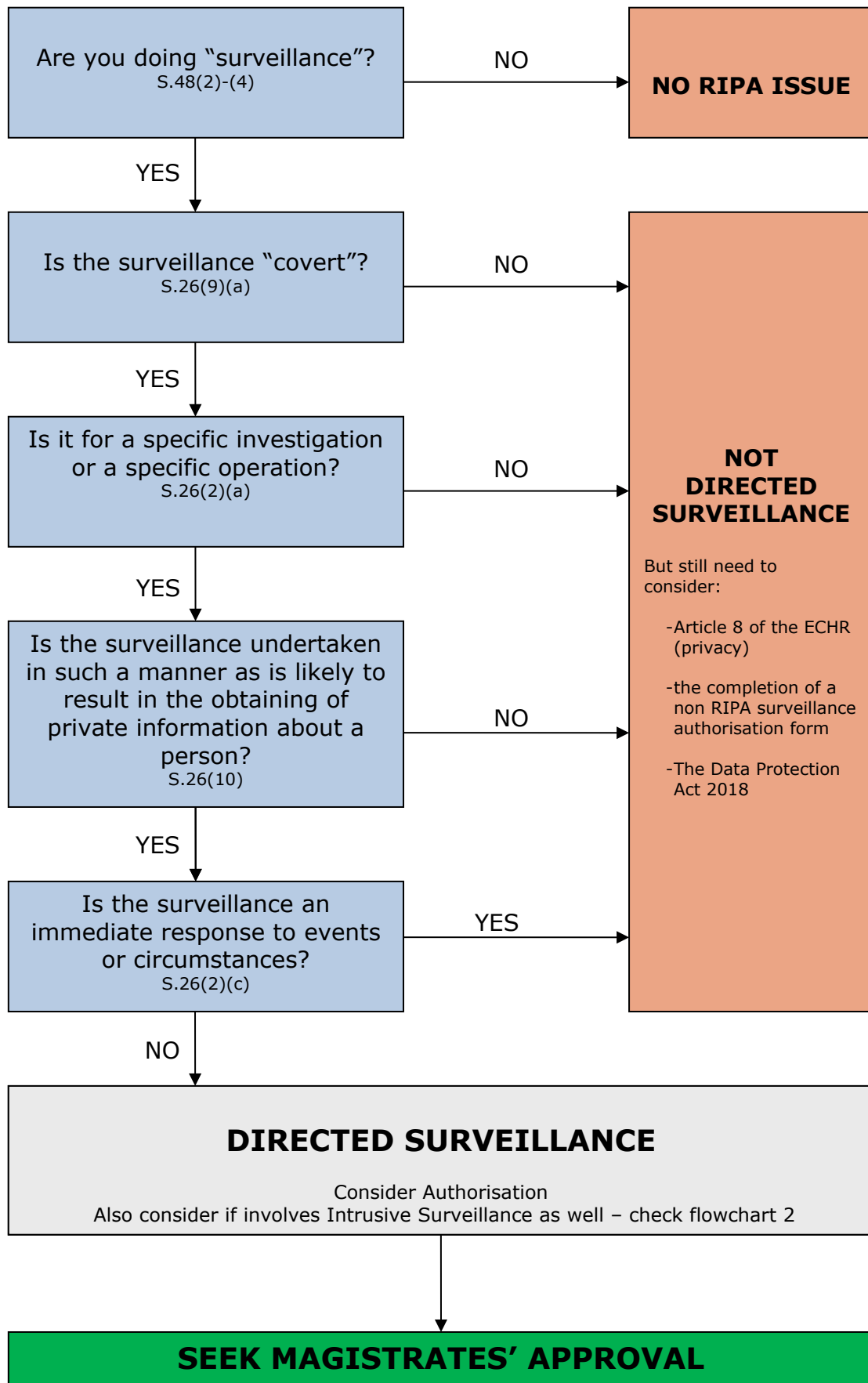
*3.16 In order to determine whether a directed surveillance authorisation should be sought for accessing information on a website as part of a covert investigation or operation, it is necessary to look at the intended purpose and scope of the online activity it is proposed to undertake. Factors that should be considered in establishing whether a directed surveillance authorisation is required include:*

- Whether the investigation or research is directed towards an individual or organisation;*
- Whether it is likely to result in obtaining private information about a person or group of people (taking account of the guidance at paragraph 3.6 above);*
- Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile;*
- Whether the information obtained will be recorded and retained;*
- Whether the information is likely to provide an observer with a pattern of lifestyle;*
- Whether the information is being combined with other sources of information or intelligence, which amounts to information relating to a person's private life;*
- Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s);*
- Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties.*

*3.17 Internet searches carried out by a third party on behalf of a public authority, or with the use of a search tool, may still require a directed surveillance authorisation (see paragraph 4.32).*

**No officer should make repeated visits to the same open source social media site as part of an investigation unless they have first spoken to the Council's RIPA Co-ordinator (Elizabeth Anderton 01709 823736) or the Assistant Director of Legal Services (Dermot Pearson 01709 255768) to ensure that it is lawful to do so.**

7. **Flowchart 1 - Are you conducting Directed Surveillance?**



ii) **Intrusive Surveillance:** S.26(3) states:

*“Subject to subsections (4) to (6), surveillance is intrusive for the purposes of this Part if, and only if, it is covert surveillance that—*

- (a) is carried out in relation to anything taking place on any residential premises or in any private vehicle; and*
- (b) involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device. “*

As the name suggests, this type of surveillance is much more intrusive and so the legislation is framed in a way as to give greater protection to the citizen when it is used. Applications to carry out Intrusive Surveillance can only be made by the senior Authorising Officer of those public authorities listed in or added to S.32(6) of the Act or by a member or official of those public authorities listed in or added to section 41(l). **Local authorities are not listed therein and so cannot authorise such Intrusive Surveillance.**

It is still important for investigating officers to understand the definition of Intrusive Surveillance in order for them to be able to ensure that Directed Surveillance does not inadvertently extend into Intrusive Surveillance. The following issues should be considered in each case:

- Is it Covert Surveillance as defined by the Act?
- Is it being carried out in relation to anything taking place on any residential premises or in any private vehicle?
- Does it involve the presence of an individual on the premises or in the vehicle?
- Is it being carried out by means of a surveillance device on the premises or in the vehicle?

***Please consult Flowchart 2 when deciding if your surveillance is Intrusive.***

**Key Points to Note**

1. When doing covert surveillance of premises it can only be Intrusive if it is carried out in relation to anything taking place on residential premises. This is defined in S.48(1):

*“residential premises” means (subject to subsection (7)(b)) so much of any premises as is for the time being occupied or used by any person, however temporarily, for residential purposes or otherwise as living accommodation (including hotel or prison accommodation that is so occupied or used);”*

Environmental health officers doing covert surveillance of takeaways, restaurants and shops will not be doing Intrusive Surveillance. Care must be taken though where a shop also contains living quarters and covert filming may capture images of people in those quarters. Other examples of residential premises include flats, hotel rooms, caravans and even boats, which are used as living quarters. Care must be taken in such situations to avoid the accusation that unauthorised Intrusive Surveillance was carried out.



2. Not all surveillance of vehicles is Intrusive; the target has to be a private vehicle as defined in S.48(1):

*“private vehicle” means (subject to subsection (7)(a)) any vehicle which is used primarily for the private purposes of the person who owns it or of a person otherwise having the right to use it;”*

The vehicle can be owned, borrowed, rented or leased. However (by virtue of S.48 (7) (a)) surveillance is not Intrusive where the target vehicle is a taxi or a chauffer driven vehicle such as a public coach service.

3. For the surveillance to be Intrusive rather than just Directed it has got to be undertaken in such a manner as to involve the presence of an individual on the premises or inside the vehicle.

It is extremely unlikely that local authorities would allow their staff to undertake surveillance by getting inside a private vehicle covertly. This could only be conceivably done if the investigating officer hides in the boot of the target vehicle!

However it may be that an officer is stationed inside residential premises to covertly observe drug dealing or anti social behaviour. Whilst normally this kind of conduct is the realm of the police, care must be taken. For example a keen investigator taking covert pictures from outside a house may decide to jump over the fence and hide in the garden to obtain clearer images.

4. Surveillance can still be Intrusive even if the investigating officer is not on or inside the premises or vehicle but is using a surveillance device such a camera, listening device, recorder or even binoculars.

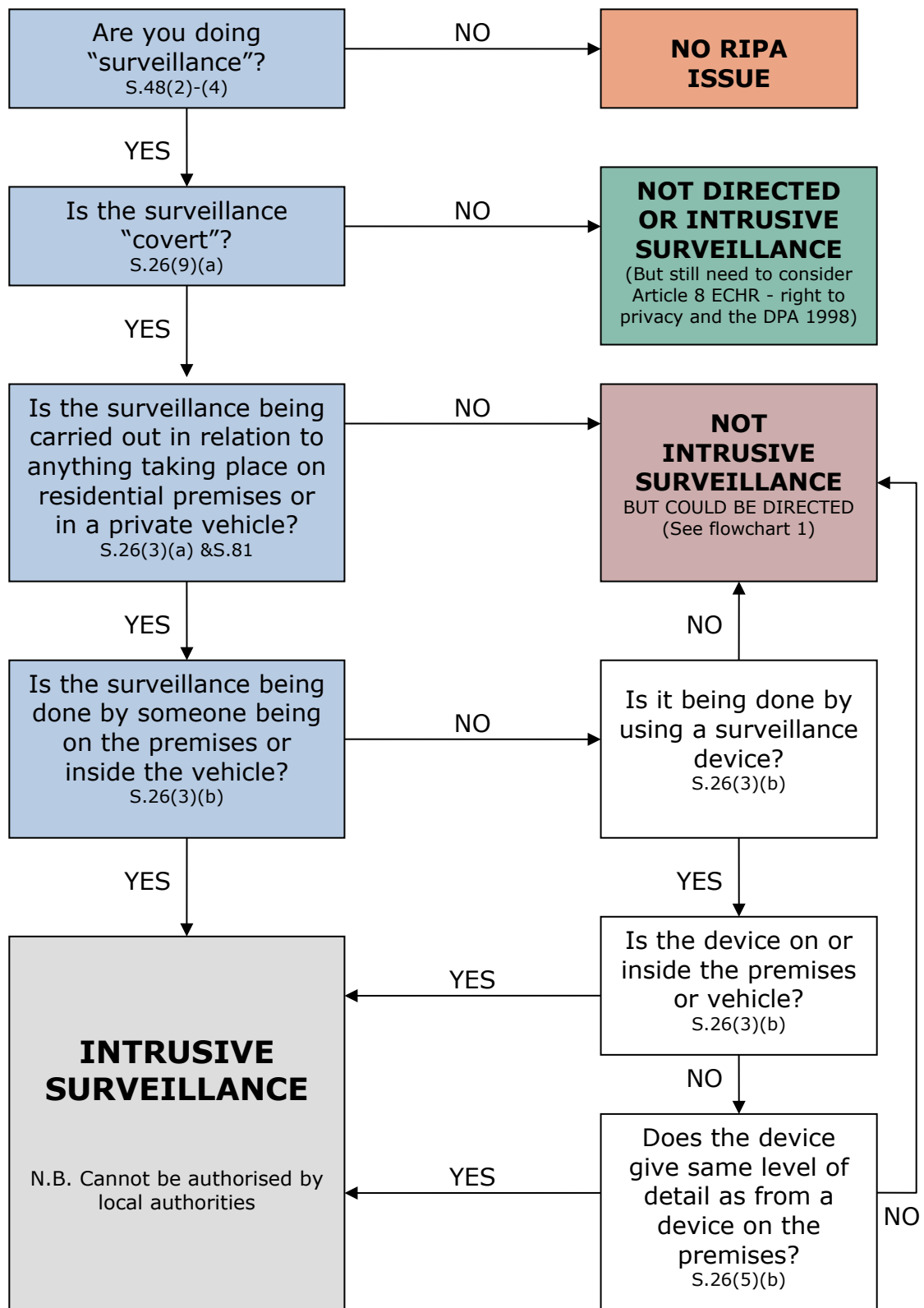
However the words of S.26 (5) should be noted:

*For the purposes of this Part surveillance which—*

- (a) *is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle, but*
- (b) *is carried out without that device being present on the premises or in the vehicle,*

*is not intrusive unless the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.*

**Flowchart 2 - Are you doing Intrusive Surveillance?**



iii) **A Covert Human intelligence Source(CHIS)** This is defined in S.26(8):

*“...a person is a covert human intelligence source if -*

- (a) *he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);*
- (b) *he covertly uses such a relationship to obtain information or to provide access to any information to another person; or*
- (c) *he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.”*

To ascertain whether a person is a CHIS three questions must be asked:

- Is the person establishing or maintain a personal or other relationship with a person?
- Is that relationship being used for a covert purpose?
- Is the covert purpose facilitating the doing of anything falling within paragraph (b) or (c) (above)?

***Please consult Flowchart 3 when deciding if your surveillance involves a CHIS.***

A CHIS is somebody who is concealing or misrepresenting their true identity or purpose in order to covertly gather or provide access to information from the target. Examples of a CHIS include a private investigator pretending to live on a housing estate to gather evidence of drug dealing or an informant who gives information to Trading Standards about illegal business practices in a factory or shop.

**Key Points to Note**

1. A public volunteer is not a CHIS. The CHIS code (para 2.17) states:
 

*“In many cases involving human sources, a relationship will not have been established or maintained for a covert purpose. Many sources merely volunteer or provide information that is within their personal knowledge, without being induced, asked, or tasked by a public authority. This means that the source is not a CHIS for the purposes of the 2000 Act and no authorisation under the 2000 Act is required.”*

Care must be taken to ensure that someone who starts off as a public volunteer does not end up being a CHIS.
2. There must be covert use of a relationship to provide access to information or to covertly disclose information. Merely giving a complainant a diary sheet to note comings and goings will not make that person a CHIS.
3. A test purchaser, though technically a CHIS, may not always require authorisation. Please consult the CHIS Code (para 2.13) and the OSC Procedures and Guidance Document for further guidance.

4. The revised Code of Practice for Covert Human Intelligence Sources at paragraphs 4.11 to 4.17 clarifies the position on the use of social media in a potential CHIS context and provides examples:

4.11 *Any member of a public authority, or person acting on their behalf, who conducts activity on the internet in such a way that they may interact with others, whether by publicly open websites such as an online news and social networking service, or more private exchanges such as e-messaging sites, in circumstances where the other parties could not reasonably be expected to know their true identity, should consider whether the activity requires a CHIS authorisation. A directed surveillance authorisation should also be considered, unless the acquisition of that information is or will be covered by the terms of an applicable CHIS authorisation.*

4.12 *Where someone, such as an employee or member of the public, is tasked by a public authority to use an internet profile to establish or maintain a relationship with a subject of interest for a covert purpose, or otherwise undertakes such activity on behalf of the public authority, in order to obtain or provide access to information, a CHIS authorisation is likely to be required. For example:*

- *An investigator using the internet to engage with a subject of interest at the start of an operation, in order to ascertain information or facilitate a meeting in person.*
- *Directing a member of the public (such as a CHIS) to use their own or another internet profile to establish or maintain a relationship with a subject of interest for a covert purpose.*
- *Joining chat rooms with a view to interacting with a criminal group in order to obtain information about their criminal activities.*

4.13 *A CHIS authorisation will not always be appropriate or necessary for online investigation or research. Some websites require a user to register providing personal identifiers (such as name and phone number) before access to the site will be permitted. Where a member of a public authority sets up a false identity for this purpose, this does not in itself amount to establishing a relationship, and a CHIS authorisation would not immediately be required, though consideration should be given to the need for a directed surveillance authorisation if the conduct is likely to result in the acquisition of private information, and the other relevant criteria are met*

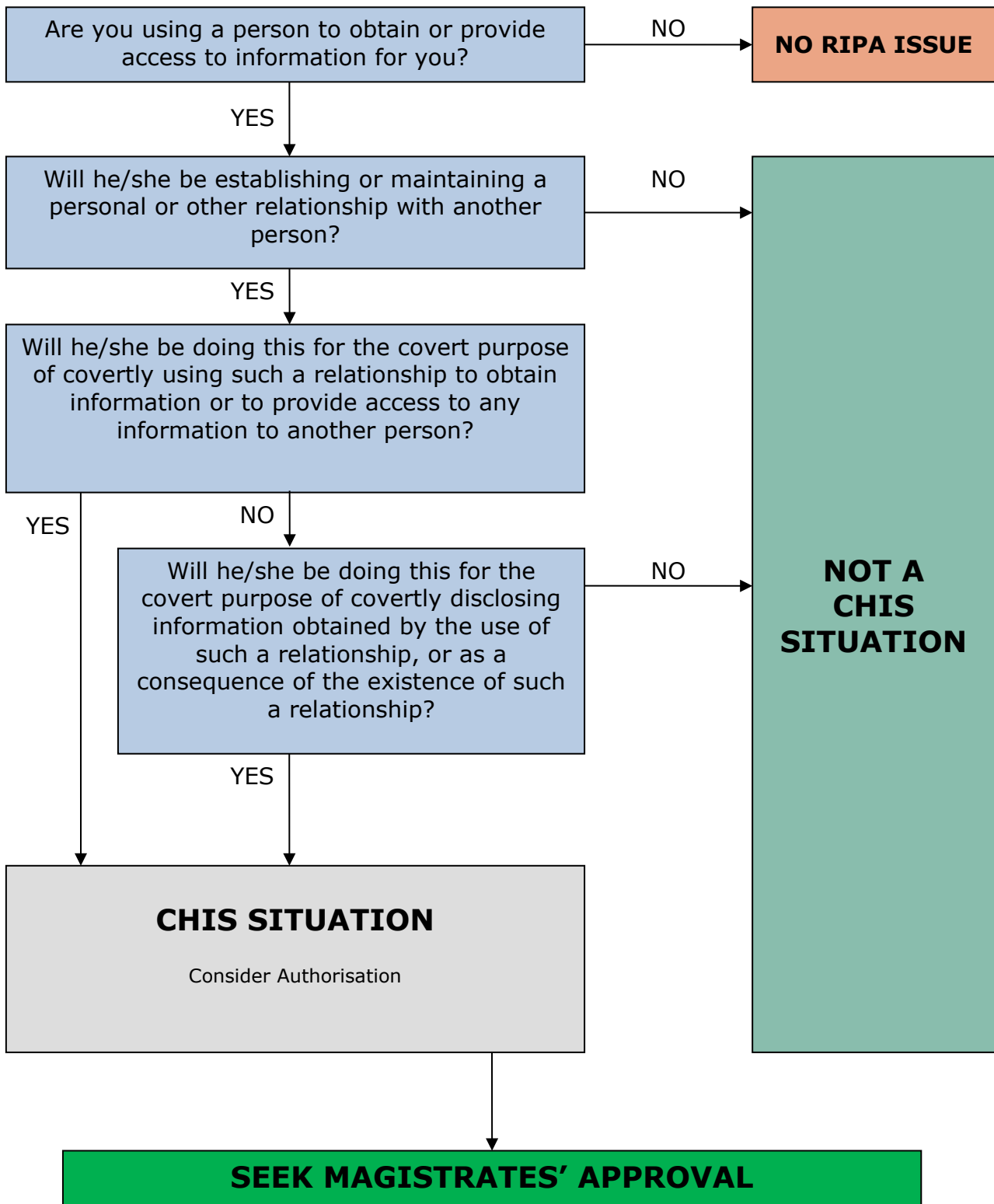
4.14 *Where a website or social media account requires a minimal level of interaction, such as sending or receiving a friend request before access is permitted, this may not in itself amount to establishing a relationship. Equally, the use of electronic gestures such as “like” or “follow” to react to information posted*

*by others online would not in itself constitute forming a relationship. However, it should be borne in mind that entering a website or responding on these terms may lead to further interaction with other users and a CHIS authorisation should be obtained if it is intended for an officer of a public authority or a CHIS to engage in such interaction to obtain, provide access to or disclose information.*

- 4.15 *When engaging in conduct as a CHIS, a member of a public authority should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without considering the need for authorisation. Full consideration should be given to the potential risks posed by that activity.*
- 4.16 *Where use of the internet is part of the tasking of a CHIS, the risk assessment carried out in accordance with section 6.13 of this code should include consideration of the risks arising from that online activity including factors such as the length of time spent online and the material to which the CHIS may be exposed. This should also take account of any disparity between the technical skills of the CHIS and those of the handler or authorising officer, and the extent to which this may impact on the effectiveness of oversight.*
- 4.17 *Where it is intended that more than one officer will share the same online persona, each officer should be clearly identifiable within the overarching authorisation for that operation, providing clear information about the conduct required of each officer and including risk assessments in relation to each officer involved. (See also paragraph 3.23)*

**No officer should make repeated visits to the same open source social media site as part of an investigation unless they have first spoken to the Council's RIPA Co-ordinator (Elizabeth Anderton 01709 823736) or the Assistant Director of Legal Services (Dermot Pearson 01709 255768) to ensure that it is lawful to do so.**

**Flowchart 3 - Are you deploying a CHIS?**



## Completing the Forms

Once it is decided what type of surveillance is being undertaken, the appropriate form must be completed and sent to the Authorising Officer for approval. Templates of each form together with notes to assist completion and precedent wording are on the Intranet in the same section on the same page as this Policy (Legal Services, Key Documents). It should be noted that as a result of the changes made by the Protection of Freedoms Act 2012, local authorities no longer have the power to make urgent oral authorisations. Therefore, all authorisations, even if urgent, must be made in writing and the relevant judicial approval must be sought.

## The Authorising Officer

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 N0.521) states that the Authorising Officer for a local authority can be a Director, Head of Service, Service Manager or equivalent. A list of the Council's Authorising Officers is held by the SRO. All authorising officers will be nominated by their Directorates, as being of sufficient rank and having undertaken appropriate RIPA training. Once the SRO is satisfied that this is the case they will be added to the list of Authorising officers, held by the SRO.

Where the surveillance involves the likelihood of obtaining confidential information or the deployment of juveniles or vulnerable people, then the authorisation has to be sought from the Head of Paid Service or, in his/her absence, the acting Head of Paid Service.

## Time Limits

The current time limits for an authorisation are 3 months for Directed Surveillance and 12 months for a CHIS (1 month if the CHIS is underage), from the date of the Magistrate's approval.

A renewal must be authorised prior to the expiry of the original authorisation, but it runs from the expiry date and time of that original authorisation. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a Magistrate.

Applications for renewals should not be made until shortly before the original authorisation period is due to expire but local authorities must take account of factors, which may delay the renewal process (e.g. intervening weekends or the availability of the relevant local authority authorising officer and a Magistrate to consider the application).

### **3. GUIDANCE FOR AUTHORISING OFFICERS**



## **AUTHORISING DIRECTED SURVEILLANCE: RULES AND CRITERIA**

Section 27 of RIPA provides a powerful defence if covert surveillance is challenged:

*“(1) Conduct to which this Part applies shall be lawful for all purposes if -  
(a) an authorisation under this Part confers an entitlement to engage in that conduct on the person whose conduct it is; and  
(b) his conduct is in accordance with the authorisation.”*

To take advantage of this defence, the surveillance needs to be properly authorised. S.28 sets out the criteria for authorising Directed Surveillance, whilst S.29 covers CHIS.

### **The Authorising Officer**

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 N0.521) states that the Authorising Officer for a local authority can be a Director, Head of Service, Service Manager or equivalent. As stated above, a list of the Council's approved Authorising Officers is held by the SRO. A list of the current Authorising Officers is set out in section 6.

Where the surveillance involves the likelihood of obtaining confidential information or the deployment of juveniles or vulnerable people, then the authorisation has to be sought from the Head of Paid Service or, in his/her absence, the acting Head of Paid Service.

### **Time Limits**

The current time limits for an authorisation are 3 months for Directed Surveillance and 12 months for a CHIS (1 month if the CHIS is underage), from the date of the Magistrates' approval.

A renewal must be authorised prior to the expiry of the original authorisation, but it runs from the expiry date and time of that original authorisation. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a Magistrate.

Applications for renewals should not be made until shortly before the original authorisation period is due to expire but local authorities must take account of factors, which may delay the renewal process (e.g. intervening weekends or the availability of the relevant local authority authorising officer and a Magistrate to consider the application).

**Authorising Officer's Consideration** (Chapter 3, Covert Surveillance Code)

S.28(2) states:

*“A person shall not grant an authorisation for the carrying out of directed surveillance unless he believes -  
 (a) that the authorisation is necessary on grounds falling within subsection (3); and  
 (b) that the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.”*

***Please consult Flowchart 4 when deciding whether Directed Surveillance should be authorised.***

**The first question that the Authorising Officer needs to ask is; Is the surveillance necessary? Namely, is it necessary to use directed surveillance in the operation.**

The surveillance has to be necessary on one of the grounds set out within in S.28(3). Previously local authorities could authorise Directed Surveillance where it was necessary “

*“for the purpose of preventing or detecting crime or of preventing disorder.”  
 (S.28(3)(b))*

The Home Office Review, which reported in January 2011, recommended that where local authorities wish to use Directed Surveillance, this should be confined to cases where the offence under investigation is a serious offence.

This recommendation was put into effect by [The Regulation of Investigatory Powers \(Directed Surveillance and Covert Human Intelligence Sources\) \(Amendment\) Order 2012, SI 2012/1500](#) which was made in June 2012 and came into force on 1<sup>st</sup> November 2012. This amends the [Regulation of Investigatory Powers \(Directed Surveillance and Covert Human Intelligence Sources\) Order 2010, SI 2010/521](#) (“the 2010 Order”), which prescribes which officers, within a public authority, have the power to grant authorisations for the carrying out of Directed Surveillance and the grounds, under Section 28(3), upon which authorisations can be granted.

From 1<sup>st</sup> November 2012, local authority Authorising Officers may not authorise Directed Surveillance unless it is for the purpose of preventing or detecting a criminal offence and it meets the condition set out in New Article 7A(3)(a) or (b) of the 2010 Order. Those conditions are that the criminal offence which is sought to be prevented or detected is punishable, whether on summary conviction or on indictment, by a maximum term of **at least 6 months of imprisonment**, or would constitute an offence under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933. The latter are all offences involving sale of tobacco and alcohol to underage children.

So what about surveillance being carried out to tackle disorder (e.g. anti-social behaviour)? This can no longer be authorised as Directed Surveillance unless the disorder includes criminal offences satisfying the above criteria.

**The second question is; Is the surveillance proportionate to what is sought to be achieved by carrying it out?**

Proportionality means ensuring that the surveillance is the least intrusive method to obtain the required information having considered all reasonable alternatives. This requires consideration of not only whether surveillance is appropriate but also the method to be adopted, the duration and the equipment to be used.

The OSC often states in its inspection reports that officers have not properly understood this concept or have not demonstrated compliance within the authorisation form. The Covert Surveillance Code (para 3.6) requires four aspects to be addressed in the authorisation form:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

**The third question is; can we avoid or minimise collateral intrusion?**

The Authorising Officer will need to carefully consider the likelihood of collateral intrusion occurring. This is the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation. If the risk is significant, measures should be taken, wherever practicable, to avoid or minimise any unnecessary intrusion.

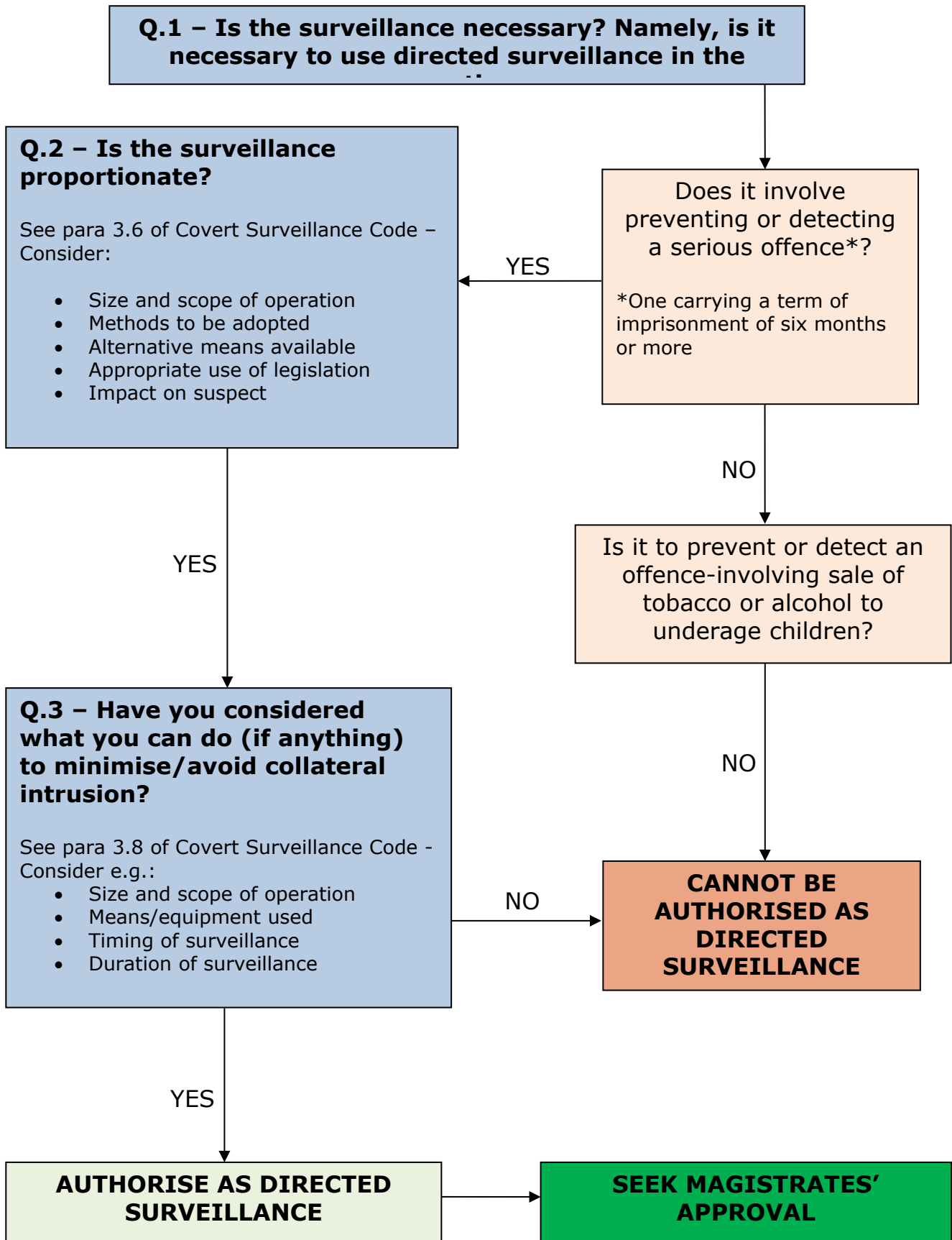
Investigating and Authorising Officers will need to ask themselves:

- What is the impact on third parties? Is it significant?
- If it is, what can be done to avoid or minimise it?
- Have we considered:
  - Changing the timing of the surveillance
  - Reducing the amount of surveillance
  - Changing the method of surveillance
  - The sensitivities of the local community

Surveillance operations by other public authorities - Of course at all times the need to obtain the best evidence to investigate the crime will be paramount.

**Next Stage:** Once the surveillance has been authorised the next stage is to seek Magistrates' approval. See Section 4 for a detailed explanation of the procedure

**Flowchart 4 - Authorising Directed Surveillance**



## **AUTHORISING A CHIS: RULES AND CRITERIA**

Section 27 of RIPA provides a powerful defence if covert surveillance is challenged:

*“(1) Conduct to which this Part applies shall be lawful for all purposes if -  
(a) an authorisation under this Part confers an entitlement to engage in that conduct on the person whose conduct it is; and  
(b) his conduct is in accordance with the authorisation.”*

To take advantage of this defence, the surveillance needs to be properly authorised. S.28 sets out the criteria for authorising Directed Surveillance, whilst S.29 covers CHIS.

### **The Authorising Officer**

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 N0.521) states that the Authorising Officer for a local authority can be a Director, Head of Service, Service Manager or equivalent.

Where the surveillance involves the likelihood of obtaining confidential information or the deployment of juveniles or vulnerable people, then the authorisation has to be sought from the Head of Paid Service or, in his/her absence, the acting Head of Paid Service. A list of the Council's Authorising Officers is held by the SRO.

If there is any doubt regarding sufficiency of rank you should contact Legal Services or RIPA Coordinator for advice.

### **Time Limits**

The current time limits for an authorisation are 3 months for Directed Surveillance and 12 months for a CHIS (1 month if the CHIS is underage).

A renewal must be authorised prior to the expiry of the original authorisation, but it runs from the expiry date and time of that original authorisation. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a Magistrate.

Applications for renewals should not be made until shortly before the original authorisation period is due to expire but local authorities must take account of factors, which may delay the renewal process (e.g. intervening weekends or the availability of the relevant local authority authorising officer and a Magistrate to consider the application).

## Authorising Officer's Consideration

S.29(2) states:

*“A person shall not grant an authorisation for the conduct or the use of a covert human intelligence source unless he believes-*  
*(a) that the authorisation is necessary on grounds falling within subsection (3);*  
*(b) that the authorised conduct or use is proportionate to what is sought to be achieved by that conduct or use; and*  
*(c) that arrangements exist for the source's case that satisfy the requirements of subsection (5) and such other requirements as may be imposed by order made by the Secretary of State. “*

**Please consult Flowchart 5 when deciding whether the deployment of a CHIS should be authorised.**

Three matters are important to consider before authorising the deployment of a CHIS:

### 1. Necessity

The deployment of a CHIS has to be necessary on one of the grounds set out within in S.29(3). Local authorities can only authorise on the one ground; where it is necessary:

*“for the purpose of preventing or detecting crime or of preventing disorder.”*  
*(S.29(3)(b))*

The matter being investigated must be an identifiable criminal offence or constitute disorder. Unlike Directed Surveillance, the grounds for authorising a CHIS did not change on 1 November 2012.

### 2. Proportionality

Proportionality means ensuring that the deployment of the CHIS is the least intrusive method to obtain the required information having considered all reasonable alternatives. This requires consideration of not only whether a CHIS is appropriate but also the method to be adopted, the duration and the equipment to be used. The CHIS Code (para 3.5) requires four aspects to be addressed in the authorisation form:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

### 3. Security and Welfare Arrangements

CHISs are often placed in difficult and sometimes dangerous situations e.g. an informant on a housing estate in contact with criminal gangs. Appropriate security and welfare arrangements must also be in place in relation to each CHIS. S.29(5) requires there to be:

- A person who will have day-to-day responsibility for dealing with the CHIS on behalf of that authority, and for his/her security and welfare;
- A person who will have general oversight of the use made of the CHIS. This person must be different to the one above.

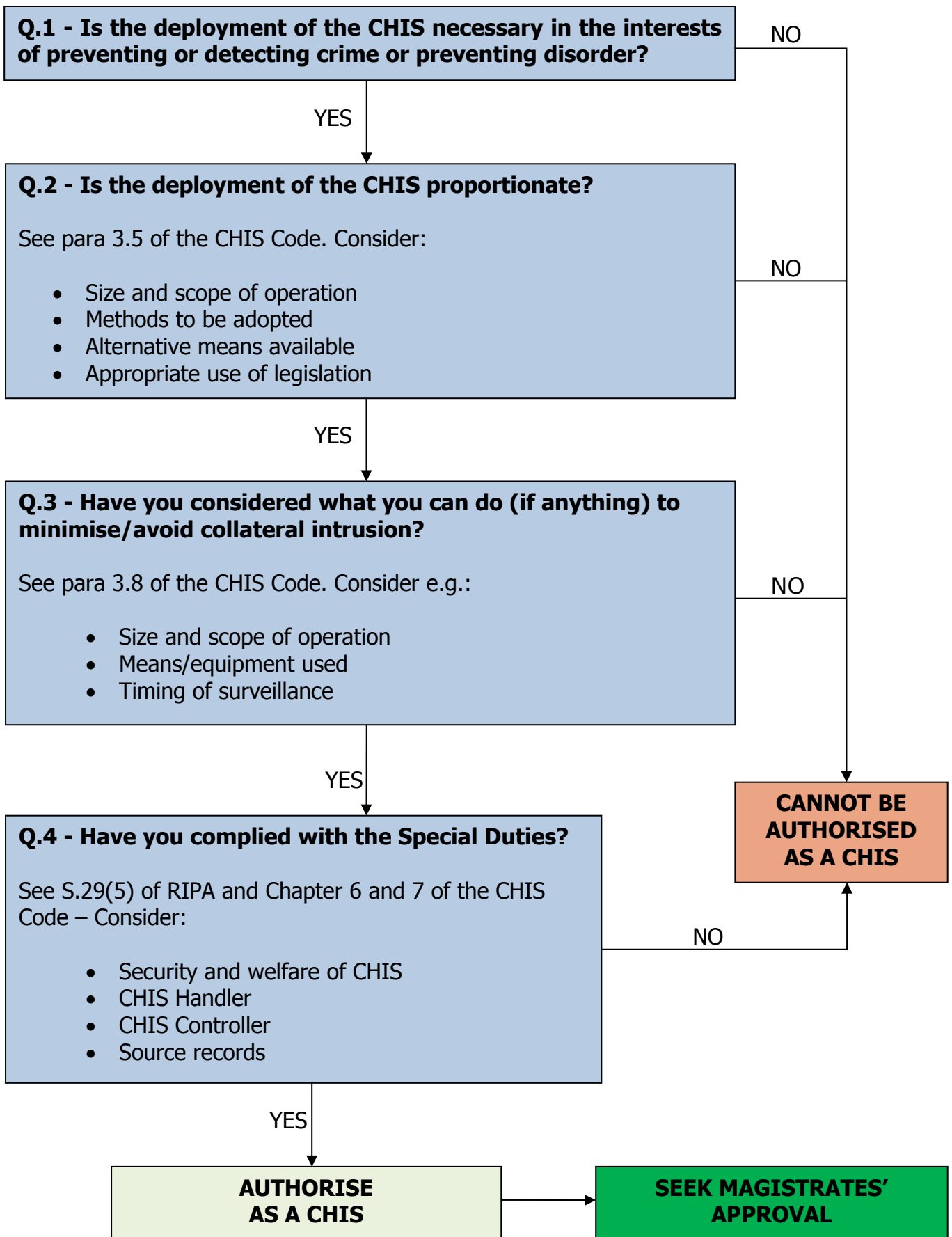
- A person who will maintain a record of the use made of the CHIS. This can be any of the above or a separate person.
- Proper and secure records to keep about the use made of the CHIS.

**Risk Assessment:** An authorisation for the conduct or use of a CHIS may not be granted or renewed in any case where the source is under the age of eighteen at the time of the grant or renewal, unless a risk assessment has been carried out. This must be sufficient to demonstrate that:

- the nature and magnitude of any risk of physical injury to the CHIS arising in the course of, or as a result of, carrying out the conduct described in the authorisation has been identified and evaluated;
- the nature and magnitude of any risk of psychological distress to the CHIS arising in the course of, or as a result of, carrying out the conduct described in the authorisation has been identified and evaluated;
- the person granting or renewing the authorisation has considered the risk assessment and has satisfied himself that any risks identified in it are justified and, if they are, that they have been properly explained to and understood by the CHIS;

the person granting or renewing the authorisation knows whether the relationship to which the conduct or use would relate is between the CHIS and a relative, guardian or person who has for the time being assumed responsibility for the CHISs welfare, and, if it is, has given particular consideration to whether the authorisation is justified in the light of that fact.

### Flowchart 5 - Authorising a CHIS





## PROCEDURE FOR COMPLETING THE RIPA FORMS

The standard forms with guidance notes are on the intranet, in the same section as this Policy (Legal Services, Key Documents) Each standard Home Office RIPA form is reproduced with guidance notes in **dark blue 12 point Calibri font**. These forms are the latest versions downloaded from the Home Office RIPA website on 10<sup>th</sup> March 2015.

The Home Office states that public authorities may use these forms or adapt them, for example to include corporate logos or images or to combine review and renewal, or renewal and cancellation forms. However, if they adapt these forms for their own purposes - to record extra information that is not strictly necessary to ensure and demonstrate compliance with RIPA - that additional local requirement should be indicated as being distinct from the necessary recording of RIPA considerations and decisions. On no account though should the forms be pre completed with standard wording, as each application should be made with the specific circumstances of the investigation in mind.

### What to do

1. Decide what types of surveillance you are doing (refer to the guidance in Section 2 of this procedure).
2. Use this guidance and associated precedents to complete the appropriate forms. The following documents will also assist in this task:
  - a) The Covert Surveillance Code of Practice
  - b) The Covert Human Intelligence Sources Code of Practice
  - c) The OSC Procedures and Guidance Document – (available from the RIPA Co-coordinator).
3. Once completed, the forms should be sent to the most appropriate authorising Officer for approval. A list of Authorising Officers is available from the SRO.
4. The Authorising Officer should be reminded to read Section 3 of this procedure before completing his/her sections of the form. All authorization forms should be signed in hard copy by the authorizing officer, as opposed to any system of using an electronic signature.
5. If you are seeking a new authorisation or renewing an existing one, remember that it cannot take effect until a Magistrate has approved it. The procedure for this is set out in Section 4 of this document.
6. The original of each completed form (including cancellation forms) should be sent to the RIPA Co-coordinator who maintains the Council's Central Record of Authorisations, with a copy kept on the operational file.

## **COMMON MISTAKES IN RIPA FORMS**

**(Highlighted by the OSC)**

Officers should be aware of the following mistakes when they undertake their respective roles in the RIPA process.

### **Investigating Officers' Mistakes**

- Using of out of date Home Office forms
- Not quoting a unique reference number (URN)
- Copying (cutting and pasting) wording from old authorisation forms
- Failing to give a detailed explanation of what the surveillance will involve
- A surfeit of surveillance tactics and equipment being requested and granted but rarely fully used when reviews and cancellations are examined
- Failing to consider and/or explain the proportionality factors
- Poor and over-formulaic consideration of potential collateral intrusion and how this will be managed
- Failing to consider likelihood of obtaining Confidential Information
- Failing to recognise or be alive to the possibility that someone may have met the CHIS criteria
- Failing to authorise a CHIS promptly as soon as they have met the criteria
- Over-generic risk assessments for a CHIS and not updated to enable the Authorising Officer to identify emergent risks
- Failing to send completed forms to the RIPA Coordinator

Please also read paragraph 4.40 and 4.41 of the Covert Surveillance and Property Interference Code which sets out best working practices with regard to all applications for authorisations under RIPA

### **Authorising Officers' Mistakes**

- Too many Authorising Officers within the Authority
- Repetitive narrative and rubber stamping without proper consideration of all the facts set out in the authorisation form
- Not knowing the capability of the surveillance equipment which is being authorised. (For instance, there are differences between video cameras that record continuously and those activated by motion; and between thermal image and infrared capability. These differences may have an important bearing on how a surveillance operation is conducted and the breadth of the authorisation being granted. Therefore, a simple authorisation for 'cameras' is usually insufficient.)
- Failing to demonstrate that less intrusive methods have been considered and why they have been discounted in favour of the tactic selected

- Discussions that take place between the Authorising Officer and those charged with the management of the CHIS under section 29(5) of RIPA are not always captured in an auditable manner for later recall or evidence
- At cancellation, a lack of adequate, meaningful update for the Authorising Officer to assess the activity conducted, any collateral intrusion that has occurred, the value of the surveillance and the resultant product; with, often a similarly paltry input by Authorising Officers as to the outcome and how product must be managed
- Failing, when cancelling authorisations, to give directions for the management and storage of the product of the surveillance
- No robust management and quality assurance procedures including no regular audits

## **4. SEEKING MAGISTRATES' APPROVAL**

#### 4. GUIDE TO SEEKING MAGISTRATES' APPROVAL FOR RIPA SURVEILLANCE

##### Background

Chapter 2 of Part 2 of the [Protection of Freedoms Act 2012](#) (sections 37 and 38) came into force on [1st November 2012](#). This changes the procedure for the authorisation of local authority surveillance under the Regulation for Investigatory Powers Act 2000 (RIPA).

From 1<sup>st</sup> November 2012 local authorities are required to obtain the approval of a Justice of the Peace (JP) for the use of any one of the three covert investigatory techniques available to them under RIPA namely Directed Surveillance, the deployment of a Covert Human Intelligence Source (CHIS) and accessing communications data.

An approval is also required if an authorisation to use such techniques is being renewed. In each case, the role of the JP is to ensure that the correct procedures have been followed and the relevant factors have been taken account of. There is no requirement for the JP to consider either cancellations or internal reviews.

##### Home Office Guidance

The Home Office has published guidance on the Magistrates' approval process both for local authorities and the Magistrates' Court:

<http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/local-authority-ripa-guidance/>

This guidance is non-statutory but provides advice on how local authorities can best approach these changes in law and the new arrangements that need to be put in place to implement them effectively. It is supplementary to the legislation and to the two statutory Codes of Practice made under RIPA.

***For a brief summary of the approval process please see flowchart 6 at the end of this section.***

##### The New Magistrates' Approval Process

1. The first stage will be to apply for an internal authorisation in the usual way. Once this has been granted, the local authority will need to contact the local Magistrates' Court to arrange a hearing.
2. The hearing is a 'legal proceeding' and therefore local authority officers need to be formally designated to appear, be sworn in and present evidence or provide information as required by the JP. Authorisation forms will be quality assured by Legal Services. A member of Legal Services will also attend at the Magistrates Court to present the application.
3. The Home Office suggests that the investigating officer will be best suited to making the application for Judicial Approval, although the Authorising Officer may also want to attend to answer any questions.

4. The local authority will provide the JP with a copy of the original RIPA authorisation. This forms the basis of the application to the JP and should contain all information that is relied upon. In addition, the local authority will provide the JP with two copies of a partially completed judicial application/order form (which is included in the Home Office Guidance)(**see the next section for an example with notes to assist completion**).
5. The hearing will be in private and heard by a single JP who will read and consider the RIPA authorisation and the judicial application/order form. He/She may have questions to clarify points or require additional reassurance on particular matters. The forms and supporting papers must by themselves make the case. It is not sufficient for the local authority to provide oral evidence where this is not reflected or supported in the papers provided.
6. The JP will consider whether he or she is satisfied that, at the time the authorisation was granted or renewed, there were reasonable grounds for believing that the authorisation was necessary and proportionate. He/She will also consider whether there continues to be reasonable grounds. In addition the JP must be satisfied that the Authorising Officer was of an appropriate level within the local authority and that the authorisation was made in accordance with any applicable legal restrictions (e.g. meets the Serious Crime Test for Directed Surveillance)
7. The order section of the above mentioned form will be completed by the JP and will be the official record of his/her decision. The local authority will need to retain a copy of the form after it has been signed by the JP.

### **Magistrate's Options**

The JP may decide to:-

- ***Approve the grant/renewal of the authorisation***

The grant/renewal of the authorisation will then take effect and the local authority may proceed to use the surveillance technique mentioned therein. A copy of the order must be kept on the central record of authorisations.

- ***Refuse to approve the grant/renewal of the authorisation on a technicality***

The RIPA authorisation will not take effect and the local authority may not use the surveillance technique in that case. The authority will need to consider the reasons for the refusal. A technical error in the form may be remedied without the need to go through the internal authorisation process again. The authority can then reapply for Magistrates' approval.

- ***Refuse to approve the grant/renewal and quash the authorisation***

A JP may refuse to approve the grant or renewal of an authorisation and decide to quash the original authorisation. This may be because he/she believes it is not necessary or proportionate. The RIPA authorisation will not take effect and the local authority may not use the surveillance technique in that case. The JP must not exercise his/her power to quash the authorisation unless the local authority has had at least two business days from the date of the refusal in which to prepare and make further representations to the court.

## **Appeals**

A local authority may only appeal a JP's decision to refuse approval of an authorisation, on a point of law by making an application for Judicial Review in the High Court.

The Investigatory Powers Tribunal (IPT) will continue to investigate complaints by individuals about the use of RIPA techniques by public bodies, including local authorities. If, following a complaint to them, the IPT finds fault with a RIPA authorisation it has the power to quash the JP's order which approved the grant or renewal of the authorisation. It can also award damages if it believes that an individual's human rights have been violated by the local authority.

**Application for Judicial Approval for Authorisation to Obtain or Disclose  
Communications Data To Use a Covert Human Intelligence Source or To Conduct  
Directed Surveillance  
Regulation of Investigatory Powers Act 2000 - Sections 23A, 23B, 32A, and 32B**

Local Authority: .....

Local Authority Department: .....

Offence under investigation<sup>1</sup>: .....

.....

Address of premises or identity of subject:<sup>2</sup> .....

.....

Covert technique requested: (tick one and specify details)

**Communications Data**

**Covert Human Intelligence Source**

**Directed Surveillance**

Summary of details<sup>3</sup>

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**Note:** this application should be read in conjunction with the attached RIPA authorisation/  
RIPA application or notice.

Investigating Officer: .....

Authorising Officer: .....

Officer(s) appearing before JP <sup>4</sup>: .....



Address of applicant department: .....

.....

Contact telephone number: .....

Contact email address (optional): .....

Local authority reference: .....

Number of pages: .....

To be completed by local authority

Order overleaf

**<sup>5</sup>Order Made on an Application for Judicial Approval for Authorisation to Obtain or Disclose Communications Data, To Use a Covert Human Intelligence Source or To Conduct Directed Surveillance.**

**Regulation of Investigatory Powers Act 2000 - Sections 23A, 23B, 32A, 32B**

Magistrates' Court: .....

Having considered the application, I (tick one):

am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.

<sup>6</sup>refuse to approve the grant or renewal of the authorisation/notice.

<sup>7</sup>refuse to approve the grant or renewal and quash the authorisation/notice.

Reasons

.....  
.....  
.....  
.....

Notes

.....  
.....  
.....  
.....

Signed:

Date:

Time:

Full name:

Address of magistrates' court:

## 5. NOTES TO ASSIST COMPLETION - MAGISTRATES' APPROVAL

### Notes to Assist Completion

<sup>1</sup>Insert the offence or disorder that you are investigating. If you are seeking authorisation for Directed Surveillance make sure that the criminal offence you are investigating attracts a maximum custodial sentence of six months or more or relates to the underage sale of alcohol or tobacco (as per the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012.

<sup>2</sup>You may not know the identity of the person in which case you can include a description and/or how they relate to the offence/disorder under investigation.

<sup>3</sup>This forms the basis of the application to the JP and should contain all information that is relied upon. You may wish to set out in brief:

- What information you are seeking from the surveillance
- What the surveillance will involve e.g. covert cameras, CHIS
- How long the surveillance will last

You do not need to go into a lot of detail as this form should have the original authorisation form attached.

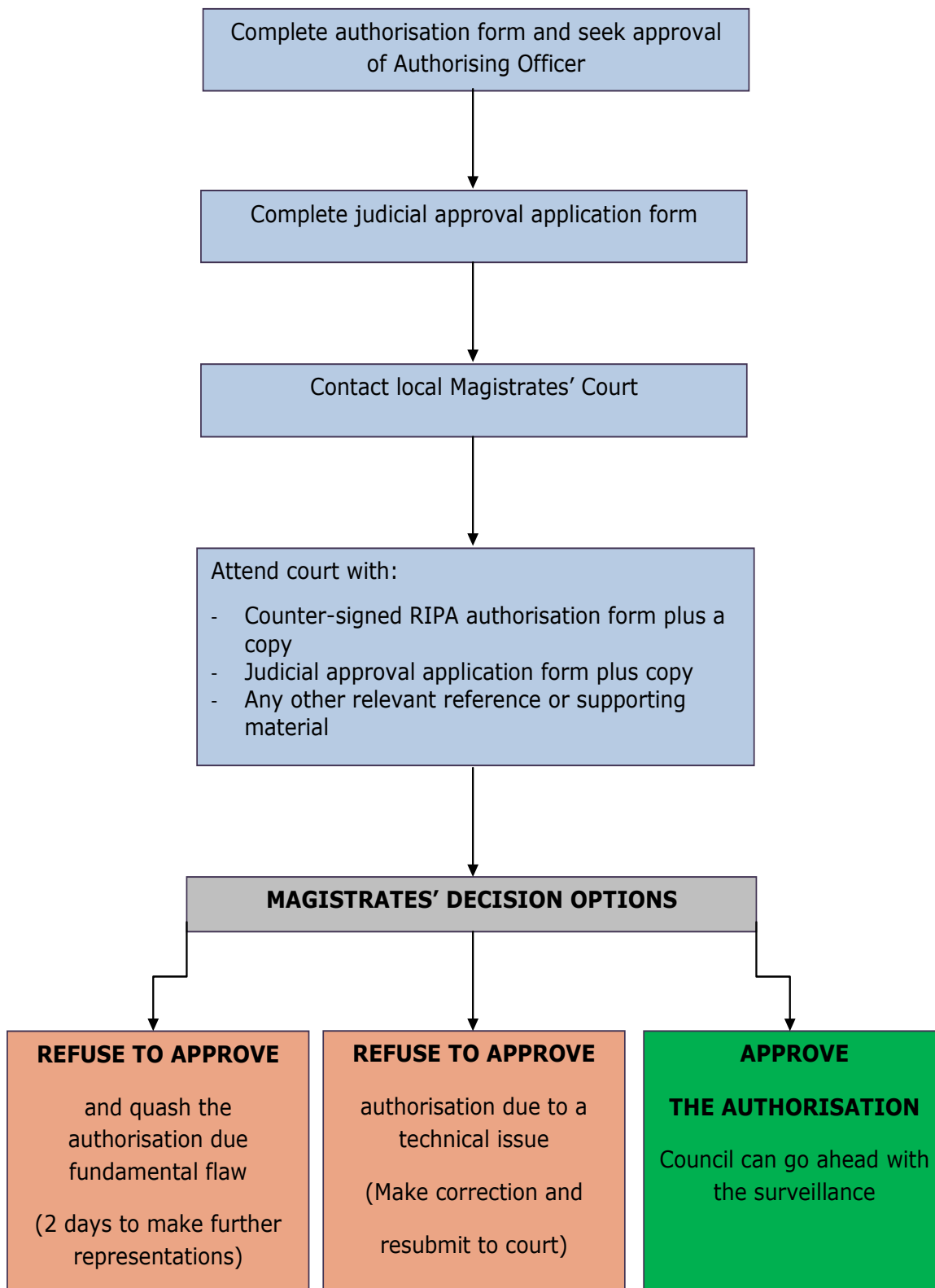
<sup>4</sup> Any officer employed by the Council can appear before the Magistrate. The Home Office suggests that the Investigating Officer is best placed to do this. Make sure that whoever appears is formally designated to do so under section 223 of the Local Government Act 1972. Legal Services will carry out the initial applications.

<sup>5</sup>The order section of this form will be completed by the Magistrate and will be the official record of the Magistrate's decision. The Council will need to retain a copy of the judicial application/order form after it has been signed by the Magistrate. This may be kept with the original authorisation on the Central Record.

<sup>6</sup>If the Magistrate refuses to approve the authorisation, surveillance cannot be undertaken. This may be due to a technical error which can be corrected. Read the reasons for refusal and seek advice from the Legal Dept. and/or RIPA Coordinator with regards to the next steps.

<sup>7</sup>If the Magistrate decides to quash the authorisation, surveillance cannot be undertaken. You will have two days to make further representations. Read the reasons for refusal and seek advice from the Legal Dept and/or RIPA Coordinator with regards to the next steps.

**Flowchart 6 - The Magistrates' Approval Process**



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## 6. Governance Arrangements & Quality Assurance

### Senior Responsible Officer

Pursuant to the revised Code of Practice the Authority's Senior Responsible Officer is the Assistant Director of Legal Services. The Senior Responsible Officer is responsible for:

- the integrity of the process in place within the public authority to authorise directed and intrusive surveillance;
- compliance with the law and the Revised Codes of Practice;
- oversight of the reporting of errors to the Investigatory Powers Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the Investigatory Powers Commissioner and inspectors who support the Commissioner when they conduct their inspections;
- where necessary, overseeing the implementation of any post-inspection action plans recommended or approved by a Judicial Commissioner, and
- ensuring that all authorising officers are of an appropriate standard, addressing any recommendations and concerns in the inspection reports prepared by the Investigatory Powers Commissioner.

The current list of Authorising officers is as follows:

Tom Smith (Assistant Director of Community Safety and Street Scene)

Lewis Coates (Interim Safer Neighbourhoods Manager)

Alan Pogorzelec (Business Regulation Manager)

Robert Cutts (Operational Manager Revenues & Benefits – Housing Benefit Fraud)

David Webster (Head of Internal Audit)

The SRO will maintain an up to date list of Authorising officers which accurately reflects any changes to personnel and Authorising officers between the annual settings of this policy by elected members. The SRO also regularly monitors the quality of the authorisations forms which are completed, in conjunction with the RIPA Coordinator as part of the overall Quality Assurance process.

### Members Oversight

Pursuant to the revised Code of Practice for Covert Surveillance and Property Interference at paragraph 4.47 elected members of a local authority should review the authority's use of the Act and set the policy at least once a year. They should also consider internal reports on use of the Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose. This is done by means of six monthly reports to the Audit Committee.

### Quality Assurance

Quality Assurance will be provided on an ongoing basis by Legal Services who will review and assess all forms as part of the Judicial Approval application process. Feedback will be given directly to relevant officers, with wider feedback given and changes to the Policy made if necessary.

### **Monitoring and Quality Control**

In addition to the Quality Assurance set out above as part of the Judicial Approval application process, the RIPA Co-ordinator will monitor on receipt the authorisation, renewal, review and cancellations forms which are submitted for the Central Register. Any issues arising from these forms will be brought to the attention of the applying and authorising officer.

### **The RIPA Co-ordinator**

The RIPA Co-ordinator for Rotherham is Elizabeth Anderton, Service Manager [Litigation and Adult Social Care Law] Legal Services.

Contact details are:-

Phone : 01709 823736

E-mail : elizabeth.anderton@rotherham.gov.uk

The RIPA Co-ordinator will maintain a register centrally of all authorisations, refusals, reviews, renewals and cancellations. As part of the Judicial Approval application the RIPA Co-ordinator will monitor the authorisation forms submitted. Further the RIPA Co-ordinator will monitor on receipt all renewal, review and cancellation forms which are submitted for the Central Register. Any issues arising out of these forms will be brought immediately to the attention of the applying and authorising officer.

IT IS IMPORTANT that all Services keep the RIPA Co-ordinator updated on all or any changes to authorisation forms.

The RIPA Co-ordinator will keep the records for 5 years to comply with Home Office guidance.

The further responsibilities of the RIPA Coordinator are:-

- a) Oversight of the submitted RIPA documentation
- b) Organising a RIPA training programme
- c) Raising RIPA awareness within the Council

### **Storage of Authorisation Forms**

Each Assistant Director whose department conducts surveillance is responsible for organising sufficient systems within their service in respect of the storage of files and associated RIPA forms.

Copies of the forms should be retained on the operational file for the investigation. The RIPA co-ordinator should be sent originals of all authorisations, refusals, reviews, cancellations and renewals of authorisations to satisfy Home Office Code of Practice recommendations.

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The following should also be kept by the authorising officer. There is no requirement for this to form part of the central register maintained by the RIPA Co-ordinator (although pursuant to the current arrangements the originals of forms will be kept by the RIPA Co-ordinator):-

- the original forms of application, authorisation and supplementary documentation and notification of approval given by the authorising officer.
- a record of the period over which the surveillance has taken place
- frequency of reviews prescribed by the authorising officer
- a record of the result of each review of an authorisation
- a copy of any renewal of an authorisation, and supporting documentation submitted when it was requested.
- the date and time any instruction was given by the authorising officer.

### **THE OVERSIGHT OF RIPA**

RIPA is overseen by surveillance commissioners. They are tasked to ensure that RIPA is being applied properly. Inspections can be carried out at regular intervals.

Also, any person aggrieved by the way a local authority carries out covert surveillance as defined by RIPA can make a complaint to the Investigatory Powers Tribunal under the Act for redress within a year of the act complained of or any longer period that the tribunal thinks it just and equitable to allow.

This tribunal can quash any authorisation and can order the destruction of information held or obtained in pursuit of it. It can also award damages if it believes that an individual's human rights have been violated by the local authority.

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 January 2019

**Report Title**

Grant Thornton External Audit Plan 2018/19

**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)**

Rob Mahon (Finance Manager – Financial Accounting)  
Finance & Customer Services Directorate  
01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide or Choose an item.

Choose an item.

**Report Summary**

The Council's external auditor, Grant Thornton, in their External Audit Plan set out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements for 2018/19 and to conclude on whether the Council has satisfactory arrangements in place to secure value for money in the use of its resources.

The plan outlines the areas Grant Thornton have determined to be significant risk for special audit consideration.

**Recommendations**

1. Audit Committee is asked to note Grant Thornton's audit plan for 2018/19.

**List of Appendices Included**

Appendix 1 Grant Thornton Audit Plan 2018/19

**Background Papers**

Audit Appointment Letter 2018/19  
Local Audit and Accountability Act 2014  
National Audit Office – Code of Audit Practice



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

**Council Approval Required**  
No

**Exempt from the Press and Public**  
No

## **Grant Thornton External Audit Plan 2018/19**

### **1. Background**

- 1.1 Grant Thornton's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.
- 1.2 The audit has two key objectives, requiring Grant Thornton to audit/review and report on the Council's:
  - Statement of Accounts (including the Annual Governance Statement): providing an opinion on the accounts; and
  - use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

### **2. Key Issues**

- 2.1 Grant Thornton's Annual Plan outlines the audit approach and in particular the key risks to the financial statements and Value for Money opinions and how they plan to cover these within the audit.
- 2.2 The International Standards on Auditing provides guidance on the significant risks which should be considered by auditors, these being risks which require special audit consideration. Grant Thornton have identified these significant risks, which are set out below. However, they do not consider Fraudulent Transactions to be a significant risk for the Council and therefore no specific work will be completed, other than normal audit practices and procedures. A brief description of each risk is provided on pages 5 to 7 (financial statements) and page 10 (value for money) of the Planning Document:
  - Fraudulent Transactions
  - Management override of controls
  - Valuation of Pension Liabilities
  - Valuation of Land and Buildings
  - Financial Standing – delivery of 2018/19 budget, savings plan and Medium Term Financial Strategy (MTFS).
  - Regulatory oversight of Children's Services

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

- 3.1 Consideration of alternative options was not required.

**4. Consultation on proposal**

4.1 No consultation is required in respect of this report.

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

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

**6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)**

6.1 A proposed fee of £108,438 has been set for 2018/19, compared to £140,828 for 2017/18. The fee for 2018/19 is governed by the Public Sector Audit Appointments (PSAA) company set up by the LGA as successor body to the Audit Commission, any change to the final fee will have to be agreed by the PSAA and the Council's Section 151 Officer.

6.2 There are no direct procurement implications arising from the detail of this report.

**7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)**

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

**8. Human Resources Advice and Implications**

8.1 There are no Human Resource implications arising from the report.

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

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

**10. Equalities and Human Rights Advice and Implications**

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

**11. Implications for Partners**

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

**12. Risks and Mitigation**

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

**13. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	18/01/19
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	17/01/19
Assistant Director of Human Resources (if appropriate)		Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

*Report Author:*            *Rob Mahon (Finance Manager – Financial Accounting)*  
*Finance & Customer Services Directorate*  
 01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)

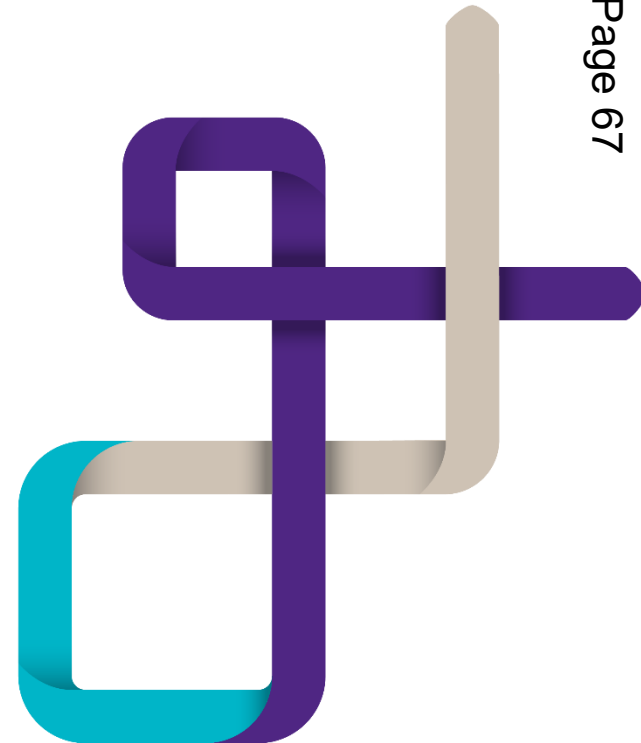
This report is published on the Council's [website](#).

# External Audit Plan

*Year ending 31 March 2019*

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**Rotherham Metropolitan Borough Council**  
**15 January 2019**



# Contents



Your key Grant Thornton team members are:

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## Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Significant risks identified
4. Other matters
5. Materiality
6. Value for Money arrangements
7. Audit logistics, team & fees
8. Early Close
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rotherham Metropolitan Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance - the Audit Committee
- Value for Money (VFM) arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

**Significant risks** Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of the pension fund net liability
- Valuation of land and buildings

We will communicate significant findings on these three areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July.

**Materiality** We have determined planning materiality to be £10.5m (PY: £11m) for the Council, which equates to 1.75% of gross expenditure on your cost of services in the prior year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. The clearly trivial reporting threshold has been set at £525,000 (PY: £550,000).

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

- **Financial standing** – the Council as with other local authorities, continues to operate under significant financial pressures. The Council's latest 2018-19 revenue position published at month 6, indicates further actions are required to reduce forecast expenditure by £3.1m in order to deliver a balanced budget at the year-end. Our latest discussions with management indicate actions have reduced the amount by £2m, leaving actions required on c£1m to deliver a balanced outturn by 31 March 2019. This is in addition to £10m budget contingency approved within the 2018-19 budget and the need to manage cost pressures within Children's Services and Adult Social Care at a time of reduced funding
- **Regulatory oversight of Children's Services** – The Council has made significant progress on Children's Services since the Jay report publication in August 2014, culminating in the government-appointed commissioners handing back control of all services in September 2018. The regulatory oversight and inspection by Ofsted in this area still continues. The latest Ofsted report in January 2018 gave a 'good' rating for Children's Services at the Council which was a positive achievement, and there is a follow up review of Children's Services by the commissioners which is planned to report by 31 March 2019. As part of our VFM work, we will consider the arrangements and governance structures put in place at the Council to maintain the level of improvements achieved.

**Audit logistics** Our interim visit will take place in February and our final accounts audit visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £108,438 (PY: £140,828), subject to the Council meeting our requirements set out on page 12.

**Independence** We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

## 2. Key matters impacting our audit

### External factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures, reduced grants and increased demand from residents. The economic uncertainty is further increased by Brexit. Britain leaving the European Union with no deal may impact national and local economies.

The Council's latest 2018-19 revenue position published at month 6, indicates further actions are required to reduce forecast expenditure by £3.1m in order to deliver a balanced budget at the year-end. Our latest discussions with management indicate actions have reduced the amount by £2m, leaving actions required on c£1m to deliver a balanced outturn by 31 March 2019. This is in addition to £10m budget contingency approved within the 2018-19 budget and the need to manage cost pressures within Children's Services and Adult Social Care at a time of reduced funding

The Council, as with other local authorities, continues to operate under significant financial pressures. The Medium Term Financial Strategy highlights further efficiencies of £15.8m (2019-20) and £13.9m (2020-21) in order to balance the budget in the coming years. We are aware that a two year balanced budget is currently being compiled and is expected to be published shortly.

#### Changes to the CIPFA 2018-19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

### Internal and other factors

#### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018-19 audit.

It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Council into our risk assessment and testing approach.

#### Regulatory oversight of Children's Services

The Council has invested significantly in its Children's Services since the Jay report publication in August 2014 from a workforce and financial perspective. The Council's commitment to improving its Children's Services received a positive endorsement when the regulator, Ofsted, awarded the Council a rating of 'good' for its Children's Services in January 2018.

In addition the government-appointed commissioners, in place at the Council since 2015, formally handed back control of Council decision making to Members in September 2018.

We are aware that the Council has requested the commissioners to perform a review of Children's Services which is expected to report by 31 March 2019. This review is expected to give an indication as to whether the quality of services has been maintained since the commissioners handed back control.

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### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements
- We will continue to meet with senior management and consider the Council's financial position and delivery of the savings programme.

- We will keep you informed of changes to the financial reporting requirements for 2018-19 through on-going discussions and invitations for your finance team to our technical update workshops
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the CIPFA Code.

- You will see the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way. A summary of our audit approach is included at Appendix A.

- As part of our VFM work, we will consider the arrangements, governance structures and internal monitoring processes in place at the Council to further maintain and achieve continued improvements in Children's services
- We will continue to meet with senior management to understand the latest position on regulatory inspections and Council's responses
- We will monitor and consider external inspections and related reports on Children's Services at the Council as part of our VFM work.



### 3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions</b></p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Rotherham MBC, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Council.</p>	<p>As we do not consider this to be a significant risk for the Council, we will not be undertaking any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p>
<p><b>Management over-ride of controls</b></p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council continues to face financial pressures and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of the pension fund net liability</b></p>	<p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£371.5m in the Council's prior year balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities</li> <li>• test the consistency of the pension fund assets and liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuary</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtain assurances from the auditor of South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of land and buildings</b></p>	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £1bn) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• consider how management have assessed any assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> <li>• review the Council's PFI schemes to consider the appropriateness of the accounting entries</li> <li>• consider management's assessment of land and building values in the light of Britain leaving the European Union on 29 March 2019.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

## 4. Other matters

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2018-19 financial statements, consider and decide upon any objections received in relation to the 2018-19 financial statements
  - issuing of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State
  - applying to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act
  - issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# 5. Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the cost of services of the Council for the previous financial year (2017-18). In the prior year a similar benchmark was used. Materiality at the planning stage of our audit is £10.5m (PY: £11m), which equates to 1.75% of your 2017-18 gross expenditure of cost of services.

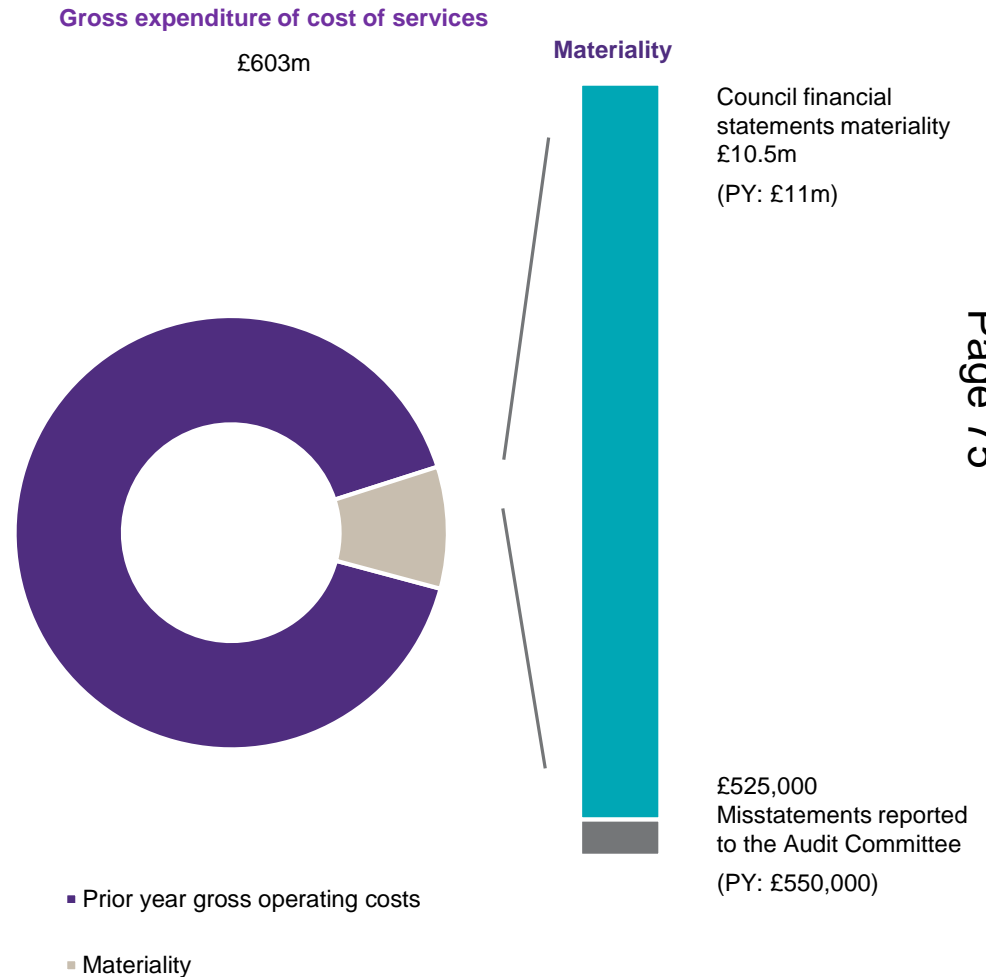
We design our procedures to detect errors in specific accounts balances or disclosures at a lower level of precision. The senior officer remuneration disclosure in the financial statements has been identified as an area requiring lower level of materiality of £5,000, due to the sensitive nature of the disclosure.

We will reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £525,000 (PY: £550,000).

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



# 6. Value for Money arrangements

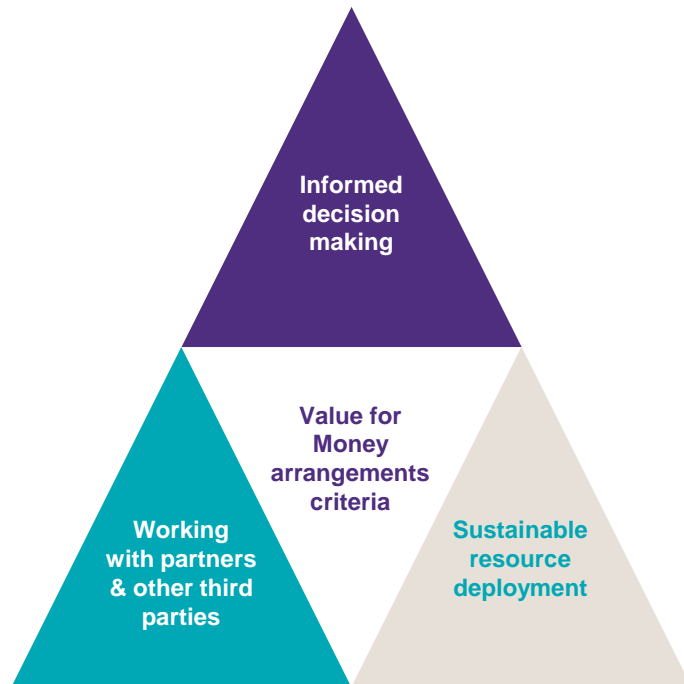
## Background to our VFM approach

The NAO issued its 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 Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

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



### Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)

The Council, in line with other local authorities, continues to operate under significant financial pressures. The Council's latest revenue position published at end of month 6 highlights further actions are required to reduce forecast expenditure by £3.1m in order to deliver a balanced budget at month 12. Our latest discussions with management indicate this has now reduced by £2m by December 2018, leaving an amount of c£1m to be managed to result in a balanced budget outturn position by the year-end.

The MTFS notes the requirement for additional savings in the next two years of £15.8m (2019-20) and £13.9m (2020-21) which need to be delivered in order to achieve a balanced budget. We are aware that a two year balanced budget is currently being compiled by the Council and will be published shortly.

We will continue to monitor the Council's financial position through regular meetings with senior management and consider how the Council manages its budget. We will continue to consider progress in the identification and delivery of the future savings required as identified in the current MTFS.



### Regulatory oversight of Children's Services

The Council has invested significantly in its Children's Services since the Jay report publication in August 2014 from a workforce and financial perspective. The Council's commitment to improving its Children's Services received a positive endorsement when the regulator, Ofsted, awarded the Council a rating of 'good' for its Children's Services in January 2018.

In addition the government-appointed commissioners, in place at the Council since 2015, formally handed back control of Council decision making to Members in September 2018.

We are aware that the Council has requested the commissioners to perform a review of Children's Services which is expected to report by 31 March 2019. This review is expected to give an indication as to whether the quality of services has been maintained since the commissioners handed back control.

We will monitor and consider external inspections and related reports on Children's Services at the Council as part of our VFM work.

# 7. Audit logistics, team & fees



### Gareth Mills, Engagement Lead

Gareth leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Council.

### Thilina De Zoysa, Engagement Manager

Thilina plans, manages and leads the delivery of the audit. Thilina is the first point of contact for your finance team for discussing any emerging issues.

### Chris Hurt, Engagement In-charge

Chris's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on site audit team.

### Audit fees

The planned audit fees are £108,438 (PY: £140,828) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

### Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

## 8. Early close

### Meeting the 31 July audit timeframe

The statutory date for publication of audited local government accounts last year was brought forward to 31 July 2018, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, working together with the Council, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

### Regular liaison

We consider it important to meet on a regular basis to understand the Council's plans and developments, as well as any emerging issues which may impact on the financial statements and our audit work. To this end we have held a number of meetings with senior officers at the Council since July 2018.

As part of our liaison meetings, we have already discussed the working paper requirements with your key finance managers. We will continue to hold regular liaison meetings throughout 2019 to support the delivery of a smooth and efficient audit process.

### Client and audit responsibilities

To meet the earlier timetable, we will work together with you so that you are able to:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we will share with you
- ensure that agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

We will also ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.



# 9. Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

The following other service was identified.

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Housing Benefit Certification	15,826	Self-Interest (because this is a recurring fee)	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,826 in comparison to the total fee for the audit of £108,438 and in particular relative to Grant Thornton UK LLP's turnover overall.</p> <p>Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p>
<b>Non-Audit related:</b>			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

We have not provided any other services to the Council in 2017-18, prior to our appointment as external auditors to the Council.

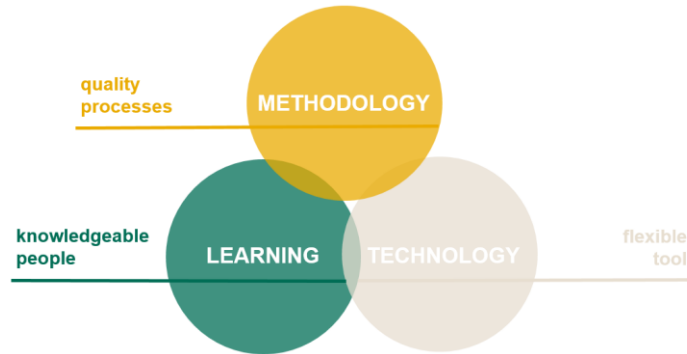
# Appendix A: Audit approach

## Use of audit, data interrogation and analytics software

### LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA

- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively



### Appian

Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on



### Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



**Committee Name and Date of Committee Meeting**

Audit Committee – 29 January 2019

**Report Title**

Closure of the Accounts 2018/19

**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)**

Rob Mahon (Finance Manager – Financial Accounting)  
Finance & Customer Services Directorate  
01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide or Choose an item.

Choose an item.

**Report Summary**

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

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

This report brings to Members attention the main changes to the local authority accounting framework in 2018/19, including their effect on the Council's accounting policies, and to the statutory framework for preparing and reporting local authority financial statements (the Accounts and Audit Regulations 2015).

The report also reminds Members that the Audit Committee, as the body in the Council charged with governance, will need to formally approve the audited Statement of Accounts at its July meeting.

**Recommendations**

1. Audit Committee is asked to note the key accounting issues and main changes to the accounts in 2018/19 listed in Appendix A;

**List of Appendices Included**

Appendix 1 Appendix A – Key accounting issues and changes to the accounts in 2018/19

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2018/19  
Accounts and Audit Regulations 2015

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Closure of the Accounts 2018/19**

### **1. Background**

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 The introduction of the faster closedown requirements from 2017/18 presents challenges and as part of meeting the challenges CIPFA encourage local authorities to focus on material items only in their financial reporting. Materiality for financial reporting purposes is fundamental. It determines the amount by which items or disclosures within the financial statements would need to be misstated before it would influence the understanding or a decision a reader of the accounts might make. An item is not material if its omission or misstatement would not influence such decisions or understanding. For audit purposes, Grant Thornton's overall materiality for the 2018/19's accounts is £10.5 million with differences of less than £525,000 being considered trivial.

### **2. Key Issues**

#### **Faster closure**

- 2.1 The decision to bring forward the timetable for publishing the unaudited financial statements by one month and for publishing the audited financial statements by two months represents a major challenge for all local authorities and has resulted in a need to adopt radically different approaches to ensure that the tighter deadlines are to be achieved. It has meant having to re-engineer processes to:
  - Better align in-year and end of year reporting processes
  - Bring forward work wherever possible
  - Place greater reliance on the use of estimates
  - Automate or streamline processes wherever possible
- 2.2 The Council successfully met the 2017/18 timeframes in closing its accounts last year. It has continued to review internal procedures from lessons learned

in order to streamline processes and improve the quality of the closedown processes and procedures.

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

- 2.3 The Local Audit and Accountability Act 2014 confers on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gives them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they think an item of account may be unlawful.
- 2.4 Under the Accounts and Audit Regulations 2015, local electors can only exercise their rights of inspection and to question the auditor or make formal objections for a single period of 30 working days commencing the day after the unaudited accounts have been published.
- 2.5 As accountability to the local electorate is an important part of the governance of the Council, notice of the inspection period will be advertised on the Council's website in advance of the unaudited financial statements being published.
- 2.6 A further consideration is that in order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) will need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report is therefore being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

### **Local Authority Accounting Framework**

- 2.7 Three International Financial Reporting Standards (IFRS's) were proposed to be updated and adopted during the course of 2018/19, with a view to them being adhered to as part of the 2018/19 closure of accounts. These are listed below, with their potential impact, and any action taken by the Council to manage their impact detailed in Appendix A.
  - IFRS 9 Financial Instruments
  - IFRS 15 Revenue from Contracts with Customers
  - IFRS 16 Leases
- 2.8 Major changes to service delivery that have taken place in 2018/19 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies.

**3. Options considered and recommended proposal**

- 3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2018/19 and to note the actions being taken by officers to ensure that they are being implemented.

**4. Consultation on proposal**

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

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

- 5.1 The statutory deadline for publishing the unaudited financial statements is 31 May. The statutory deadline for publishing the audited financial statements is 31 July.

**6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)**

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

**7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)**

- 7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

**8. Human Resources Advice and Implications**

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

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

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



**10. Equalities and Human Rights Advice and Implications**

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

**11. Implications for Partners**

11.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners.

**12. Risks and Mitigation**

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

**13. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	18/01/19
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	17/01/19
Assistant Director of Human Resources (if appropriate)		Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

*Report Author:*            *Rob Mahon (Finance Manager – Financial Accounting)*  
*Finance & Customer Services Directorate*  
*01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)*

This report is published on the Council's [website](#).

## Appendix A

**KEY ACCOUNTING ISSUES / CHANGES TO THE ACCOUNTS IN 2018/19**

Area of accounts	Issue	Action taken								
IFRS 9 Financial Instruments	<p>The changes to IFRS 9 are primarily a re-classification exercise, not a revaluation exercise. They lead to a change of categories for investment assets, as detailed below;</p> <table border="1" data-bbox="437 607 1099 846"> <thead> <tr> <th data-bbox="437 607 767 640">Old</th> <th data-bbox="767 607 1099 640">New</th> </tr> </thead> <tbody> <tr> <td data-bbox="437 640 767 674">Loans &amp; Receivables</td> <td data-bbox="767 640 1099 674">Amortised Cost</td> </tr> <tr> <td data-bbox="437 674 767 779">Available for Sale</td> <td data-bbox="767 674 1099 779">Fair Value through Comprehensive Income (FVCI)</td> </tr> <tr> <td data-bbox="437 779 767 846">Fair Value through Profit and Loss</td> <td data-bbox="767 779 1099 846">Fair Value through Profit and Loss (FVPL)</td> </tr> </tbody> </table> <p>The new categories do not map across perfectly and focus on two criteria, is the investment solely for principal and interest (SPPI), and is it part of the authority's business model. The aim of the change is to remove any room for interpretation within the categories and assess if the authority's investments are part of its business model.</p> <p>The changes also bring about a new Expected Credit Loss model (ECL). This is a change from historical practice whereby an event would happen, for instance a bank fails, and then a provision is made against the likely loss. Under the new ECL Model the change is that the event need not have occurred, it is the expectation of loss against the particular asset, that would lead to a provision being taken.</p>	Old	New	Loans & Receivables	Amortised Cost	Available for Sale	Fair Value through Comprehensive Income (FVCI)	Fair Value through Profit and Loss	Fair Value through Profit and Loss (FVPL)	<p>The new IFRS has been reviewed internally and with our Treasury Management advisors, to fully understand its implications. Given the Council's low risk investment strategy the impact of the new IFRS will be minimal, with a low likelihood of new provisions being required for 2018/19 as part of the new ECL model.</p> <p>Accounting policies and Statement of Account Templates have been updated accordingly.</p>
Old	New									
Loans & Receivables	Amortised Cost									
Available for Sale	Fair Value through Comprehensive Income (FVCI)									
Fair Value through Profit and Loss	Fair Value through Profit and Loss (FVPL)									
IFRS 15 Revenue from Contracts with Customers	<p>This historically private sector IFRS has now been adopted into Public Sector accounting. It's core principles relate to the recognitions of income from contracts with customers in the period to which it relates. As the Council adheres to the accruals concept, it already complies with this new standard.</p>	<p>The new code shouldn't require any changes to the Council's current accounting practices, or Statement of Accounts. This has been discussed with our new external auditors who are of the same view.</p>								
IFRS 16 Leases	<p>IFRS 16 removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases) with a</p>	<p>Initial assessments of any operational leases the Council holds have been carried out, further</p>								

	<p>corresponding lease liability representing the lessee's obligation to make lease payments for the asset.</p> <p><b>This has now been deferred until April 2020 following a decision made by the CIPFA/LASAAC Local Authority Accounting Board in December 2018.</b></p>	<p>work will be required to ensure the Council is compliant by April 2020.</p>
<p>Schools converting to academy</p>	<p>During the course of 2018/19, a further 9 schools are expected to convert to an academy. The impact on the Council's balance sheet and income and expenditure has yet to be determined but is likely to be material.</p> <p>By way of comparison, in 2017/18, the 14 schools which converted to an academy, removed a total value of £42.828m from the Council's balance sheet.</p>	<p>The Narrative Report will highlight the impact.</p>

## **A Statement of Accounting Concepts and Policies**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"), supported by International Financial Reporting Standards (IFRS).

The objective of the Statement of Accounts is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources.

Fundamental to making this assessment is that information is both relevant and faithfully represented.

A key feature of relevance is materiality. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information presented in the Statement of Accounts. Conversely, there is no need to comply with the accounting principles or disclosure requirements of the Code where information is not material.

Information is faithfully represented if it is complete, unbiased and properly determined using appropriate estimation techniques and judgements.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the Statement of Accounts. The accounting policies and estimation techniques selected are those that best assist users in their understanding of the financial information presented or disclosed in the Statement of Accounts. The expectation is that this will be achieved by selecting accounting policies that are compliant with the Code.

Consistent policies are applied both within the year and between years. Where policies have changed the reason and effect is disclosed.

The underlying assumptions made in preparing the Statement of Accounts are that financial performance is reported on an accruals basis and that the Council is a going concern.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The CIES is reported using total cost principles under international financial reporting standards not the way in which local government is funded. The income and expenditure reported in the CIES will not therefore correspond to the outturn charged to the General Fund and HRA reported against the Council's budget.

Note 1 in the Notes to the Core Financial Statements, the "Funding and Expenditure Analysis" provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants together with additional disclosure on material reconciling adjustments.

## **2 Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied unless the Code specifies that the change should be applied prospectively.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **3 Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

The general principle is that revenue is measured at the fair value of the consideration received which, in most transactions, will be the amount of cash and cash equivalents receivable. This position is in accordance with the new IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised when the following conditions have been met:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is

probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council acts as an agent for another party, income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

#### **4 Overheads and Support Services**

Support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement. Under the Council's current structure such costs predominantly fall within Assistant Chief Executive's or Finance and Customer Services.

#### **5 Debtors**

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see accounting policy note 22). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

## **6 Creditors**

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see accounting policy note 22). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

## **7 Tax Income (Council Tax, Residual Community Charge, National Non-Domestic Rates and Rates**

### Council Tax

Council tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council's share of the year's accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

### National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New Deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors

## **8 Inventories**

Inventories are measured at the lower of cost and net realisable value except where acquired through a non-exchange transaction when cost is assumed to be equal to fair value at acquisition date.

Inventories are measured at the lower of cost and current replacement cost where held for distribution at no charge or for a nominal charge.

The cost attributed to identify inventory is assigned using the first-in, first-out (FIFO) basis.

## **9 Work in Progress (Construction Contracts)**

Where the Council acts as a contractor, if the outcome of a construction contract can be estimated reliably, the percentage of completion method is used to recognise revenue and expenses. Contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed.

If the outcome cannot be estimated reliably revenue is recognised only to the extent it is probable costs will be recoverable, and costs are recognised as an expense in the period incurred. When the uncertainties no longer exist, revenue and expenses are recognised using the percentage of completion method.

Should it become apparent that total costs will exceed total revenue the expected deficit on the contract is immediately expensed.

## **10 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **11 Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

A provision is recognised when:

- there is a present obligation (legal/constructive) as a result of a past event
- it is probable a resource outflow will be required to settle the obligation, and
- a reliable estimate of the amount can be made.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the



Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each reporting date and adjusted to reflect current best estimates. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

### Contingent Liability

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that a resource outflow will be required for an item previously dealt with as a contingent liability, a provision is recognised.

### Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset is not recognised in the financial statements but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. If it has become virtually certain an inflow will arise and the asset's value can be measured reliably, a debtor and related revenue are recognised.

## **12** Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating

amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the sections relating to the relevant policies.

### **13 Government and Non-Government Grants**

Government grants and third-party contributions, including donated assets are recognised as due when there is reasonable assurance that;

- the Council will comply with the conditions attached to them
- the grants and contributions will be received

Where conditions of grant remain outstanding which could give rise to grant being repaid, grant is carried in the balance sheet as grant received in advance.

Conditions are stipulations that give the grant funder or donor the right to the return of their monies if it is not used for the purpose specified.

Revenue grants or contributions are credited to the relevant service line within net cost of services if specific or to Taxation and Non-Specific Grant Income if general or non ring-fenced.

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

### **14 Non-current Assets – Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable

that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs

**Borrowing Costs** - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.

- **Qualifying Assets** – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- **Borrowing costs** – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are

reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value based on existing use value for social housing (EUV-SH)
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.

Depreciated historical cost is used as a proxy for current value for relatively short life assets such as vehicles, plant and equipment.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In support of this the Council carries out an annual review of its assets for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless they reverse a previous revaluation or impairment loss in which case they are credited to the relevant service line within net cost of services.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment of Assets

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Disposals

The carrying amount of an item is derecognised:

- on disposal through, for example, sale, donation granting of a finance lease or transfer, or
- when no future economic benefits or service potential are expected from its use or disposal as a result, for example, of it being abandoned, scrapped or decommissioned.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair Value is the price that would be received from the selling the asset in an orderly transaction between market participants under the conditions prevailing at the end of the reporting period. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value. Depreciation is not charged on Assets Held for Sale.

Assets held solely for capital appreciation purposes are classified as investment properties.

Non-operational property, plant and equipment which do not meet the criteria for reclassification as either Assets Held for Sale or investment properties are held within property, plant and equipment as surplus assets. Surplus assets are carried in the balance sheet at their existing use value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings 30 Years or now notional Major Repairs Allowance (MRA) if notional MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non-operational properties up to 100 years)

- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation is being introduced with effect from 1 April 2010 as assets are acquired, enhanced, replaced or revalued.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **15 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible Non-Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the minimum revenue provision and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. However, the Council has taken advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance included within the HRA Business Plan for that year. From 2017/18, depreciation, revaluation and

impairment losses will be determined in accordance with the new Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

#### Minimum Revenue Provision (MRP)

Prudent provision (MRP) is made annually for the repayment of debt relating to capital expenditure financed by borrowing or credit arrangements. The amount charged is determined having regard to the relevant statutory requirements and related guidance on MRP issued by DCLG.

The recovery of any MRP that has been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years' charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year.

### **16 Leases and Lease-Type Arrangements**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council will recognise a lease where the contract for individual asset exceeds 25k.

#### (a) Finance Leases – Council as Lessee

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and



- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The apportionment is done in such a way as to produce a constant rate of interest on the outstanding liability in each period over the lease term

An asset recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses arising on leased assets. Instead, a minimum revenue provision is made towards the deemed capital investment in accordance with statutory requirements and the Council's policy for determining MRP. Depreciation, revaluation and impairment losses are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

#### (b) Operating Leases – Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

#### (a) Finance Leases – Council as Lessor

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has

been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated from the Capital Adjustment Account to the General Fund Balance in the Movement in Reserves Statement.

(b) Operating Leases – Council as Lessor

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**17 PFI and PPP Arrangements**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

PFI assets are initially recognised at their fair value when they are first made available for use balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment (this is normally based on the relevant elements of capital cost in the operator's financial model). Initial direct costs of the Council are added to the carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic

benefit of the asset flows to the Council at that time, similar to an asset that a Council constructs or develops for its own use.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – are accounted for as they are incurred. Where the profile of lifecycle expenditure actually incurred by the PFI operator differs significantly from the projected profile included within the PFI model adjustments are made to account for the difference. A prepayment is recognised where planned expenditure paid for through the unitary payment exceeds the actual amount incurred by the PFI operator. An additional liability is recognised where planned expenditure is less than that actually incurred. The prepayment / additional liability is carried forward in the balance sheet until the expenditure is actually incurred / settled, or , in the case of a prepayment when there is no longer an expectation that it will eventually be incurred by the PFI operator at which point it is charged to revenue. Lifecycle replacement costs which represent the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 14.

## **18 Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period.. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **19** **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment

Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **20 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **21 Heritage Assets**

Heritage assets' principal purpose is to contribute to knowledge and culture and which are preserved in trust for future generations for their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, e.g., insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).

Operational heritage assets (i.e. those that are being held for their heritage characteristics, but are also used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

## **22 Financial Instruments**

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at: „

- amortised cost „
- fair value through profit or loss (FVPL), and „
- fair value through other comprehensive income (FVOCI)

- **Treasury Investments:**

Those valued at **Amortised Cost** – assets that have fixed or determinable payments but are not quoted in an active market. These assets are Solely for Principal and Interest (SPPI), and they are part of the Council's Business Model. Whilst MMFs behave as Amortised Cost, strictly they are FVPL, but there is little material difference in accounting barring slightly larger balance sheet notes.

- **Non-Treasury Investments:**

These are assets that may have a quoted market price and/or do not have fixed or determinable payments, although where, for instance a loan is provided to a third party (SPPI), and is for a policy reason, then it would be at Amortised cost too. Where it is not Amortised cost, this classification has two further sub sets for valuation,

**Fair Value through Comprehensive Income (FVCI)**, policy driven investments (not solely for profit), activity, which would normally simply be equity stakes in joint companies etc.

**Fair Value through Profit and Loss (FVPL)**, assets held purely for commercial investment (primarily for profit, firstly to raise monies/profit, that will be used to support the execution of normal service functions

(a) Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

(b) Fair Value Through Profit or Loss (FVPL), and

- Fair Value through Comprehensive Income (FVCI)

These are assets that have a quoted market price and/or do not have fixed or determinable payments. Of this classification those assets that are policy driven investments, not used to solely generate profit, but to actively support the execution of normal service functions are to be valued at, Fair Value through Comprehensive Income (FVCI). They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. Where the asset has fixed or determinable payments, then this would be Amortised Cost (as above) with annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. In practice FVCI is likely to contain only service equity investments,

Assets are maintained in the Balance Sheet at fair value. Fair Value is measured by reference to prevailing interest or market rates using an appropriate valuation technique.

Changes in fair value posted to Other Comprehensive Income and Expenditure. Movements in impairment loss allowances debited/ credited to Surplus or Deficit on the Provision of Services (with a compensating credit/debit not against the carrying amount of the asset but to Other Comprehensive Income and Expenditure to offset movements against gains/losses on fair value). Cumulative gains/losses on fair value are posted to the Surplus or Deficit on the Provision of Services on derecognition.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

(c) Fair Value Through Other Comprehensive Income (FVOCI)

These are assets held purely for commercial investment (primarily for profit). All gains and losses posted to Surplus or Deficit on the Provision of Services as they arise

#### Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month (i.e. the normal expectation of

loss for this category of investment, no event occurring) or lifetime basis (whereby the initial assessment of risk has changed significantly by an event occurring). The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The authority holds a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value this being the price that would be paid in an orderly transaction between market participants on the date on which the liability is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan received. Thereafter they are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The amount of interest charged to the HRA is determined on a fair and equitable share basis by reference to the HRA's Capital Financing Requirement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and



Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

## **23 Employee Benefits**

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis at the earlier of when the Council can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring. .

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Pension strain costs are charged to Non Distributed Costs in accordance with statutory provisions which require that the General Fund be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

#### Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The National Health Service Pension Scheme, administered by the NHS Business service
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The Local Government Pensions Scheme, administered by South Yorkshire Pensions Authority

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for both the National Health Service and teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health and Children's and Education Service line in the Comprehensive Income and Expenditure Statements are charged with the employer's contributions payable to the National Health Service and Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension
- The assets of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income

and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- re-measurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure
- contributions paid to the South Yorkshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

The Council is responsible for administering the former South Yorkshire County Council debt portfolio. Part of this debt portfolio is the Council's own liability (as a former member of the SYCC) and as such it will make its own principal and interest payments. Principal repayments are based on a 10% Sinking Fund using a methodology prescribed in Statutory Instrument 1986 No. 437 and will be extinguished by 2020/21.

## **25 Value Added Tax (VAT)**

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

## **26 Events after the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date the Strategic Director of Finance and Customer Services authorises the Accounts for issue are not reflected in the Statement of Accounts.

## **27 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **28 Interests in Companies and Other Entities**

Where the Council exercises control, shares control or exerts a significant influence over another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. The Council's interest in another entity can be contractual or non-contractual, and may be evidenced by, but is not limited to, the holding of equity or debt instruments in the entity as well as

other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Council has control over another entity, where it is able to direct the activities of that entity such that it is has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

Shared control with another party or parties in a joint venture arises where decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control including the Council.

The Council can exert a significant influence over an associate where the Council has the power to participate in the financial and operating policy decisions of an entity which fall short of control or joint control.

The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local Council maintained schools within the control of the Council..

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non-Current Assets of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

Interests in companies and other entities are recorded in the Council's balance sheet as financial assets at cost, less any provision for losses.

## **29 Acquisitions and discontinued operations**

Transfers of functions to or from other public sector bodies are accounted for with effect from the date of transfer. Assets and liabilities are transferred at their carrying value at the date of transfer unless otherwise agreed and the balance sheet restated to reflect the value of assets brought onto or removed from the balance sheet. The financial effect of functions transferred, to or from the Council are disclosed separately in the current year as "transferred in" or "transferred out" operations. The financial effect of functions transferred to another public sector body are disclosed separately in the comparative year to enable the performance of continuing operations to be compared on a like for like basis.

A function in this context is an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Discontinued operations are activities that cease completely. Income and expenditure relating to discontinued operations are presented separately on the face of the Comprehensive Income and Expenditure Statement.

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 January 2019

**Report Title**

Certification of claims and returns – annual report 2017/18

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

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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

**Ward(s) Affected**

Borough-Wide or Choose an item.

Choose an item.

**Report Summary**

In agreement with the Council's external auditor, KPMG for 2017/18, feedback is provided on the effectiveness of the Council's arrangements for preparing and submitting government grant claims and returns.

The attached report summarises KPMG's key findings from the certification work they have carried out in relation to the 2017/18 financial year.

KPMG were required to audit the Housing Benefit Subsidy claim for 2017/18. The value of the certified claim was £82.27m, for which KPMG have issued an unqualified certificate.

**Recommendations**

1. Audit Committee is asked to note the external auditor's report

**List of Appendices Included**

Appendix 1 Certification of claims and returns – annual report 2017/18

**Background Papers**

Audit Appointment Letter 2017/18

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No



**Error! Reference source not found.**

**1. Background**

- 1.1 The Council's current auditors are Grant Thornton who are responsible for external audit arrangements commencing from the 1<sup>st</sup> April 2018. The predecessor auditors, KPMG, are required to provide feedback on the effectiveness of the Council's arrangements for preparing and submitting government grant claims and returns in respect of the previous financial year.
- 1.2 The attached report summarises KPMG's key findings from the certification work they have carried out in 2017/18.

**2. Key Issues**

- 2.1 KPMG were required to audit the Housing Benefit Subsidy claim for £82.27m and have subsequently issued an unqualified certificate.
- 2.2 A small number of minor adjustments were made to the claim as a result of the certification work.
- 2.3 KPMG noted that there were no recommendations outstanding from previous years' work, and have made no recommendations following this year's certification work.

**3. Options considered and recommended proposal**

- 3.1 Consideration of alternative options was not required.

**4. Consultation on proposal**

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

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

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

**6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)**

- 6.1 The Public Sector Audit Appointments (PSAA) set the Council's indicative 2017/18 Housing Benefit subsidy fee, the actual fee of £15,826 was in line with this.
- 6.2 There are no direct procurement implications arising from the detail of this report.

**7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)**

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

**8. Human Resources Advice and Implications**

8.1 There are no Human Resource implications arising from the report.

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

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

**10. Equalities and Human Rights Advice and Implications**

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

**11. Implications for Partners**

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

**12. Risks and Mitigation**

12.1 There are no outstanding risks or uncertainties as all the 2017/18 claims and returns have been certified and submitted.

**13. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	18/01/19
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	17/01/19
Assistant Director of Human Resources (if appropriate)		Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

*Report Author:* Sarah Sweeney (Principal Finance Officer)  
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This report is published on the Council's [website](#).

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**Private & confidential**

**Mrs Judith Badger**

Strategic Director Finance & Customer  
Services  
Rotherham Metropolitan Borough Council  
Riverside House, Main Street  
Rotherham  
S60 1AE

Our ref RMBC/Grant01

Contact Matthew Moore

Date 7 January 2019

Dear Judith

**Rotherham Metropolitan Borough Council - Certification of claims and returns  
- annual report 2017/18**

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on only one claim or return, the Housing Benefit Subsidy claim. The certified value of the claim was £82.27 million, and we completed our work and certified the claim on 26 November 2018.

**Matters arising**

Our certification work on Housing Subsidy Benefit claim included:

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



- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work identified a small number of errors which are detailed below:

- A Non-HRA Rent Rebate case in which the expenditure classification had been analysed incorrectly. Additional testing did not identify any further errors and the final claim was amended to correct the error;
- A Non-HRA Rent Rebate case in which an incorrect self-employed earnings disregard had led to an underpaid benefit. Additional testing did not identify any further errors and the final claim was amended to correct the error;
- A Non HRA Rent Rebate case in which ESA was incorrectly awarded for part of the claim, this did not impact on overall benefit granted as the claimant was still entitled to full housing benefit. Additional testing did not identify any further errors and this issue was reported in the Qualification Letter for information; and
- Overall the final certified claim was reduced by £2,979.

We have made no recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

**Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £15,826. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £15,497.

Yours sincerely

Tim Cutler  
Engagement Lead.



**KPMG LLP**

*Rotherham Metropolitan Borough Council - Certification of claims and returns - annual report  
2017/18  
Date 7 January 2019*

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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## Summary Sheet

**Council Report:**

Audit Committee – 29<sup>th</sup> January, 2019.

**Title:**

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

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

No

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

Judith Badger (*Strategic Director of Finance and Customer Services*)

**Report Author(s):**

David Webster (Head of Internal Audit)

**Ward(s) Affected:**

None

**Executive Summary:**

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

An external assessment was completed by PwC in 2015-16, who found that the department did not conform to the standards, resulting in an Action Plan to improve the department. An internal self-assessment was completed in January 2017 which showed that substantial progress had been made so that the department demonstrated partial conformance with the standards. Another self-assessment in January 2018 showed that sufficient progress had been made to conclude that the department had general conformance with the standards.

This paper reports the results of the internal self-assessment for January 2019. This has been completed by one of the new recruits to the team, an experienced auditor, to give a measure of independence to the results. It reaffirms the conclusion of general conformance with the standards. Summary results are given below showing the progress made in the last three years.

The department has undergone considerable changes in personnel and the way it works in the last year. However some planned development did not take place. It is recommended that another external assessment takes place next year after a period of stability and development.

**Recommendation:**

**The Audit Committee is asked to**

- a. Note the result of the self-assessment against the PSIAS.**
- b. Note the progress made from the external assessment carried out in 2015/16 and the internal assessment last year.**
- c. Confirm that an external peer review should be completed in 2019/20.**

**Background Papers:**

Public Sector Internal Audit Standards.  
Local Government Advice Note.  
Audit Committee Paper February 2018.

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

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No



**Title:**

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

**1. Recommendations**

**The Audit Committee is asked to:**

- **Note the result of the self-assessment against the PSIAS.**
- **Note the progress made from the external assessment carried out in 2015/16 and the internal assessment last year.**
- **Confirm that an external peer review should be completed in 2019/20.**

**2. Background**

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

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

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

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

2.5 A further internal assessment in January 2018 showed that sufficient progress had been made to conclude that the department had general conformance with the standards. An updated QAIP was produced and presented to the Committee in February 2018.

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

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

3.1 The self-assessment for 2018/19 has been completed by a new recruit to the Internal Audit team, who is an experienced internal auditor, in order to give a measure of independence to the assessment. He used the checklist used by the Chartered Institute of Internal Auditors (CIIA) when they conduct external assessments. The checklist gives details of the standards and the key

conformance criteria for each one. There is space for the reviewer assessment and suggestions for improvement.

- 3.2 The review consists of an assessment against the definition of Internal Audit, the code of ethics, the four attribute standards and the seven performance standards.
- 3.3 Appendix A contains results of the review against each individual standard. It gives the definitions of general, partial, and non-conformance followed by the detailed result against each individual standard. For comparison the results of the review in 2017/18 are noted. Key points are:
  - The Internal Audit department has maintained the standards reported last year, again achieving an overall general conformance.
  - The overall position and progress since the PwC report to the Audit Committee can be indicated as follows:

		<b>PwC 2015/16</b>	<b>Annual Assessment 2016/17</b>	<b>Annual Assessment 2017/18</b>	<b>Annual Assessment 2018/19</b>
Overall Assessment		<b>DNC</b>	<b>PC</b>	<b>GC</b>	<b>GC</b>
Definition		Not reported	<b>GC</b>	<b>GC</b>	<b>GC</b>
Code of Ethics					
Integrity		Not reported	<b>GC</b>	<b>GC</b>	<b>GC</b>
Objectivity		Not reported	<b>GC</b>	<b>GC</b>	<b>GC</b>
Confidentiality		Not reported	<b>GC</b>	<b>GC</b>	<b>GC</b>
Competence		Not reported	<b>GC</b>	<b>GC</b>	<b>GC</b>
Attribute Standards					
1000	Purpose, Authority and Responsibility	<b>GC</b>	<b>GC</b>	<b>GC</b>	<b>GC</b>
1100	Independence and Objectivity	<b>GC</b>	<b>GC</b>	<b>GC</b>	<b>GC</b>
1200	Proficiency and Due Professional Care	<b>DNC</b>	<b>PC</b>	<b>PC</b>	<b>PC</b>
1300	Quality Assurance and Improvement Programme	<b>DNC</b>	<b>GC</b>	<b>GC</b>	<b>GC</b>
Performance Standards					
2000	Managing the Internal Audit Activity	<b>PC</b>	<b>GC</b>	<b>GC</b>	<b>GC</b>
2100	Nature of Work	<b>DNC</b>	<b>PC</b>	<b>GC</b>	<b>GC</b>
2200	Engagement Planning	<b>DNC</b>	<b>PC</b>	<b>GC</b>	<b>GC</b>
2300	Performing the Engagement	<b>DNC</b>	<b>PC</b>	<b>GC</b>	<b>GC</b>
2400	Communicating Results	<b>PC</b>	<b>GC</b>	<b>GC</b>	<b>GC</b>
2500	Monitoring Progress	<b>GC</b>	<b>GC</b>	<b>GC</b>	<b>GC</b>
2600	Resolution of Senior Management's Acceptance of Risk	Not reported	<b>GC</b>	<b>GC</b>	<b>GC</b>

Key:

GC – Generally Conforms

PC – Partially Conforms

DNC – Does Not Conform

- 3.4 Since the last assessment there have been many issues affecting the department which have hampered the progress expected. Two Senior Auditors left the team and their replacements did not start until January 2019. Further development of the integrated audit software took place, with the introduction of automated recommendation tracking. The Head of Internal Audit spent much of the year involved in disciplinary and grievance management investigations. The secondments into and out of the team came to an end, replaced by permanent positions. As a result, although the overall level of conformance was maintained, the planned improvements did not all materialise. There are still individual areas of partial conformance that need to be addressed.
- 3.5 The areas of partial conformance give rise to actions which will form the Quality Assurance and Improvement Plan for the next year. This has the aim of achieving general conformance within all areas of the standards by the time of the next assessment.

Key actions include:

- Fully refreshing the Internal Audit Manual to reflect new ways of working after the introduction of audit software
- Develop audit planning method and documentation
- Development of assurance mapping.
- Develop the use of Computer Aided Audit Techniques (CAATS)

(nb this is not a full list)

- 3.6 The standards require that an external assessment be carried out every five years by a qualified independent assessor. One was completed three years ago, so to meet the standards another does not have to be completed until 2020-21. It is recommended that the next external assessment be carried out next year after a period of stability and development.

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

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

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

#### **5. Consultation**

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

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

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

6.1 Actions will be completed during 2019.

**7. Financial and Procurement Implications**

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

**8. Legal Implications**

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

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

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

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

**9. Human Resources Implications**

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

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

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

**11. Equalities and Human Rights Implications**

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

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

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

12.2 Senior management, Members and other stakeholders will be consulted in relation to the future expectations for the internal audit service, as part of the planning for 2019/20. The aim will be to ensure major issues and risks for services are reflected in the audit planning processes, including where relevant, partnership working.

**13. Risks and Mitigation**

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

13.2 The following risks have been identified: -

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

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

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

David Webster (Head of Internal Audit).

## Evaluation Procedure

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

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

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

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



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

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

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

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

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

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

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**Council Report**

Audit Committee – 29<sup>th</sup> January 2019.

**Title**

Internal Audit Quality Assurance and Improvement Programme (QAIP).

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

No.

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director, Finance and Customer Services.

**Report Author**

David Webster, Head of Internal Audit

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**Ward(s) Affected**

All wards.

**Executive Summary**

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

An internal self-assessment was completed in January 2018 which showed general conformance with those standards. A Quality Assurance and Improvement Programme (QAIP) was produced to address the areas where conformance was not achieved or further improvement could be made.

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

**Recommendations**

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

**List of Appendices Included:-**

Appendix A Quality Assurance and Improvement Plan

**Background Papers**

Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Audit Committee Paper February 2018.

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

No.

**Council Approval Required**

No.

**Exempt from the Press and Public**

No.

**Title: Internal Audit Quality Assurance and Improvement Programme 2019.**

**1. Recommendations**

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

**2. Background**

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

2.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. A self-assessment was completed in January 2018 and the results reported to the Audit Committee. Where conformance to the standards was not achieved actions were generated which in total comprised the Improvement Action Plan for 2018.

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

**3. Key Issues**

3.1 The current position against the 2018 Improvement Action Plan is given in Appendix A. Many actions were completed during the year. Those that were not completed related to the Audit Manual, the use of Computer Aided Audit Techniques, assurance mapping and the provision of an external assessment. None of these affect the standard of work carried out by the team.

3.2 An updated QAIP has been produced using the results of the 2019 self-assessment and the resultant actions. This is given in Appendix B. Even when General Conformance has been achieved against individual standards, suggestions have been made where appropriate to drive further improvements.

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

**4. Options Considered and Recommended Proposal**

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

**5. Consultation**

5.1 None.

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

6.1 The Audit Committee is asked to receive this report at its 29<sup>th</sup> January 2019 meeting.



## 7. Financial and Procurement Implications

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

## 8. Legal Implications

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

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

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

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

## 9. Human Resources Implications

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

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

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

## 11. Equalities and Human Rights Implications

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

## 12. Implications for Partners and Other Directorates

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

## 13. Risks and Mitigation

13.1 The following risk has been identified.

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

**14. Accountable Officer**

David Webster, Head of Internal Audit.

## Quality Assurance and Improvement Plan – 2018

## Actions from assessment January 2018 – questions not scored as conforming. Current Position.

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

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

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

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	<p>There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity.</p> <p>Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF</p>	<p>Audit Manual, Audit Charter.</p> <p>Integrated audit software used, which helps regulate this.</p> <p>Training received for software, arranged for RBIA.</p>	<p>Manual to be updated after software fully embedded. Procedures still being developed.</p> <p>RBIA training arranged for March 2018.</p>	2018	<p>Manual partly updated – to be completed.</p> <p>Training of team took place in March 2018. To be further developed.</p>
2050	The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.	<p>IA work is coordinated with that of the external auditors and with other internal providers of assurance and consulting services. This might include regular meetings, documented agreements, coordinated plans, sharing resources, training arrangements.</p> <p>In some cases IA may be required to assess the reliability of the work of other assurance providers. This is established in the IA Charter and factored into the IA plans.</p>	<p>External audit plan taken into account when producing the audit plan and scoping work.</p> <p>Known sources of assurance are taken into account when producing the audit plan.</p> <p>Where relevant, the work of other providers of assurance is reviewed during audit assignments.</p>	Assurance mapping needed to identify and evaluate other providers of assurance.	2018	Not completed.

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

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



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

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

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

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



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Quality Assurance and Improvement Plan 2019**

# 1 Introduction and Background

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

## 2 External Assessment

- 2.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 2.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.
- 2.3 At the end of 2015 a wide ranging external review of Internal Audit was completed by PwC, including an assessment against PSIAS. The results were reported to the Audit Committee in January 2016. 19 recommendations were made for improvement. By November 2016, 10 of the recommendations had been completed, 3 were rated green (certain to be achieved) and 6 were rated amber (in progress / on target).
- 2.4 The results showed non-conformance against PSIAS at that time. One of the recommendations was that an improvement plan should be developed that brings about the necessary improvements to meet the PSIAS requirements. RMBC Internal Audit reviewed their report and considered there were 76 actions to be taken to meet full compliance. By November 2016, 47 of those actions were rated green and 29 were rated amber. The 2016/17 Internal Assessment then gave an up to date position and action plan.

## 3 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

- 3.1 Ongoing quality assurance arrangements
  - 3.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS.
  - 3.1.2 Assignment level
    - The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
    - The objectives, scope and expected timescales for each audit assignment subject to agreement with the client before detailed work commences
    - The results of all audit testing documented using standard working papers
    - Documented review of file and working papers by a Principal Auditor to ensure that:

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

### 3.1.3 Internal Audit department level

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

### 3.1.4 Integrated Audit Software

The department is now using integrated audit software supplied by Morgan Kai. This enhances and enforces quality assurance at both assignment and departmental level, but will necessitate the revision of departmental documentation and the audit procedure manual.

### 3.1.5 Reporting to the Audit Committee

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

- Progress against the annual plan



- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations
- Performance Indicators for the department

## 3.2 Periodic Reviews

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

## Quality Assurance and Improvement Plan – 2019

### Actions from assessment January 2019

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
	Overall			Date completed, version number and intended review date on Audit Charter, Manual, Service Plan	2019	DW
1130	<p><b>Impairments to Independence or Objectivity</b></p> <p>If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.</p> <p><b>Interpretation:</b></p> <p>Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.</p> <p>The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior</p>	<p>CAE has established rules of conduct that clearly set out expected behaviour and defines the nature of conflict of interest and impairment of objectivity.</p> <p>This may include recognition or adoption of the organisation's Code of Practice provided this contains sufficient detail – including the acceptance of gift and hospitality. Where these do not exist or they lack clarity IA should formulate separate policies.</p> <p>Internal auditors are required to register hospitality and gifts, which is reviewed on a regular basis.</p> <p>Policies make auditors aware they must report any real or perceived conflict of interest as soon as such conflict arises.</p> <p>Procedures exist to support the policy and there is information to illustrate application – conflict of interest statements.</p> <p>Policy exists to ensure that assurance engagements of areas that are under the</p>	<p>Included in Manual. Also expected to adhere to Council policies and Code of Practice. Annual declaration of interest completed by all auditors.</p> <p>All hospitality and gifts recorded.</p> <p>Included in manual.</p> <p>N/A</p> <p>Engagements are allocated by PA's, taking</p>	<p>Audit Manual</p> <p>Consider suitable wording in the revised audit manual to cover perceptions of audit independence if an auditor is completing a long term review over a number of years, the same audit more that for example 4 times. issues</p>	2019	DW

	<p>management and the board as described in the internal audit charter, as well as the nature of the impairment.</p> <p>1130. A1 Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.</p> <p>1130. A2 Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.</p> <p><b>1130 A3</b> – The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement</p> <p>1130. C1 Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.</p> <p>1130.C2 If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement</p>	<p>control or direct influence of the CAE are overseen by a party external to the CAE.</p> <p>IA engagements are rotated ensuring that activities and entities are not audited by the same auditor or where they have performed consulting services which may impair objectivity.</p> <p>The assignment of internal engagements are rotated to ensure that internal auditors involved in the development of systems and procedures do not review the management of risks and application of risk responses in these areas.</p>	<p>this into account.</p> <p>As above.</p> <p>As above</p>			
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1220	<p><b>Due Professional Care</b></p> <p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p> <p>1220.A1 Internal auditors must exercise due professional care by considering the:</p> <ul style="list-style-type: none"> <li>• Extent of work needed to achieve the engagement's objectives;</li> <li>• Relative complexity, materiality, or significance of matters to which assurance procedures are applied;</li> <li>• Adequacy and effectiveness of governance, risk management, and control processes;</li> <li>• Probability of significant errors, fraud, or non-compliance; and</li> <li>• Cost of assurance in relation to potential benefits.</li> </ul> <p>1220.A2 In exercising due professional care internal auditors must consider the use of technology-based audit and other</p>	<p>The IA activity formally defines how it operates in a series of policies and procedures. For some the collection of documents may take the form of an Internal Audit Manual.</p> <p>The policies and procedures specify the way audit files and working papers need to be kept to record the information gathered and analysis performed during the audit engagement.</p> <p>Policies and procedure recognise the elements and requirements of the IPPF.</p> <p>Internal auditors research and gather background information to help them prioritise objectives and set boundaries for each audit engagement – assurance and consulting.</p> <p>The objectives and priorities for audit engagements are discussed with senior management and stakeholders where appropriate.</p> <p>Audit engagements focus upon management's assessment of risk responses. Taking into consideration residual risk and management assurance upon the effectiveness of the risk response. Where this is not available internal auditors perform their own</p>	<p>Audit Manual comprehensively reviewed and updated in early 2017.</p> <p>Manual and updates specify the contents of files and working papers. Findings and conclusions adequately supported by working papers.</p> <p>Refers to PSIAS and LGAN, not IPPF, but includes elements and requirements.</p> <p>Yes. Utilise previous audit, internet, internal reports / policies, CIPFA matrices. Not formalised in a scoping document process.</p> <p>Yes, recorded in scoping document</p> <p>Audit planning is risk based. In previous years this has been the IA assessment of risk. With further development of council risk registers, management's</p>	<p>Completion of review of Audit Manual needed again after implementation of audit software to reflect changes. and may include:</p> <p>Audit Manual Paragraph 1.1. Add a sentence - international standards and laws as interpreted by HM Treasury and other UK professional organisations and institutions.</p> <p>Consider Paragraph 1.8 new paragraph to include ISO31000 definition of risk management and internal audit's role in providing assurance on risk exposure when compared to the organisations approved risk appetite i.e. from our reviews is the risk exposure greater than the operational risk appetite and risk score for a specific service area.</p>	2019	DW

	<p>data analysis techniques.</p> <p>1220.A3 Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.</p> <p>1220.C1 Internal auditors must exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> <li>• Needs and expectations of clients, including the nature, timing, and communication of engagement results;</li> <li>• Relative complexity and extent of work needed to achieve the engagement's objectives; and</li> <li>• Cost of the consulting engagement in relation to potential benefits.</li> </ul>	<p>assessment of risks.</p> <p>Where appropriate audit engagements are supported by appropriate tools, including reporting within information systems, interrogation techniques and other CAATS.</p> <p>The communication of conclusions and audit opinions are based on appropriate information such as observations, tests, analyses and other documentation. This is indexed and classified in working papers linked to the engagement work programme, schedule of testing and audit objectives.</p>	<p>assessment is now used.</p> <p>RBIA to be further developed.</p> <p>CAATS not used.</p> <p>Conclusions and opinions based on the results of working papers. All documented within MKI – Assurance Objective, risk test schedule, findings. Few consulting engagements completed.</p>	<p>CAATS</p> <p>Training courses on MS Excel, Google Documents MS Excel CAATS software</p> <p>Consider a separate appendix in the Audit Manual on the use of CAATS, the same as for MK Insight and Risk Management</p>		
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1230	<p><b>Continuing Professional Development</b></p> <p>Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development</p>	<p>There is a process to assess the training and development needs of internal auditors that provides input to the continuous professional development (CPD) programme required by the Institute.</p> <p>The process may be based upon the organisation's staff appraisal procedure but centres upon the development of professional proficiency and the changing demands upon the profession.</p>	<p>Annual appraisals completed for all staff, leading to identification of training needs. Programme of departmental training identified and being delivered – MKInsight training delivered, RBIA training arranged for March 2018.</p> <p>Individuals are responsible for update of their own CPD. A record is kept within the dept.</p> <p>Annual appraisals Professional CPD Corporate Training Service specific training Feedback from staff attending regional groups</p>	Consider the cost of group IIA membership in partnership with another organisation	2019	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1300	<p><b>Quality Assurance and Improvement Programme (the sum of standards 1310-1320)</b></p> <p>The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.</p> <p><b>Interpretation:</b></p> <p>A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement program</p>	<p>The QAIP is about establishing a culture of continuous improvement to prevent problems and to underpin day-to-day delivery of a reliable assurance and consulting service.</p> <p>This is led by the CAE who sets a vision, a strategy and service expectations through policies, procedures, review and oversight arrangements based upon stakeholder requirements and consultation with the internal audit team.</p> <p>Stakeholder expectations and the results of consultations with staff are documented.</p> <p>The establishment of QAIP and its purpose is reflected in the internal audit charter. This refers to the arrangements for supervision and review of the work that staff do</p>	<p>A QAIP action plan was produced after the internal review in January 2017. Procedures, audit manual and KPI's were been updated.</p> <p>Service Plan completed and communicated to all staff – includes vision for the department. Charter includes Mission Statement and definition. Manual includes internal requirements. All work is subject to review.</p> <p>Not documented.</p> <p>Fully referred to in the Charter</p>	<p>Could include a customer questionnaire as part of the process to formulate the annual audit plan.</p>	2019	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
1310	<p><b>Requirements of the Quality Assurance and Improvement Programme</b></p> <p>The quality assurance and improvement program must include both internal and external assessments.</p>	<p>There is a plan or schedule agreed with senior management and the board that sets out the type, nature and timing of future assessments – both internal and external.</p>	<p>Internal assessment made to Audit Committee in February 2017. This internal assessment to be presented in January 2019, with proposal for external assessment in 2019/2020</p>	<p>Proposal to be presented</p>	2019	DW
1312	<p><b>External Assessments</b></p> <p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:</p> <ul style="list-style-type: none"> <li>• The form and frequency of external assessments.</li> <li>• The qualifications and independence of the assessor or assessment team, including any potential conflict of interest.</li> </ul> <p><b>Interpretation:</b></p> <p>External assessments may be accomplished through a full external assessment, or a self-</p>	<p>The CAE consults with the board when deciding the frequency of the external assessment and the qualifications and independence of the external reviewer or review team.</p> <p>The assessor or assessment team is from outside the organisation and is free from any obligations to or interests in the organisation – in particular consulting services.</p> <p>Assessors are qualified, with appropriate competence and experience of IA – at least three years at manager level - and knowledge of leading practices in IA, as well as current, in-depth knowledge of the IPPF.</p> <p>There is evidence of comprehensive external assessments at least every 5 years (This is includes peer assessment</p>	<p>External assessment carried out in late 2015 by PwC.</p> <p>Internal assessments carried out in January 2017, January 2018 and January 2019. Proposed external assessment to be completed in 2019/20.</p>	<p>Propose external assessment for 2019/2020</p>	2019	DW



	<p>assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.</p> <p>A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.</p> <p>An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.</p>	<p>where there is an element of independence in the process).</p> <p>For some organisations external quality assessments may be carried out more regularly based upon regulatory or funding requirements – particularly the public sector.</p> <p>External audit assessments may also be appropriate where significant change has occurred within the organisation of internal audit activity.</p> <p>The external assessor concludes as to the conformance with the Code of Ethics and the Standards (as well as operational or strategic comments).</p>				
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	The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.					
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2010	<p><b>Planning</b></p> <p>The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.</p> <p><b>Interpretation:</b></p> <p>To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.</p> <p>2010.A1 The internal audit activity plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process</p> <p>2010.A2 The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit</p>	<p>The CAE has established risk-based internal audit plans (RBIA) in consultation with the board and senior management that identifies where assurance and consultancy is required on risk management processes, management assurances and risk responses.</p> <p>The audit plan establishes a link between the proposed audit topics and the priorities and risks of the organisation taking into account:</p> <ul style="list-style-type: none"> <li>Stakeholder expectations, and feedback from senior and operational managers.</li> <li>Objectives set in the strategic plan and business plans, including major projects and financial forecasts.</li> <li>Risk maturity in the organisation to provide an indication of the reliability of risk registers.</li> <li>Management's identification and response to risk, including risk mitigation strategies and levels of residual risk.</li> <li>Legal and regulatory requirements.</li> </ul>	<p>RBIA in place, risk based plan used by the team. Known sources of assurance taken into account when planning, but full assurance mapping not completed.</p> <p>The plan is based on the priorities and risks of the organisation.</p> <p>Stakeholders are consulted in the preparation of the plan.</p> <p>The plan is based on strategic objectives.</p> <p>Risk management has been audited in 2017/18. Risk registers are used to produce the plan.</p> <p>Risk registers and management consultation give this.</p> <p>Regulatory work completed as necessary.</p>	<p>Assurance of audit coverage of the highest risks of the council.</p>	2019	DW

	<p>opinions and other conclusions.</p> <p>2010.C1 The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organisation's operations. Accepted engagements must be included in the plan.</p>	<ul style="list-style-type: none"> <li>The audit universe – all the audits that could be performed within the scope of the IA Charter.</li> <li>Previous IA plans and the results of audit engagements.</li> </ul> <p>The CAE determines stakeholder expectations for IA opinions including the levels of assurance required, scope and the way assurance is given such as narrative or rating by discussion with senior management and the board.</p> <p>Where the organisation's risk maturity is at formative level – defined as 'naïve' or 'aware' - IA may perform consulting engagements to support the improvement of risk management. In this situation IA performs its own risk assessment in formulating risk based IA plans.</p> <p>There is a degree of flexibility and contingency within IA plans to cater for the changing risk environment.</p>	<p>Audit universe completed and utilised.</p> <p>Taken into account during planning.</p> <p>Amended and agreed during 2016.</p> <p>N/A</p> <p>Plan includes contingency for responsive work. The plan is updated throughout the year as necessary to take into account any changes. All updates are reported to the Audit Committee.</p> <p>A mid-year review of the plan was completed, including consultation with Strategic Directors. This was reported to the Audit Committee.</p>			
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		<p>There is formal approval of the plan by the board – in some cases internal audit is required to formulate a plan for approval that enables them to provide an annual opinion. This is understood and reflected in discussions and approval of the plan with senior management and the board.</p>	<p>Plan approved by Audit Committee. Plan includes the work necessary to provide an annual opinion.</p> <p>The Audit Manual includes the use of Risk Registers as included in paragraphs 7.1.3 and 8.5</p> <p>Annual Audit Plan and associated working papers.</p>			
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2040	<p><b>Policies and Procedures</b></p> <p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p> <p><b>Interpretation:</b></p> <p>The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work</p>	<p>There are appropriate policies and procedures, which are communicated to and understood by the staff of the internal audit activity.</p> <p>Internal auditors understand what is expected of them and the procedures recognise and apply the requirements of the IPPF</p> <p>Managers and the QAIP examine the application of policies and procedures – there is evidence to support supervision and quality management.</p> <p>Internal auditors meet to discuss the application of policies and procedures – with agreed actions.</p>	<p>Audit Manual, Audit Charter.</p> <p>Integrated audit software used, which helps regulate this.</p> <p>Training received for software, arranged for RBIA.</p> <p>There is ongoing review of work, showing supervision and quality management.</p> <p>Audit Manual, Audit Charter</p>	<p>Manual to be updated after software fully embedded.</p> <p>Procedures still being developed</p>	2019	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2110	<p><b>Governance</b></p> <p>The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> <li>• Making strategic and operational decisions.</li> <li>• Overseeing risk management and control</li> <li>• Promoting appropriate ethics and values within the organisation.</li> <li>• Ensuring effective organisational performance management and accountability.</li> <li>• Communicating risk and control information to appropriate areas of the organisation.</li> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management.</li> </ul> <p>2110.A1 The internal audit activity must evaluate the design, implementation, and effectiveness</p>	<p>IA reviews the activities in place that manage and monitor the effective implementation of the organisation's;</p> <ul style="list-style-type: none"> <li>• Ethics and values.</li> <li>• Codes of conduct.</li> <li>• Levels of authority and responsibility.</li> <li>• Strategic and operational objectives.</li> <li>• Compliance with laws and regulations.</li> <li>• Communication with stakeholders.</li> <li>• Risk management and control processes</li> <li>• Social and ethical objectives, including validation of reported results.</li> <li>• IT governance, including information security.</li> </ul> <p>Internal audit's consultancy engagements support the improvement of the organisations governance framework, including the board's self-assessment of performance, benchmarking and</p>	<p>Not ethics.</p> <p>Reviewed.</p> <p>Not levels of authority and responsibility. Objectives – performance management included in plan.</p> <p>Compliance – regulatory audits Not Communications</p> <p>Reviewed.</p> <p>Not social and ethical objectives.</p> <p>IT governance and security part of audit plan. Work has been completed on the Information Governance Toolkit.</p> <p>Few consultancy engagements</p>	<p>Further development of governance to be included in the Annual Plan for 2019/20 including:</p> <p>Ethics – consider any use of local government ombudsman upheld complaints in audit planning</p> <p>Audit reviews of the scheme of delegation based on the long term cost of the action not just the annual cost-whole life</p>	2019	DW

	<p>of the organisation's ethics-related objectives, programmes, and activities.</p> <p>2110.A2 The internal audit activity must assess whether the information technology governance of the organisation supports the organisations strategies and objectives.</p>	<p>development of best practice based upon published reports such as the Combined Code.</p>				
2120	<p><b>Risk Management</b></p> <p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p> <p>Interpretation:</p> <p>Determining whether risk management processes are effective is a judgment resulting from the internal auditors assessment that:</p> <ul style="list-style-type: none"> <li>• Organisational objectives support and align with the organisation's mission;</li> <li>• Significant risks are identified and assessed;</li> <li>• Appropriate risk responses are selected that align risks with the organisation's risk appetite; and</li> <li>• Relevant risk information is captured and communicated</li> </ul>	<p>Internal audit's role with regard to risk management is set out in the internal audit charter.</p> <p>IA's role with regard to risk management will vary according to the level of risk maturity within the organisation. Where risk management is well established (risk managed or risk enabled) internal audit provide assurance upon:</p> <ul style="list-style-type: none"> <li>• The effective implementation of risk management processes in relation to strategic and operational objectives.</li> <li>• Reliable identification and assessment of risks with appropriate response.</li> <li>• The reporting of risk and control status by management.</li> <li>• The level of residual risk in relation to the organisations' risk appetite.</li> <li>• The effectiveness of the controls and other responses to risks.</li> </ul>	<p>Charter includes the role of IA with regards to risk management.</p> <p>Review of Risk Management completed in December 2017.</p> <p>Review included the implementation of risk management, identification and assessment of risks, reporting, residual risk and effectiveness of controls.</p>	<p>Consider the use of any self-assessment checklists against IS31000 in future audit reviews of risk management.</p> <p>Consider the use of the risk categories in the Risk Management policy together with resilience and fraud in a new detailed planning document.</p>	2019	DW



	<p>in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.</p> <p>The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.</p> <p>Risk management processes are monitored through ongoing management activities, separate evaluations, or both.</p> <p>2120.A1 The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> <li>• Achievement of the organisation's strategic objectives,</li> <li>• Reliability and integrity of financial and operational information.</li> <li>• Effectiveness and efficiency of operations and programmes.</li> <li>• Safeguarding of assets; and</li> </ul>	<p>The IA activity gathers the information to support an assessment of risk management during multiple engagements.</p> <p>The results of these engagements, when viewed together, provide an understanding of the organisation's risk management and its effectiveness. Alternatively, IA may assess risk management processes as one single engagement</p> <p>Where risk management is less developed (risk naïve, aware or defined) internal audit operate in a more advisory capacity to:</p> <ul style="list-style-type: none"> <li>• Report upon the level of risk maturity and scope for improvement.</li> <li>• Support development of risk management framework.</li> <li>• Facilitate identification and assessment of risks.</li> <li>• Coach management in responding to risks.</li> </ul> <p>Coordinate and consolidate reporting:</p> <p>IA refrains from taking full responsibility for risk management, including risk responses.</p> <p>IA carry out individual risk based engagements to provide assurance on part of the risk management framework, including on the mitigation of individual or groups of risks.</p> <p>IA evaluates the potential occurrence for fraud as part of audit engagements –</p>	<p>All audit scopes include reviewing risk management in the area under review.</p> <p>IA is not responsible for risk management.</p> <p>Risk based internal audit engagements include reviewing risk management within that area.</p> <p>Consideration of fraud not included in all audit</p>			
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	<ul style="list-style-type: none"> <li>Compliance with laws, regulations, policies procedures and contracts.</li> </ul> <p>2120.A2 The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.</p> <p>2120.C1 During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.</p> <p>2120.C2 Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.</p> <p>2120.C3 When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks</p>	<p>included within objectives and referred to in communications at the end of the audit engagement.</p>	<p>scopes. Now added to scoping document.</p> <p>The risk of fraud has been raised with the fraud champions group, to include in risk registers.</p>			
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2200	<p><b>Engagement Planning</b></p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.</p>		<p>All included in scoping document.</p> <p>Audit Manual with templates for planning and the Assignment Brief</p>	Review the assignment brief	2019	DW
2201	<p><b>Planning Considerations</b></p> <p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> <li>The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.</li> <li>The significant risks to the activity's objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.</li> <li>The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a</li> </ul>	<p>Procedure exists within the IA activity that requires internal auditors to research, scope and plan internal audit engagements – assurance and consultancy.</p> <p>Internal auditors document the following as part of their research and discussions with managers</p> <ul style="list-style-type: none"> <li>The nature of the area under review and key areas of change and development</li> <li>The activities that occur and the way performance is monitored.</li> <li>Strategic objectives and the way the area contributes to the organisation's strategy or purpose.</li> </ul>	<p>Procedures exist for research and scoping. All scopes are signed off by a Principal Auditor or Head of Audit.</p> <p>Yes.</p> <p>Yes/no. Performance elements of activity may not be considered.</p> <p>Objectives of the area noted.</p>	<p>Scoping to be further developed after MKInsight fully embedded</p> <p>Could use a more detailed audit planning document</p> <p>Consider the use of the risk categories in the Risk Management policy together with resilience and fraud in a new detailed planning document</p>	2019	DW

	<p>relevant framework or model.</p> <ul style="list-style-type: none"> <li>The opportunities for making significant improvements to the activity's governance, risk management, and control processes.</li> </ul> <p>2201.A1 When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.</p> <p>2201.C1 Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.</p>	<ul style="list-style-type: none"> <li>The risks involved and the organisation's chosen responses to those risks.</li> <li>How managers know the responses are effective.</li> <li>Assurances managers give to whom and how often.</li> </ul> <p>The preparation for audit engagements leads to the documentation of objectives that are agreed with senior management and where appropriate clients outside the organisation. Options include:</p> <ul style="list-style-type: none"> <li>Assurance that management assurance is effective and, therefore, reliable.</li> <li>Assurance that specific responses, including controls, are effective in managing given risks.</li> <li>Consultancy to help managers improve the design or implementation of governance processes, risk processes and risk responses, including controls.</li> </ul> <p>Documentation of the objectives and scope of consultancy engagements. This could include engagement letters, terms of reference and any other form of agreement that documents the responsibilities of the internal audit activity in a consultancy engagement</p>	<p>Risks confirmed to risk registers,</p> <p>Audit Manual with templates for planning and the Assignment Brief</p>			
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2310	<p><b>Identifying Information</b></p> <p>Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.</p> <p><b>Interpretation:</b></p> <p>Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.</p>	<p>The internal auditor plans what information they may need, where that information could be obtained from and whether that information is sufficient, reliable, relevant, and timely.</p> <p>The working files/papers for the audit engagement contain information that shows how activities and processes are designed and how they are meant to work.</p> <p>Information is obtained from information systems about the way processing operates – options include reporting tools, exception reports and CAATs.</p> <p>Information also includes observations, interviews and results of audit testing.</p>	<p>Information is gained in order to complete audit testing and support conclusions, and retained in the files.</p> <p>If documented systems / processes are available they will be obtained and used. If not such processes will usually be determined through discussion with auditee and recorded in the working papers.</p> <p>Reports are obtained where applicable. CAATs are not used.</p> <p>Audit evidence stored in electronic files including in the main repository of MK Insight</p> <p>Internal Audit Quality Reviews of completed work</p>	<p><u>CAATS</u> Training courses on MS Excel, Google Documents MS Excel CAATS software</p> <p>Consider a separate appendices in the Audit Manual on the use of CAATS, The same as for MK Insight and Risk Management</p>	2019	DW

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Person Responsible
2410	<p><b>Criteria for Communicating</b></p> <p>Communications must include the engagement's objectives scope and results.</p> <p>2410.A1 Final communication of engagement results must, include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors' opinion should be provided. An opinion must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p><b>Interpretation:</b></p> <p>Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.</p> <p>2410.A2 Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.</p>	<p>There is evidence of appropriate, timely communication with management throughout the audit engagement.</p> <p>This begins with discussions to research and scope an audit, leading to agreement upon objectives.</p> <p>Communication with managers also occurs as the audit engagement proceeds - discussing and analysing information.</p> <p>Close –out meetings that provide the basis for exchange views about conclusions, opinions and possible recommendations for improvement.</p> <p>An overall opinion or conclusion is included within audit communications in line with the stakeholder expectations and the original objectives of the audit engagement.</p> <p>Opinions are given according to the level, scope and detail agreed with senior management</p> <p>Opinions at the engagement level may be ratings, conclusions or other descriptions of the results.</p> <p>Satisfactory performance is acknowledged in engagement communications.</p> <p>Communications outside the organisation</p>	<p>Internal Audit Manual with templates</p> <p>Opening meeting held to agree scope and objectives.</p> <p>Ongoing contact is maintained throughout the audits.</p> <p>Closing meetings held after all audits, including conclusions and opinions and recommendations.</p> <p>Overall opinions are given according to the agreed process and linked to objectives.</p> <p>Standard rating for audit opinions.</p> <p>Reports include areas that are well controlled.</p> <p>N/A</p>	<p>Caveat on the audit report for any client sharing of the report with other parties as part of evidence of compliance for example for a Care Home with the CQC, Academy report with Ofsted.</p> <p>Consider communication being a separate field in the Customer Satisfaction Questionnaire</p>	2019	DW

	<p>2410.A3 When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.</p> <p>2410.C1 Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.</p>	<p>are limited in distribution and use of results.</p> <p>There is evidence of progress and results on consulting engagements that is reasonable to the engagement.</p>	<p>N/A</p> <p>Audit evidence stored in electronic files including in the main repository of MK Insight</p> <p>Internal Audit Quality Reviews of completed work</p>			
2420	<p><b>Quality of Communications</b></p> <p>Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</p> <p><b>Interpretation:</b></p> <p>Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration,</p>	<p>There is a record of the timeline for the communication of results that spans the completion of the audit engagement through to communication with the board.</p> <p>There is a procedure that ensures discussions with managers between the close of the audit engagement and the delivery of communications are performed promptly.</p> <p>There is evidence to show IA communications are delivered in a timely manner and within the timeframe and level of resource set at the start of the audit engagement.</p>	<p>Record kept of the progress of audits from completion of fieldwork to reporting to Audit Committee. Planned and actual key dates recorded in MKInsight.</p> <p>Closing meetings are held as soon as possible after completion of fieldwork.</p> <p>There are targets for issue and return of draft and final reports, which are followed up if necessary. Actual dates</p>	<p>Annual review of communications at the time of the annual audit planning process as part of continuous reflection and improvement.</p>	<p>March 2019</p>	<p>DW</p>

	<p>superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.</p>	<p>Communications cover the full scope of the audit engagement.</p> <p>The form and style of communications has been discussed and agreed with senior management and the board including the method of communications, format, and any grading of opinions and recommendations.</p> <p>There is evidence of review and approval of communications prior to their release</p> <p>Communications are clear and concise.</p>	<p>are noted on the files.</p> <p>No. Have tended to be based on good practice / examples / templates from other authorities. Standard report format being produced. Reports show the link between objectives and conclusions.</p> <p>Draft and final reports are reviewed before release.</p> <p>Yes.</p> <p>Records held in MK Insight and documents such as the audit brief, requests for information as part of the fieldwork, meeting requests and reports sent to the client.</p>			
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**Summary Sheet****Council Report:**

Audit Committee 29<sup>th</sup> January 2019

**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
26 <sup>th</sup> 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
	Review External Audit Findings	External Audit Progress Update	Grant Thornton / Graham Saxton
	Effectiveness of Internal Control	Information Governance	Paul Vessey
	Effectiveness of Internal Audit and internal control environment	Risk Management Directorate Presentation – CYPs	Jon Stonehouse
	Effectiveness of Internal Audit	Audit Committee Self-Assessment and Annual Report	David Webster
		Audit Committee Prospectus and Forward Work plan  Private Meeting	David Webster

<b>Meeting Date</b>	<b>Objective</b>	<b>Agenda Item</b>	<b>Author</b>
June 2019	<p>Review External Audit findings</p> <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>External Audit Progress Update</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>Grant Thornton / Graham Saxton</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 findings (ISA 260)	Grant Thornton / Graham Saxton
	Review External Audit findings	External Audit report on the Accounts	Grant Thornton / 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	Review External Audit findings	Training External Audit Progress Report	Grant Thornton / Graham Saxton
	Effectiveness of Internal Audit	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

Meeting Date	Objective	Agenda Item	Author
November 2019		Training – Code of Corporate Governance	
	Review External Audit findings	External Audit Annual Letter	Grant Thornton / 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	Strategic Director R&E
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
January 2020	Review External Audit findings	Training External Audit Progress Update	Grant Thornton / Graham Saxton
	Review financial statements	Final Accounts closedown and accounting policies	Graham Saxton
	Review External Audit findings	External Audit Grants Report	Grant Thornton / Graham Saxton
	Review External Audit Annual Plan	Accounts 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

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