

AUDIT COMMITTEE

- Date and Time :-** Tuesday, 24 March 2020 at 2.00 p.m.
- Venue:-** Town Hall, Moorgate Street, Rotherham.
- Membership:-** Councillors Cowles, Vjestica, Walsh (Vice-Chair), Wilson and Wyatt (Chair)
- Independent Member – Vacant**

The business which will be discussed are described on the agenda below and there are reports attached which give more details.

Rotherham Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair or Governance Advisor of their intentions prior to the meeting.

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 4th February, 2020 (herewith) (Pages 1 - 6)**
- 7. Grant Thornton - Changes to the Audit Market (Pages 7 - 22)**
- 8. Dedicated Schools Grant - Central Reserve (Pages 23 - 47)**
- 9. Internal Audit Quality Assurance and Improvement Programme (QAIP) (Pages 48 - 87)**

10. **Internal Audit Plan 2020/21 (Pages 88 - 107)**
11. **Audit Committee Forward Plan (Pages 108 - 116)**
12. **Items for Referral for Scrutiny**
13. **Exclusion of the Press and Public**
Resolved:- That, under Section 100(A) 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(1) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relating to business and financial affairs).
14. **Children and Young People's Service Directorate Risk Register (Pages 117 - 125)**
15. **Internal Audit Progress Report for the period 1st January to 29th February 2020 (Pages 126 - 153)**
16. **Date and time of Meetings in 2020-21**
Tuesday, 23rd June, 2020

Thursday, 30th July

Tuesday, 29th October

24th November

19th January, 2021

23rd March

Shoa Kemp.

Chief Executive.

AUDIT COMMITTEE
4th February, 2020

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

Gareth Mills, Grant Thornton (External Auditor) was also in attendance.

An apology for absence was received from Councillor Cowles.

57. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

58. BERNARD COLEMAN, INDEPENDENT PERSON

The Chair reported that it was Bernard's last meeting of the Audit Committee as the Independent Person.

Bernard was thanked for his attendance and his contributions to the work of the Committee.

It was hoped that the new Independent Person would be appointed as a matter of urgency.

Resolved:- That the Head of Democratic Services ensure that the appointment process for the new Independent Person be undertaken and completed as soon as possible.

59. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

60. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH NOVEMBER, 2019

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26th November, 2019.

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

61. GRANT THORNTON EXTERNAL AUDIT PLAN 2019/20

Consideration was given to a report, presented by Gareth Mills describing Grant Thornton's External Audit Plan in respect of the 2019/20 financial year.

AUDIT COMMITTEE - 04/02/20

The report stated that, as the Council's external auditor, Grant Thornton had a duty to:

- give an opinion on the Council's financial statements;
- conclude on whether the Council had arrangements in place to secure economy, efficiency and effectiveness in the Council's use of its resources.

The External Audit Plan document, included as an appendix to the submitted report, set out the audit approach that Grant Thornton were planning to take to discharge these duties.

The International Standards on Auditing provided guidance on the significant risk which should be considered by auditors. Grant Thornton had identified the following significant risks:-

Management override of controls
Valuation of pension liabilities
Valuation of land and buildings
Implementation of a new payroll system

The risk assessment regarding the Authority's arrangements to secure value for money had identified the following significant risks:-

Financial standing – delivery of 2019/20 budget, savings plan and other budgetary measures whilst managing cost and demand pressures within Children's Services, Adult Social Care and other vital services for the local population
Dedicated School Grant deficit position and recovery plan

A brief description of each risk was provided in the Plan.

The Financial Reporting Council (FRC) had set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. The FRC had now assumed responsibility for the inspection of local government audit and the regulator required that all audits achieved a 2A (few improvements needed) rating. Accordingly, the planned audit fee was increased to reflect the additional work required during the financial year.

Discussion ensued with the following issues raised/clarified:-

- The accompanying pressure of bringing forward the closure of accounts
- Staffing implications for the external auditor
- Constant monitoring of progress

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

(2) That Grant Thornton's External Audit Plan for the 2019/20 financial year, as now submitted, be approved and the proposed areas of audit identified be noted.

62. CLOSURE OF THE ACCOUNTS 2019/20

Rob Mahon, Finance Manager (Financial Accounting), presented a report outlining the main changes to the local authority accounting framework in 2019/20 which included 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 decision to bring forward the timetable for publishing the unaudited financial statements by one month and for the publishing of the audit financial statements by 2 months had represented a major challenge for all local authorities. It had resulted in a need to adopt radically different approaches to ensure that the tighter deadlines were achieved.

Rotherham had successfully met the 2018/19 timeframes in closing its accounts. It had continued to review internal procedures from lessons learnt in order to streamline processes and improve the quality of the closedown processes and procedures.

In accordance with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, notice of the inspection period would be advertised on the Council's website in advance of the unaudited financial statements being published. In order for the inspection period to commence, the Annual Governance Statement and narrative Report would also 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 was, therefore, being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

This financial year, the Council must disclose the expected balance sheet impact of the new IFRS 16 leases that would see the removal of operation leases from April 2020 with lessees expected to recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. Further details of the Council's work to prepare for IFRS 16 were detailed in Appendix A.

Resolved:- That the key accounting issues and main changes to the accounts in 2019/20, as set out in Appendix A of the report submitted, be noted.

63. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee covering the period March, 2020 to January, 2021.

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

64. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

65. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100(A) 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(1) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relating to business and financial affairs).

66. FINANCE AND CUSTOMER SERVICES DIRECTORATE RISK REGISTER

Consideration was given to a report, presented by Judith Badger, Strategic Director, Finance and Customer Services, providing details of the Risk Register and risk management activity within the Finance and Customer Services' Directorate.

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 Member
- How risks were included on and removed from the Register
- Anti-fraud activity in the Directorate

A detailed breakdown was given of the 5 red rated risks included within the Register.

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

67. CORPORATE STRATEGIC RISK REGISTER

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

The Register was reviewed and refreshed by the work of the Risk Champions Group and by the Strategic Leadership Team (SLT). Each individual risk score was reviewed by Directorate Leadership Teams and Strategic Directors at their regular meetings and had been changed where a change was justified.

The current Register had been constructed from updates provided by risk owners. There were currently 12 risks included on the Strategic Risk Register, one less than when the Register was previously considered in July 2019. A risk relating to the UK leaving the EU without a deal had been added after July 2019 and then subsequently removed.

Discussion ensued with the following issues raised/highlighted:-

- Influenza Pandemic/Emergency Planning
- Issues relating to the recent flooding incident

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

68. INTERNAL AUDIT PROGRESS REPORT - 1ST NOVEMBER - 31ST DECEMBER, 2019

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st November to 31st December, 2019, and the key issues that had arisen therefrom.

The completion of the audit plan had been impacted by a member of the Audit Team being on sick leave during the period under consideration and in fact was still off work sick. This would mean adjustments to the plan towards the end of the year.

The current position with regards to the plan was given in Appendix A with 11 reviews having been deleted from the current year's plan and additional days being allocated to 2 reviews.

A brief summary of all audit work concluded since the last Audit Committee were set out in Appendix B. 3 audits had been finalised one of which had Partial Assurance.

A summary of the Control and Risk Self-Assessments issued to all maintained schools was set out in Appendix C. 18 replies from schools had been received.

Appendix D set out Internal Audit's performance against a number of indicators. Target performance had not been achieved for the indicator on productive time. This was affected by sickness during the 2 month period.

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Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. 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 with the following issues clarified:-

- The client satisfaction survey had been refreshed with consideration now being given to an online form for ease of completion and reporting
- Reduction in the agreed action due dates
- Change in working practice with reminders being sent to officers and Assistant Directors on a countdown from 4 weeks with the hope of increasing the due date actions
- Preparation of next year's plan was underway with attendance at every Directorate Leadership Team seeking their views on what should be included

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1st November to 31st December, 2019, 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.

69. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 24th March, 2020, commencing at 2.00 p.m.

Committee Name and Date of Committee Meeting

Audit Committee – 24 March 2020

Report Title

Grant Thornton - Changes to the Audit Market

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

Ward(s) Affected

Borough-Wide

Report Summary

The Council's external auditor, Grant Thornton, have provided a presentation that highlights the key changes being made within the current audit market. The presentation covers the challenges that the external audit function is facing due to the increasing complexity of public sector accounts, pressure from the Financial Reporting Council (FRC) for greater assurance and testing, amid a backdrop of reduced audit fees. As reported to February's Audit Committee, as part of the Grant Thornton Audit Plan, the audit fees for Rotherham MBC's accounts 2019/20 have been increased, as a result of these pressures.

Recommendations

1. Audit Committee is asked to note the changes to the audit market, the financial implications to the Council, and the potential implications in the delivery of the Council's accounts.

List of Appendices Included

Appendix 1 Grant Thornton Changes to the audit market.

Background Papers

Audit Appointment Letter 2019/20

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 - changes to audit market

1. Background

- 1.1 As reported to the Audit Committee in February, as part of Grant Thornton's audit plan, the fee for the Council's external audit function 2019/20, has increased from £117k, to £129k. The proposed increase is due to a number of issues such as the Financial Reporting Council putting greater pressure onto the external auditor function to carry out greater assurance and testing, the growing complexity and size of public sector accounts, and the reduce auditor fees available to carry out that audit.

2. Key Issues

- 2.1 The Council's external auditor, Grant Thornton, have provided a presentation that highlights the key changes being made within the current audit market, appendix 1. The presentation covers the challenges that the external audit function is facing due to the increasing complexity of public sector accounts, pressure from the Financial Reporting Council for greater assurance and testing, amid a backdrop of reduced audit fees. As reported to February's Audit Committee, as part of the Grant Thornton Audit Plan, the audit fees for Rotherham MBC's accounts 2019/20 have been increased, as a result of these pressures.
- 2.2 With the increasing level of assurance that the Council's external auditors need to provide, combined with the increased volume of work that this will place on the Council's finance teams, there is a risk to the Council's timely production of the 2019/20 accounts. This risk will be mitigated through effectively planning and resourcing those areas of the accounts that are likely to receive the greatest level of challenge, such as property, plant and equipment (PPE). This area will come under greater scrutiny as Grant Thornton propose to use an external valuer to support their assurance process.

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 £129,288 has been set for 2019/20, compared to £117,438 for 2018/19. The fee for 2019/20 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 The Council's external auditors now face significantly greater pressure on to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations. Therefore the audit fee for 2019/20 includes an additional fee of £20,850, this increase has been seen across the sector, not just for RMBC, it is not a reflection on the Council's quality of accounts.

6.3 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)

Report Author: *Rob Mahon (Head of Corporate Finance)*
Finance & Customer Services Directorate
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This report is published on the Council's [website](#).

What is happening in the external audit market?

Rotherham Metropolitan Borough Council

24 March 2020



Agenda

FRC regulation

Length & complexity
of accounts

Audit deadlines

Audit fees

Recruitment &
retention

Reviews of the audit
market

FRC regulation

	2012	2020
Regulatory body	Audit Commission	FRC & ICAEW
Number of external Inspections per annum	5	15
Length of inspection process	3 weeks	3 months
Primary focus	<ul style="list-style-type: none"> • Timeliness of sign off • Ensuring fee not too high 	<ul style="list-style-type: none"> • Audit opinion correct • Ensuring fee not too low
Secondary focus	<ul style="list-style-type: none"> • General Fund balance and Usable Reserves appropriately stated • Financial sustainability enables the continued provision of services to expected level • Proper governance in place helping to ensure stewardship of funds 	<ul style="list-style-type: none"> • Property, Plant and Equipment appropriately valued • Pension Fund liabilities appropriately valued • Any other areas of critical judgement
Public Reporting	No	Yes
Potential sanction	Recommendation to Head of Audit	Fine of individual and firm

Length & complexity of accounts

The changing face of local government financial reporting – Birmingham City Council

	2008/09	2018/19
Auditor	Audit Commission	Grant Thornton
Length of financial statements (excluding opinion)	91 pages	219 pages
Length of audit opinion	3 pages	12 pages
Date opinion signed	Feb 2010 (11 months after year end)	September 2019 (6 months after year end)
Scale fee for audit opinion	£700,000	£241,000
Audit fee – grant claims	£300,000	£100,000

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Audit deadlines

Year	Target date	% opinions signed (all firms)
2016-17	30 Sep	95%
2017-18	31 July	80%
2018-19	31 July	58%

Audit fees

- Audit fees have reduced by c.66% on average in the last 10 years
- Audit firms have sought to make audits more efficient & reduce auditor pay in real terms to remain sustainable
- However, due to the regulators raising the bar, the costs of delivery have started to significantly increase. Approx. 10%-15% increase in days last year alone.

Recruitment & retention

- Auditor pay has declined in real terms
- Unsustainable – 60+ hour weeks the norm
- Significant loss of experienced people
- Auditor shortages in UK particularly at In-Charge grade
- Resorting to foreign recruitment due to shortages in the UK

Reviews of the audit market

- CMA
- Kingman
- Brydon
- Redmond

Our response to The Redmond Review

Local audit is facing an unprecedented set of challenges:

- Accounts have grown far more complex
- Authorities are engaging in more innovative / unusual transactions
- Austerity has reduced the ability of many authorities to prepare high quality accounts and working papers
- Audit fees have fallen to an unsustainably low level
- The sign off date of 31 July is too tight
- Retention of key people is very difficult in this environment
- Authorities are not getting the service they deserve
- Radical reform is needed

Our response to The Redmond Review

A 'system wide' solution is needed. We believe this should include:

- The establishment of a separate regulator for local audit
- Rebasing of audit fees to a level which reflects the additional work we are now undertaking
- A simplified CIPFA Code / tiered approach
- A revised approach to Value for Money
- Replacement of the conclusion with a narrative report, at a different time of year
- A focus on governance, financial sustainability and the three 'E's
- Move the target publication date for LG accounts back to 30 September

Select report type
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 24 March 2018

Report Title

Dedicated School Grant – Central Reserve

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)

Neil Hardwick, Head of Finance CYPS

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Jenny Lingrell, Joint Assistant Director Commissioning, Performance & Inclusion

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Ward(s) Affected

Borough-Wide

Report Summary

The report outlines the current and projected overspend on the Dedicated Schools Grant and the recovery plans in place to operate within its annual allocation and reduce the deficit over future years.

The report outlines the national picture on the High Needs Block as part the overall Dedicated Schools Grant and the additional funding the government is investing in education in the next three years as part of its spending review.

The report also brings to members' attention clarification on the accounting treatment of the Dedicated Schools Grant reserve and use of funds to mitigate the deficit following the government's consultation response in January 2020.

Recommendations

1. Audit Committee is asked to note the actions being taken to manage the Dedicated School Grant deficit in Rotherham.
2. Audit Committee notes the additional funding allocated in the government spending review and the outstanding Department for Education (DfE) consultation on Special Education Needs & Disabilities (SEND) and Alternative Provision (AP) Funding.
3. Audit Committee notes the DfE's consultation response to 'Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)'

List of Appendices Included

Appendix 1 DfE's consultation response to 'Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)'

Background Papers

OSMB 29 January 2020 - Update on the High Needs Block
LAC Sufficiency Strategy 2019-2021
SEND Sufficiency Strategy

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Dedicated School Grant – Central Reserve

1. Background

- 1.1 Rotherham has been a relatively low funded authority and has seen significant pressures on the High Needs Block for many years. The High Needs Budget allocation has increased year on year but, partly due to Rotherham's low funding baseline compared to neighbouring boroughs and nationally, the budget uplifts have not been sufficient to match the acceleration in demand and increase in the cost of provision.
- 1.2 During recent years Rotherham has faced growing pressure on the High Needs Budget (HNB) which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1.004m, but in the last three financial years the annual HNB deficit has been £5m, leading to a total HNB deficit of £15.8m and an overall DSG deficit of £15.1m after taking account of DSG balances for Early Years.
- 1.3 The projected over spend is as a result of a number of factors; an overall increase in Education Health and Care Plans, an increase in the number of young people aged 16 to 25 with an EHCP who are now the responsibility of the LA to fund, an increase in the number of children accessing higher cost provision and an increase in the number of pupils in Alternative Provisions (Pupil Referral Units).
- 1.4 The deficit reflects system wide issues in how the funding is determined. Whilst the allocation moved to a formulaic basis in 2018/19 and now includes proxy indicators of SEND within the population, a large element of the grant remains fixed based on historic spend.
- 1.5 To assist in mitigating the DSG pressures in the High Needs Block local authorities can transfer monies (0.5%) from the Schools Block (£190m in 2019/20) to the High Needs Block if they have consulted and gained agreement from Schools and Schools Forum. If a local authority wishes to transfer more than 0.5% then they need to submit a disapplication request to the Secretary of State with a robust business case.
- 1.6 In 2019/20 Rotherham were successful in submitting a disapplication request to the Secretary of State to transfer 1.5% of the DSG Schools Block allocation (£2.8m) to the High Needs Block. The transfer is for one year only and to continue with the transfer of funding a new application is required each financial year.
- 1.7 Despite the £2.8m transfer of funding into the High Needs Block there is still a projected overspend of £4.6m (financial pressure would be £7.4m without the transfer) in the 2019/20 financial year, with the DSG deficit estimated to increase to £19.7m.
- 1.8 Due to the size of the DSG Deficit and in line with the DSG Operational Guidance, Rotherham submitted a Recovery Plan to the ESFA in June 2019 and continues to meet with the ESFA to monitor progress in its implementation.

2. Key Issues

- 2.1 To operate within the Dedicated Schools Grant (DSG) allocations and reduce / mitigate the current DSG Central Reserve deficit.
- 2.2 Ensure that the DSG Central Reserve complies with the accounting requirements.

3. Actions to address the Key Issues

- 3.1 Rotherham has produced a deficit recovery plan to identify cost savings and reduce the cost pressures on the High Needs Block within the Dedicated Schools Grant. The four main cost pressures (which are also national pressures) are:
 - High cost external residential placements and independent sector placements;
 - General growth in the number of Education Health Care (EHC) with a particular pressure identified for supporting young people post 16;
 - Growth in alternative provision placements linked to Pupil Referral Units as an outcome of permanent exclusions;
 - The growth in the number of pupils who require specialist provision when their assessed needs cannot be met by mainstream schools and academies.
- 3.2 The SEND Sufficiency Strategy was approved by Cabinet in May 2019. It sets out the needs analysis, rationale and process to allocate capital funding to increase the sufficiency of school and setting places for children with Special Education Needs and Disabilities (SEND) in Rotherham. £1.186 million of available capital funding has been allocated to create 111 additional school places in Rotherham starting from 2020, for children with special education needs and disabilities. Whilst it may not be possible or appropriate to move children who are settled in expensive independent sector provision, the additional local sufficiency should prevent growth and re-balance the provision mix over time.
- 3.3 An independent consultancy, ISOS, have been engaged to develop a clear understanding and strategy for Rotherham's Alternative Provision offer and to ensure that it is fit for purpose, meets need, is of high quality and is cost effective.
- 3.4 The LAC Sufficiency Strategy, and specifically plans to provide care for Looked After Children within the borough, will also have a positive impact on the High Needs Budget. The local authority will be in a position to directly oversee each child's Education, Health and Care Plan, and identify local provision that is in a position to meet their needs.
- 3.5 On 3 May 2019 the Department for Education consulted on Special Education Needs & Disabilities (SEND) and Alternative Provision (AP) Funding. This call for evidence is intended to focus on how the current available funding is distributed, and what improvements might be made in future. It seeks information about whether there are aspects of the funding system that are driving up costs without improving outcomes for the young people concerned. The consultation ended on 31 July 2019 but the Council is still awaiting the government response.

- 3.6 The recent Government spending review announced additional funding for schools and high needs, compared to 2019-20, will rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22 and £7.1 billion for 2022-23.
- 3.7 In 2020/21 the £2.6 billion is split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block; the funding split for future years still to be determined. For Rotherham this is an additional £6.2m for schools and £4.8m in the High Needs Block.
- 3.8 On the 11 October 2019 the Department for Education consulted on changing the conditions of grant and regulations applied to the Dedicated Schools Grant (DSG) in order to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities, and that any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools budget and does not require to be covered by the authority's general reserves, please see appendix 1 for DfE consultation response.
- 3.9 The government consultation response makes it entirely clear on a statutory basis that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the LA not to do this.

4. Timetable and Accountability for Implementing this Decision

- 4.1 The High Needs Block Recovery Plan submitted to the Department for Education in June 2019 is a three year plan that demonstrates Rotherham's ability to effectively manage the DSG deficit.
- 4.2 The plan identifies how the current projects are estimated to reduce cost pressures in the High Needs Block and operate within the annual allocation in future years.
- 4.3 The additional funding to the High Needs Block has now enabled Rotherham to operate within its DSG annual allocation at an earlier stage than in the original recovery plan, (from 2020/21 financial year) and therefore minimise further growth in the DSG deficit.

5. 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)

- 5.1 The Dedicated Schools Block Central Reserves deficit at the end of the 2019/20 financial year is estimated to be £19.7m.
- 5.2 Due to the additional funding announced in the Government's spending, it is estimated that Rotherham will operate within its annual allocation in the 2020/21 financial year and for DSG to make a contribution towards reducing the DSG deficit from 2021/22 onwards.

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

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

6.2 The School and Early Years Finance (England) Regulations 2020 will come into force in February 2020. The Department of Education will amend the DSG conditions of grant for both 2019-20 and 2020-21 to bring them into line with the new end-year arrangements for carrying forward DSG deficits.

7. Human Resources Advice and Implications

7.1 There are no Human Resource implications arising from this report.

8. Implications for Children and Young People and Vulnerable Adults

8.1 Rotherham is compliant with the SEND Code of Practice which sets out that if a child's parent or a young person makes a request for a particular nursery, school or post-16 institution in maintained, non-maintained, or independent provision, the local authority must comply with that preference and name the school or college in the EHC plan unless it would be unsuitable for the age, ability, aptitude or SEN of the child or young person, or the attendance of the child or young person there would be incompatible with the efficient education of others, or the efficient use of resources.

9. Equalities and Human Rights Advice and Implications

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

10. Implications for Partners

10.1 The Council is increasingly working in partnership with other public, voluntary and community sector bodies in delivering services and influencing outcomes.

11. Risks and Mitigation

11.1 The report outlines the risks to the High Needs Block of the Dedicated Schools Grant and the actions being implemented to mitigate the financial pressures.

12. Accountable Officer(s)

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Department
for Education

Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)

Government Consultation Response

January 2020

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Introduction

The Department for Education consulted on changing the conditions of grant and regulations applying to the Dedicated Schools Grant (DSG), in order to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities, and that any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools budget and does not require to be covered by the authority's general reserves.

The public consultation exercise sought views on making such changes relating to the DSG and allowed respondents to express comments, views or concerns.

Who this was for

The following stakeholders were identified:

- Local Authorities (LAs) in England
- Schools Forums
- Those who audit LAs in England
- Other interested parties

Consultation period

The consultation took place from 11 October 2019 to 15 November 2019. It was conducted online using the government's consultation software, or alternatively, respondents were able to email or send a response form.

About the consultation

Context

Since 2006 the Department for Education has funded local authorities for their current expenditure on schools, early years and children and young people with high needs through a specific grant known as the Dedicated Schools Grant (DSG), made under section 14 of the Education Act 2002. This specific grant must be spent on the local authority's Schools Budget, which is defined in regulations (currently the School and Early Years Finance (England) (No 2) Regulations 2018).

At the end of each financial year, a local authority may have underspent or overspent its DSG allocation. The conditions of grant for the DSG provide that any underspend must be carried forward to the next year's Schools Budget. To date, the conditions of grant have provided three options for dealing with an overspend:

- the local authority may decide not to fund any of the overspend from its general resources in the year in question, and to carry forward all the overspend to the schools budget in future years
- the local authority may decide to fund part of the overspend from its general resources in the year in question, and carry forward part to the schools budget in future years
- the local authority may decide to fund all of the overspend from its general resources in the year in question

Carrying forward an overspend to the schools budget in future years requires the consent of the local schools forum, or if that is not forthcoming the authorisation of the Secretary of State. In practice, schools forums have almost always approved the carrying forward of an overspend.

Until the last few years, few local authorities were recording DSG overspends, and those overspends were small. However, pressures on the high needs budget have led to more and larger overspends in recent years. Local authorities' budget data for 2019-20 recorded that at the end of 2018-19, about half of all authorities experienced an overspend, amounting to over £250m in all, while others were still carrying forward surpluses. The national net position was an overspend of £40m, and authorities were forecasting that there would be a net overspend of £230m at the end of 2019-20.

The Government announced at the end of August 2019 that funding for schools and high needs will rise by £2.6bn for 2020-21, £4.8bn for 2021-22, and £7.1bn for 2022-23, compared to 2019-20. This includes £780m extra for high needs in 2020-21: the division of funding between schools and high needs for 2021-22 and 2022-23 has yet to be determined. This additional funding will help many local authorities to bring their DSG

accounts into balance, but a number of authorities will already have substantial deficits at the end of 2019-20 and will not be able to recover them immediately.

The DSG is a specific grant, and the conditions of grant make clear that it can only be spent on the Schools Budget, and not on other aspects of local government expenditure. But where there is an overspend on the DSG, local authorities may currently decide to fund that from general resources. This has led some local authority Chief Finance Officers (often referred to as section 151 officers, with reference to section 151 of the Local Government Finance Act 1972) to conclude that if their DSG account is in deficit, they need to be able to cover the deficit from the authority's general reserves. We know that a similar view is held by organisations that audit local authority accounts. Given the size of some authorities' DSG deficits, and the other pressures on authorities' reserves, there is a risk that covering DSG deficits from general funds may lead authorities to make spending reductions in other services that they would not otherwise make.

The Government's intention is that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. No timescale has been set for the length of this process.

The Department held discussions with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG) about changes that we might make to the DSG conditions of grant and the regulations in order to create certainty that local authorities will not have to pay for DSG deficits out of their general funds. The proposals that we made in the consultation following these discussions are described below, and were intended for implementation from the start of the financial year 2020-21, so that local authorities would take them into account in setting budgets for 2020-21.

Proposals

We proposed to change the conditions of grant for the DSG with effect from the end of the financial year 2019-20 (ie, any overspend at the end of 2019-20 will fall under the new arrangements). This was therefore expected to inform and affect budget setting processes for 2020-21, as well as the presentation of reserves in the annual accounts for 2019-20. Subject to the outcome of consultation, we proposed that future arrangements for dealing with overspends would be worded as follows:

- the local authority must carry forward the whole of the overspend to the schools budget in future years;
- the local authority may not fund any part of the overspend from its general resources, unless it applies for and receives permission from the Secretary of State to do so.

The main reason for including the second bullet was that some local authorities have traditionally made small contributions from their general fund to some elements of the schools budget, unconnected to considerations relating to DSG deficits, and we would not wish to prevent this in future.

On this we asked:

Question 1: Do you agree that we should change the conditions of grant so that future arrangements for dealing with DSG overspends are worded as follows:

- the local authority must carry forward the whole of the overspend to the schools budget in future years;
- the local authority may not fund any part of the overspend from its general resources, unless it applies for and receives permission from the Secretary of State to do so.

As noted in the context section, carrying forward an overspend to the schools budget in future years currently requires the consent of the local schools forum, or if that is not forthcoming the authorisation of the Secretary of State. This is set out in [regulations 8\(6\) and 8\(10\) of the School and Early Years Finance \(England\) \(No 2\) Regulations 2018](#). If the conditions of grant are changed so that the local authority must carry forward the whole of any DSG overspend to the schools budget in future years, it would no longer make sense to require the schools forum to agree such a carry forward. We therefore proposed to delete regulations 8(6) and 8(10) from the new regulations for the financial year 2020-21. On this we asked:

Question 2: Do you agree that we should delete regulations 8(6) and 8(10) from the new School and Early Years Finance (England) Regulations for the financial year 2020-21, so that local authorities are able to carry forward any DSG overspend to the schools budget in future years as the new conditions of grant will require?

The purpose of making these changes to the conditions of grant and to the regulations was to establish clearly that local authorities would not be required to cover any DSG deficit from general funds, and therefore do not need to have free general reserves available to match the deficit. On this we asked:

Question 3: Do you agree that the proposed new conditions of grant and regulations will establish clearly that local authorities will not be required to cover any DSG deficit from general funds?

Summary of responses received

This section summarises the responses that we received to the consultation. It is followed by a more detailed account of responses to Question 1, 2 and 3.

In total there were 153 responses to the consultation, though one respondent did not answer any of the three questions.

A list of the organisations that have responded can be found at Annex A, other than those who asked for their response to be kept confidential. 91 of the responses were from LAs, 8 from schools forums and 52 from other bodies. “Other” respondents included maintained schools, academies, parents and SEND campaigning organisations. One LA auditor responded – Grant Thornton.

There was a substantial majority among all respondents in favour of all three proposals, ranging from 73% on Question 2 to 59% on Question 3. The majority in favour among LAs was even bigger, ranging from 91% on Question 2 to 65% on Question 3.

The most common reasons for opposing the first proposal were that it would reduce local authority autonomy and a concern that it might prevent local authorities from meeting the needs of pupils with special education needs and disabilities (SEND). Opposition to proposal 2 came mostly from schools. A number of local authorities supported proposal 1 but said this was subject to comments they had made under Question 3 about the need to strengthen the proposed arrangements to satisfy Chief Finance Officers and auditors.

Question analysis

Question 1

Do you agree that we should change the conditions of grant so that future arrangements for dealing with DSG overspends are worded as follows:

- the local authority must carry forward the whole of the overspend to the schools budget in future years;*
- the local authority may not fund any part of the overspend from its general resources, unless it applies for and receives permission from the Secretary of State to do so.*

Response	Number	%	Local authority	Schools forum	Other
Yes	102	67	76	3	23
No	39	25	7	5	27
Not sure	11	7	7	0	4
Not answered	1	1	1	0	0

Respondents who agreed with the proposal felt that this change would provide clarity about the treatment of overspends in Local Authority accounts.

The revised conditions of grant would help LAs, schools and the schools forum to have clarity about the funding available. This would facilitate discussion with schools forums and schools to ensure appropriate mechanisms are in place to minimise the risk of future DSG pressures and increasing DSG deficits. This would be particularly important with regard to the High Needs Block where many LAs are experiencing significant pressures.

Several respondents called for the Department to issue guidance on expected actions by LAs, schools and schools forums in terms of managing the length of time deficits are held for, actions required, and monitoring of progress.

Many respondents who agreed with the proposal and some who were not sure said that the proposal needed to be strengthened, so that it was clearer both that the requirement to carry a deficit forward from year to year was statutory and that the Department would if necessary assist LAs who were unable to clear a historic deficit from their future DSG income.

The majority of respondents who disagreed with the proposal were bodies other than

LAs and schools forums. One concern was that mainstream schools would ultimately suffer if an LA continues to carry a DSG deficit, and would need to contribute to eliminating the deficit. Another was that LAs would not be able to carry out their high needs duties if they were unable to draw on general funds.

Some respondents requested that reforms to the management of overspends on the DSG should be postponed until the Department has completed the SEND review.

Some LAs considered that the proposal was taking away their autonomy to manage their own budgets and opposed the principle of doing that.

Question 2

Do you agree that we should delete regulations 8(6) and 8(10) from the new School and Early Years Finance (England) Regulations for the financial year 2020-21, so that local authorities are able to carry forward any DSG overspend to the schools budget in future years as the new conditions of grant will require?

Response	Number	%	Local authority	Schools forum	Other
Yes	111	73	83	4	24
No	33	22	4	4	25
Not sure	8	5	3	0	5
Not answered	1	1	1	0	0

Respondents who agreed with the proposal commented that it made sense that if DSG overspends had to be carried forward, it should not be within the power of the local schools forum to block the carry forward. The change would provide clarity and all LAs and school forums would work on the same basis.

Respondents who disagreed with the proposal did so mostly on the basis that the LA should not be prevented from using general funds to cover overspends in the schools budget. Some also commented that the schools forum should still have a role in this process so that there is adequate governance for DSG spending, or that local checks and balances through the schools forum were important.

Question 3

Do you agree that the proposed new conditions of grant and regulations will establish clearly that local authorities will not be required to cover any DSG deficit from general funds?

Response	Number	%	Local authority	Schools forum	Other
Yes	90	59	59	5	26
No	40	26	20	2	15
Not sure	21	14	11	1	9
Not answered	2	1	1	0	1

The majority of the respondents answered yes to this question, but there were additional comments such as:

- it is important that the overall DSG High Needs funding allocation is sufficient.
- the consequences for all residents including vulnerable children and adults of enforcing conditions that pass liability onto the LA would be very serious - if local authorities were required to fund DSG overspends from the General Fund, it is not inconceivable that this could lead the S151 officer to issue a S114 notice (a S114 notice is a declaration that an LA's expenditure in a financial year is likely to exceed the resources available to it to meet that expenditure).
- if DSG deficits can therefore only be recovered from future DSG income it will be crucial that timescales for this recovery are set by the LA (in consultation with the schools forum) and submitted for approval by the DfE.

Many of those who answered no to the question said that the proposals would need to be amended, in particular to strengthen the statutory backing for the ring-fence. A few bodies other than LAs or schools forums claimed that the proposals could prevent LAs from carrying out their legal duty to fund SEN provision.

Government response

The overall response to the consultation was positive, especially on the part of LAs. Consequently the Government intends to proceed with implementing the proposals.

It was however clear from the views of key stakeholders that the proposals needed strengthening in two respects: giving statutory backing to the new ring-fence arrangements, and clarifying that, where LAs were otherwise unable to clear their DSG deficits, the Department would agree a plan of action with them to enable these LAs to pay off their deficit over time.

We are achieving this strengthening through three changes.

Statutory backing

Instead of making changes only to the conditions of grant as we had proposed in the consultation, to clarify the ring-fenced status of DSG and how DSG deficits must be handled, we are now putting provisions into the School and Early Years Finance (England) Regulations 2020 which will come into force in February 2020. We will as proposed delete regulations 8(6) and 8(10) which required schools forum approval for the carrying forward of deficits, but we will replace them with new provisions as follows:

“Schedule 2, insert new part 8 under the heading “Deficit from previous funding period”.

Expenditure in relation to any deficit in respect of the local authority’s schools budget from the previous funding period.

Insert at an appropriate place in regulation 8 new paragraphs as follows:

(x) Where a local authority has expenditure falling within Part 8 of Schedule 2, it must –

(i) deduct all of that expenditure from its schools budget

(ii) deduct such part of that expenditure as the authority may determine and carry forward the remaining part to the next funding period; or

(iii) carry forward all of that expenditure to the next funding period.

(y) A local authority may apply to the Secretary of State for authorisation under regulation 31(1) to disregard the requirements in paragraph (x)”

The impact of these statutory provisions will be that an LA with a DSG deficit from the previous year must either:

- (i) carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year (deducting all of it under (x)(i) from the money available for that financial year);
- (ii) carry part of it forward into the new financial year and the rest of it into the following financial year (using (x)(ii));
- (iii) carry all of it into the following financial year (using (x)(iii)); or
- (iv) apply to the Secretary of State under (y) for authorisation to disregard the requirements in (x) if it wishes to fund any part of the deficit from a source other than the DSG.

This will make it entirely clear on a statutory basis that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the LA not to do this.

We will still make corresponding changes to the conditions of grant to bring them into line with the regulations.

So under the new arrangements set out in the School and Early Years Finance (England) Regulations 2020 and in the DSG conditions of grant for 2020-21, LAs will have either to carry forward any cumulative deficit in their schools budget to set against DSG in the next funding period (Y+1); or carry forward some or all of the deficit to the funding period after that (Y+2), in order to determine how much resource is available to be spent during the funding period (Y+1). These arrangements will begin to operate from budget setting for the financial year 2020-21 and will therefore affect any deficits held at the end of 2019-20 (we will amend the conditions of grant to make this entirely clear). The same provisions will appear in future regulations so that LAs can continue to carry deficits forward from year to year.

The effect of these provisions is that LAs will not be permitted to fund any part of the deficit from sources other than the DSG (and any specific grants whose conditions allow them to be applied to the schools budget) without the authorisation of the Secretary of State. If a LA wishes to use other sources, it must apply to the Secretary of State for authorisation to disregard the new arrangements. We would not wish to place barriers in the way of LAs that have used other sources to supplement the DSG for particular reasons such as PFI costs; or of LAs who want voluntarily to use small annual sums in support of their high needs budgets.

Clarification of financial support for LAs

In the financial year 2020-21 the total allocated to the high needs block within the DSG is rising by 12%. Overall funding for schools and high needs, compared with 2019-20, is increasing by £4.8bn in 2021-22 and £7.1bn in 2022-23, and will need to be split between schools and high needs. In making that decision we will be mindful of the pressures on high needs.

The SEND review (see <https://www.gov.uk/government/news/major-review-into-support-for-children-with-special-educational-needs>) will also report during 2020, and has been tasked with looking at how to arrive at a fair and sustainable system of high needs support for the future.

In the context of rising high needs funding over the next few years, the Department expects that most of those LAs with a DSG deficit will be able to bring their high needs budget into in-year balance, and go on to recover the deficit by managing their expenditure within the larger DSG total. The Department will work with LAs to help them do this.

The Department recognises that this process will be difficult for some LAs. As we have previously said, we intend to review the funding formula for high needs over the next year or two, and in doing so will take account of the patterns of expenditure that LAs' deficits, alongside other evidence, will help to identify; and what they tell us about LAs' need to spend. As part of the review, we will identify any changes needed to the current formula so that it reflects LAs' need to spend.

Nonetheless, we recognise also that there may well be some LAs which, even if they can stabilise their in-year expenditure on high needs, will still not be able to pay off their historic deficit within a reasonable time. The Department will set criteria and will need convincing evidence from LAs that this is the case. Where the criteria are met, the Department will agree a plan of action with the LA to enable it to pay off its deficit over time. The plan will include appropriate additional conditions of grant designed to secure the most efficient use of resources. These would depend on the situation and context, but could include – for example – changes to local SEND policy or practice, management change or sign off of budget plans by the Department.

Dealing with cashflow problems

The new arrangements set out in this document will clarify the procedures for LAs to carry DSG deficits forward from year to year. The Department recognises, however, that LAs could experience cashflow difficulties in actually financing in-year spending. If an LA is able to prove that it has such cashflow problems, the Department will be willing to consider bringing forward funding which would then be subtracted from future years' allocations. Again, this would be subject to appropriate additional conditions of grant to secure the most efficient use of resources.

Responses on other points

Some respondents said that the proposals would reduce the autonomy of LAs. That is to a degree true, but only where the LA has a DSG deficit. We judge that this reduction of autonomy is justified in order to clarify the ring-fenced status of DSG.

Some respondents said that the schools forum should still have a role in deciding whether DSG deficits should be carried forward. We do not think that this is a practical arrangement once the carry forward becomes mandatory. LAs should however work closely with their schools forums on their plans for managing DSG deficits: we are adding that to the DSG conditions of grant.

Some respondents requested that the proposals should be postponed until after the SEND review has been completed. However, we believe that the changes will bring positive impact for local authorities in 2020-21 and should therefore be implemented now.

Some respondents argued that the burden of bringing DSG expenditure into line with resources over time would fall on mainstream schools. The Government has already set limits on the amount of resource that can be moved out of the DSG Schools Block, and intends to move further towards a hard formula, where mainstream schools are guaranteed to receive their allocations under the National Funding Formula.

Finally, some respondents argued that the changes would prevent LAs from carrying out their legal duties to fund SEND. The Department does not accept that. The duty to fund SEND under the 2014 Children and Families Act is unaffected, and the only change is that the cost must in the end be met from successive years' DSG allocations, unless the Secretary of State authorises that the LA can meet some of it from other funds.

Public sector equality duty

In making decisions on the consultation Ministers have had regard to the public sector equality duty under section 149 of the Equality Act 2010. The protected characteristic most obviously relevant to this consultation is disability. If the proposals in the consultation are not implemented, LAs are likely to come under pressure to reduce their spending, and may look particularly at making short term and unplanned reductions to spending on those with SEND. Implementing the proposals is therefore likely to be beneficial to this group. We do not believe that implementation will have a significant detrimental effect on those that share any other protected characteristic.

Next steps

The School and Early Years Finance (England) Regulations 2020 will come into force in February 2020. The Department will amend the DSG conditions of grant for both 2019-20 and 2020-21 to bring them into line with the new end-year arrangements for carrying forward DSG deficits.

CIPFA, MHCLG and the Department are working on issuing guidance about the changes.

The Department will remain in contact with those LAs who have significant DSG deficits in order to offer advice and help on their future handling: we are providing for these arrangements in the DSG conditions of grant.

Annex A: List of organisations that responded to the consultation

Local Authorities:

- Barnsley Metropolitan Borough Council
- Bath and North East Somerset Council
- Blackburn with Darwen Borough Council
- Bournemouth, Christchurch and Poole Council
- Bracknell Forest Council
- Brighter Futures for Children (on behalf of Reading Borough Council)
- Brighton & Hove City Council
- Bristol City Council
- Buckinghamshire County Council
- Calderdale Metropolitan Borough Council
- Cambridgeshire County Council
- Central Bedfordshire Council
- Cheshire East Council
- Cumbria County Council
- Devon County Council
- Doncaster Metropolitan Borough Council
- Durham County Council
- East Riding of Yorkshire Council
- East Sussex County Council
- Essex County Council
- Halton Metropolitan Borough Council
- Hampshire County Council
- Hartlepool Borough Council
- Herefordshire Council
- Hertfordshire County Council
- Isle of Wight Council
- Kent County Council
- Kirklees Council
- Lancashire County Council
- Leeds City Council
- Leicester City Council
- Leicestershire County Council
- Lincolnshire County Council
- Liverpool City Council
- London Borough of Barking & Dagenham
- London Borough of Bromley
- London Borough of Hackney
- London Borough of Havering
- London Borough of Lewisham
- London Borough of Newham
- London Borough of Richmond upon Thames
- London Borough of Sutton

- London Borough of Tower Hamlets
- London Borough of Waltham Forest
- London Borough of Wandsworth
- Manchester City Council
- Medway Council
- Milton Keynes Council
- Newcastle City Council
- Norfolk County Council
- North Somerset Council
- North Tyneside Council
- Nottingham City Council
- Nottinghamshire County Council
- Oldham Metropolitan Borough Council
- Oxfordshire County Council
- Plymouth City Council
- Redcar and Cleveland Borough Council
- Rotherham Metropolitan Borough Council
- Royal Borough of Kensington & Chelsea
- Royal Borough of Kingston upon Thames
- Rutland County Council
- Salford City Council
- Sefton Council
- Slough Borough Council
- Solihull Metropolitan Borough Council
- Somerset County Council
- South Gloucestershire Council
- South Tyneside Council
- Southend on Sea Borough Council
- St Helens Council
- Stockton-on-Tees Borough Council
- Suffolk County Council
- Surrey County Council
- Swindon Borough Council
- Thurrock Council
- Trafford Council
- Wakefield Metropolitan Borough Council
- Warrington Borough Council
- Warwickshire County Council
- Westminster City Council
- Wigan Council
- Wiltshire County Council
- Worcestershire County Council

School Forums

- Birmingham Schools Forum
- Oxfordshire Schools Forum
- Wiltshire Schools Forum
- Warwickshire Local Authority Schools Forum x2

Other Interested Parties

- Ambitious about Autism
- Buttsbury Infant School
- Buttsbury Junior School
- Castletown Primary School
- Catholic Education Service
- Central Learning Partnership Trust
- Christ Church C.E. Primary School
- Downs View School
- Effervesce
- Grant Thornton UK LLP
- Hackney Special Education Crisis
- Inclusion East, Hertfordshire
- Kemnal Academies Trust
- MFG Academies Trust
- National Deaf Children's Society
- North Worcestershire Autism Parents Support Group
- Reading local family forum
- Send National Crisis
- Send National Crisis - Hammersmith and Fulham
- Society of County Treasurers
- Society of London Treasurers
- St Catherine's Primary School
- Weald of Kent Grammar School
- Woodlands Academy School
- Wentworth Nursery School
- Wildern Academy Trust
- Valance School



Department
for Education

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Committee Name and Date of Committee Meeting

Audit Committee – 24th March 2020.

Report 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.

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Ward(s) Affected

Borough-Wide.

Report 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 2019 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 2019 Actions

Appendix B Quality Assurance and Improvement Plan 2020

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.

Internal Audit Quality Assurance and Improvement Programme.

1. Background

- 1.1 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.
- 1.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. A self-assessment was completed in January 2019 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 2019. This self assessment used the checklist developed by the Chartered Institute of Internal Auditors (CIIA).
- 1.3 A further self-assessment has now been completed. This included evaluating progress against the QAIP and the production of a new QAIP based on the latest results. This self-assessment used the checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). When arranging for peer review external assessments between Councils in South and West Yorkshire, for consistency it was agreed to use this checklist.

2. Key Issues

- 2.1 The current position against the 2019 Improvement Action Plan is given in Appendix A. Many actions were completed during the year. Those that were not completed related to the use of Computer Aided Audit Techniques and the use of an overall survey of senior management. None of these affect the standard of work carried out by the team.
- 2.2 An updated QAIP has been produced using the results of the 2020 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.
- 2.3 Implementation of the actions will be progressed throughout the year.

3. Options considered and recommended proposal

- 3.1 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.

4. Consultation

- 4.1 None.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 29th January 2019 meeting.

6. Financial and Procurement Implications

- 6.1 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.

7. Legal Advice and Implications

- 7.1 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.”

- 7.2 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”

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

- 11.1 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. Risks and Mitigation

12.1 The following risk has been identified.

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

13. Accountable Officer

David Webster, Head of Internal Audit.

Quality Assurance and Improvement Plan – 2019

Actions from assessment January 2019 – questions not scored as conforming. Current Position.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
	Overall			Date completed, version number and intended review date on Audit Charter, Manual, Service Plan	2019	Implemented. All dated, Charter and Service Plan updated annually.
1130	<p>Impairments to Independence or Objectivity</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>Interpretation:</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 management and the board</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</p>	<p>Included in Manual. Also expected to adhere to Council policies and Code of Practice.</p> <p>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>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 than for example 4 times. issues</p>	2019	Implemented. Included in Audit Manual para 2.4.3, no more than three times.

	<p>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>1130 A3 – 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>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 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>Engagements are allocated by PA's, taking 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	Current Position
1220	<p>Due Professional Care</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"> • Extent of work needed to achieve the engagement's objectives; • Relative complexity, materiality, or significance of matters to which assurance procedures are applied; • Adequacy and effectiveness of governance, risk management, and control processes; • Probability of significant errors, fraud, or non-compliance; and • Cost of assurance in relation to potential benefits. <p>1220.A2 In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.</p> <p>1220.A3 Internal auditors must be alert to the significant risks that might</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 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>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><u>Consider Paragraph 1.8</u> 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	<p>Implemented. Audit Manual updated to reflect audit software.</p> <p>N/A. Manual refers to CIIA / CIPFA interpretation of PSIAS, which encompass the CIIA International Professional Practices Framework.</p> <p>N/A. Not needed in manual. Audit of Risk Management was completed using the ISO31000 checklist.</p>

	<p>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"> Needs and expectations of clients, including the nature, timing, and communication of engagement results; Relative complexity and extent of work needed to achieve the engagement's objectives; and Cost of the consulting engagement in relation to potential benefits. 	<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>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>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. 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><u>CAATS</u> 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>		<p>Not implemented.</p> <p>Implemented. Manual updated for CAATs, MK Insight and Risk Management.</p>
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1230	<p>Continuing Professional Development</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>	<p>Consider the cost of group IIA membership in partnership with another organisation</p>	<p>2019</p>	<p>Implemented. Group membership not feasible. Some members of the team have individual membership.</p>

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1300	<p>Quality Assurance and Improvement Programme (the sum of standards 1310-1320)</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>Interpretation:</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 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	<p>Not implemented. Questionnaires used after each audit, reviewed and updated. No overall questionnaire used. To be developed.</p>

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1310	<p>Requirements of the Quality Assurance and Improvement Programme</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	<p>Implemented. Proposal to Audit Committee, external assessment planned.</p>
1312	<p>External Assessments</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"> The form and frequency of external assessments. The qualifications and independence of the assessor or assessment team, including any potential conflict of interest. <p>Interpretation:</p> <p>External assessments may be accomplished through a full external assessment, or a self-assessment with independent</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 includes peer</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	<p>Implemented. Proposal to Audit Committee, external assessment planned.</p>

<p>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</p>	<p>assessment 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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	which the internal audit activity belongs. 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	Current Position
2010	<p>Planning</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>Interpretation:</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</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"> • Stakeholder expectations, and feedback from senior and operational managers. • Objectives set in the strategic plan and business plans, including major projects and financial forecasts. • Risk maturity in the organisation to provide an indication of the reliability of risk registers. • Management's identification and response to risk, including risk mitigation strategies and levels of residual risk. • Legal and regulatory requirements. 	<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	<p>Implemented. Risk Registers used for planning, audits matched to high risks where applicable.</p>

	<p>audit 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"> The audit universe – all the audits that could be performed within the scope of the IA Charter. Previous IA plans and the results of audit engagements. <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>			
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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>A mid-year review of the plan was completed, including consultation with Strategic Directors. This was reported to the Audit Committee.</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	Current Position
2040	<p>Policies and Procedures</p> <p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p> <p>Interpretation:</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	<p>Implemented.</p> <p>Procedures developed and manual updated.</p>

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2110	<p>Governance</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"> • Making strategic and operational decisions. • Overseeing risk management and control • Promoting appropriate ethics and values within the organisation. • Ensuring effective organisational performance management and accountability. • Communicating risk and control information to appropriate areas of the organisation. • Coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management. <p>2110.A1 The internal audit activity must evaluate the design, implementation, and effectiveness of the organisations</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"> • Ethics and values. • Codes of conduct. • Levels of authority and responsibility. • Strategic and operational objectives. • Compliance with laws and regulations. • Communication with stakeholders. • Risk management and control processes • Social and ethical objectives, including validation of reported results. • IT governance, including information security. <p>Internal audit's consultancy engagements support the improvement of the organisation's</p>	<p>Not ethics.</p> <p>Reviewed.</p> <p>Not levels of authority and responsibility.</p> <p>Objectives – performance management included in plan.</p> <p>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.</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	<p>Implemented.</p> <p>Details of LGO complaints obtained.</p> <p>Implemented.</p> <p>Scheme of Delegation reviewed.</p>

	<p>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>governance framework, including the board's self-assessment of performance, benchmarking and development of best practice based upon published reports such as the Combined Code.</p>				
2120	<p>Risk Management</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"> Organisational objectives support and align with the organisation's mission; Significant risks are identified and assessed; Appropriate risk responses are selected that align risks with the organisation's risk appetite; and Relevant risk information is captured and communicated in a timely manner across the organisation, enabling 	<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"> The effective implementation of risk management processes in relation to strategic and operational objectives. Reliable identification and assessment of risks with appropriate response. The reporting of risk and control status by management. The level of residual risk in relation to the organisations' risk appetite. 	<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	<p>Implemented. ISO31000 checklist used.</p> <p>N/A. Used the ISO31000 checklist to produce the planning document. Risk categories are the basis of the Risk Registers, which are used.</p>

	<p>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"> • Achievement of the organisation's strategic objectives, • Reliability and integrity of financial and operational information. • Effectiveness and efficiency of operations and programmes. • Safeguarding of assets; and 	<ul style="list-style-type: none"> • The effectiveness of the controls and other responses to risks. <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"> • Report upon the level of risk maturity and scope for improvement. • Support development of risk management framework. • Facilitate identification and assessment of risks. • Coach management in responding to risks. <p>Coordinate and consolidate reporting:</p> <p>IA refrains from taking full responsibility for risk management, including risk responses.</p>	<p>All audit scopes include reviewing risk management in the area under review.</p> <p>IA is not responsible for risk management.</p>			
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	<ul style="list-style-type: none"> Compliance with laws, regulations, policies procedures and contracts. <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>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 – included within objectives and referred to in communications at the end of the audit engagement.</p>	<p>Risk based internal audit engagements include reviewing risk management within that area.</p> <p>Consideration of fraud not included in all audit 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	Current Position
2200	<p>Engagement Planning</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	<p>Implemented.</p> <p>Scoping document reviewed and updated. Research Document introduced to show information used in planning process.</p>
2201	<p>Planning Considerations</p> <p>In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance. 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. The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model. 	<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"> The nature of the area under review and key areas of change and development The activities that occur and the way performance is monitored. Strategic objectives and the way the area contributes to the organisation's strategy or purpose. 	<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	<p>Implemented.</p> <p>Scoping document reviewed and updated. Research Document introduced to show information used in planning process.</p> <p>N/A. Used the ISO31000 checklist to produce the planning document. Risk categories are the basis of the Risk Registers, which are used.</p>

	<ul style="list-style-type: none"> The opportunities for making significant improvements to the activity's governance, risk management, and control processes. <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"> The risks involved and the organisation's chosen responses to those risks. How managers know the responses are effective. Assurances managers give to whom and how often. <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"> Assurance that management assurance is effective and, therefore, reliable. Assurance that specific responses, including controls, are effective in managing given risks. Consultancy to help managers improve the design or implementation of governance processes, risk processes and risk responses, including controls. <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</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	Current Position
2310	<p>Identifying Information</p> <p>Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.</p> <p>Interpretation:</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>activity in a consultancy engagement</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></p> <p>Training courses on MS Excel, Google Documents MS Excel CAATS software</p> <p>Consider separate appendices in the Audit Manual on the use of CAATS, The same as for MK Insight and Risk Management</p>	2019	<p>Not implemented. Use of CAATs to be developed.</p> <p>Implemented Manual updated for CAATs, MK Insight and Risk Management.</p>

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2410	<p>Criteria for Communicating</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>Interpretation:</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>2410.A3 When releasing engagement results to parties</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>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>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	<p>Not Implemented. Only applies to Academy reports. Standard wording to be added to the reports.</p> <p>Implemented. Added to the questionnaire.</p>

	<p>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>Satisfactory performance is acknowledged in engagement communications.</p> <p>Communications outside the organisation 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>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>			
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Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2420	<p>Quality of Communications</p> <p>Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</p> <p>Interpretation:</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, 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</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>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>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>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>Implemented. Review of communications as part of this assessment.</p>

	<p>and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.</p>	<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> <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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Rotherham Metropolitan Borough Council

Internal Audit Quality Assurance and Improvement Plan 2020

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 and subsequent Internal Assessments completed and reported every year then gave an up to date position and action plan.
- 2.5 The Audit Committee agreed in November 2019 that an external assessment should take place in 2020 to take the form of an external validation of the internal assessment. The internal assessment has been completed and the external validation is about to take place.

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
 - Training plans and qualifications for individuals within the team
- Performance against agreed quality targets reported to the Audit Committee at each meeting

3.1.4 Integrated Audit Software

The department uses integrated audit software supplied by Pentana (previously Morgan Kai). This enhances and enforces quality assurance at both assignment and departmental level.

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. In previous years a checklist developed by the Chartered Institute of Internal Audit (CIIA) has been used for the self-assessment. This year a checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) has been used. This was agreed in order to provide consistency in external peer reviews.

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 and 2019 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, using the CIPFA checklist. 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 The new suggested actions will be updated after the conclusion of the external assessment. They will be progressed throughout the year and the results reported back to the committee.

Quality Assurance and Improvement Plan – 2020

Actions from assessment February 2020

Ref	Standard	Assessment	Conformance	Planned Action	Timescale	Person Responsible
1210	<p>Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?</p> <p>Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?</p>	<p>Shortfall in IT and the use of CAATs. Currently obtaining advice and assistance with IT Audit.</p>	Partial Conformance	<p>The need for IT Audit being assessed by Salford IA.</p> <p>CAATs to be introduced.</p>	<p>April 2020</p> <p>2020</p>	<p>DW</p> <p>DW</p>
1210	Do internal auditors have sufficient knowledge of key information technology risks and controls?	<p>No specialist IT auditor in the team, but managed as far as possible, e.g. auditor attended seminar on Cyber Security before auditing it; networking with SWYAG IT group. Audit Needs Assessment being completed by Salford IA.</p>	Partial Conformance	The need for IT Audit being assessed by Salford IA	April 2020	DW

Ref	Standard	Assessment	Conformance	Planned Action	Timescale	Person Responsible
1210	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	CAAT's not used.	Not Conforming	CAATs to be introduced	2020	DW
1310	<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? <p>Does ongoing performance monitoring include obtaining stakeholder feedback?</p>	<p>Targets in place for time taken to produce reports, productive time, client satisfaction surveys, time taken to complete audits. Agreed with AC and SD and included in Service Plan. Monitored and reported to AC.</p>	General Conformance	Stakeholder feedback on performance to be obtained.	2020	DW

Ref	Standard	Assessment	Conformance	Planned Action	Timescale	Person Responsible
2110	<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? <p>Coordinating the activities of and communicating information among the board, external and internal auditors and management?</p>	<p>Governance processes included in all audits. Review of sub-scheme of delegation completed in the year. Risk Management included in all audits, and specific review in 2019. IA produces and administers the Anti-Fraud and Corruption Strategy and Policy. The HIA is one of the whistleblowing officers, Performance management included in audits, specific review in 2019. Communication not reviewed.</p>	Partial Conformance	Audit plan to include review of Risk Management	2020	DW

Ref	Standard	Assessment	Conformance	Planned Action	Timescale	Person Responsible
2410	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	Academies only, for use within the Academy.	General Conformance	Report to include standard paragraph	2020	DW

Council Report

Audit Committee Meeting – 24th March 2020.

Title

Internal Audit Plan 2020/21.

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

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

Ward(s) Affected

All wards.

Report Summary

This report refers to the Internal Audit Plan for 2020/21. The report explains Internal Audit's approach to the development of the plan, as well as detailing the specific activities we plan to review during the year. The plan reflects a comprehensive risk assessment process, which has also included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

Recommendations

1. The Audit Committee is asked to consider the Internal Audit Plan and to comment on its content with regards to the areas covered and the level of audit resources.
2. The Audit Committee is requested to approve the Internal Audit Plan for 2020/21.

List of Appendices Included

Appendix 1: Internal Audit Plan 2020/21.

Background Papers

Public Sector Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No

Internal Audit Plan 2020/21.

1. Background

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

2. Key Issues

2.1 The plan has been prepared after a full refresh of the 'audit universe' (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of the Council's risk registers. It has also taken into account:

- Reports by management to the Audit Committee on the management of risks.
- Cumulative audit knowledge and experience of previous work undertaken.
- Discussions with Strategic Directors and Assistant Directors.
- Knowledge of existing management and control environments.
- Professional judgement on the risk of fraud or error.
- Examination of Corporate Plans.
- Review of external inspection reports.

2.2 As well as identifying all of the proposed pieces of work to be carried out during the year, the plan:

- Explains the statutory requirements for Internal Audit
- Describes the approach and methodology adopted in producing the plan
- Shows the level of resources available to deliver the plan is 1,140 days
- Includes a contingency for responsive work.

2.3 In line with auditing standards, the plan does not become fixed when it is approved. It remains flexible and will be revised to take into account any significant emerging risks facing the Authority. It will be subject to a half year review in consultation with Strategic Directors and Assistant Directors.

3. Options Considered and Recommended Proposal

3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit, in particular to review and approve the risk-based plan.

3.2 The Audit Committee is asked to support the Internal Audit Strategic Annual Plan for 2020/21.

4. Consultation on Proposal

4.1 As part of the process for producing this Audit Plan, the Head of Internal Audit has held discussions with the Council's Strategic Directors and their teams to obtain their views of key risks and areas for audit coverage.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its 24th March 2020 meeting.

6. Financial and Procurement Advice and Implications

6.1 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.

7. Legal Advice and Implications

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

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

7.2 PSIAS state:

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

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

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

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

9.1 This document constitutes a report of the Internal Audit Plan for 2020/21. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

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

12. Risks and Mitigation

12.1 The following risks have been identified.

Risk	Likelihood	Impact	Mitigation
<i>Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work). Insufficient resources to complete work to support the annual opinion.</i>	<i>Low</i>	<i>Medium</i>	<i>Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. Half-yearly meetings with all Directorate management teams to ensure plan is up to date. Progress reports provided to Audit Committee. Recruitment to fill any vacancies.</i>

13. Accountable Officer(s)

David Webster, Head of Internal Audit.
Tel 01709 823282. E mail david.webster@rotherham.gov.uk



Rotherham Metropolitan Borough Council

Internal Audit Plan 2020/21

1. Introduction

This document provides a summary of the Internal Audit Plan for 2020/21.

Definition of Internal Audit

The UK Public Sector Internal Audit Standards defines Internal Audit as follows:-

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

Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (England) Regulations 2015:

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

PSIAS state:

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

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

S.151 Officer responsibility

Internal Audit also has an important role to support the Strategic Director of Finance & Customer Services in discharging her statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

Development of Internal Audit Plan

The plan has been prepared after a full refresh of the ‘audit universe’ (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of Council risk registers. It has also taken into account the views of Directors and Assistant Directors as to where audit resource is most needed, however the plan and its contents are entirely the responsibility of Internal Audit. In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment.

Ongoing Revision of Internal Audit Plan

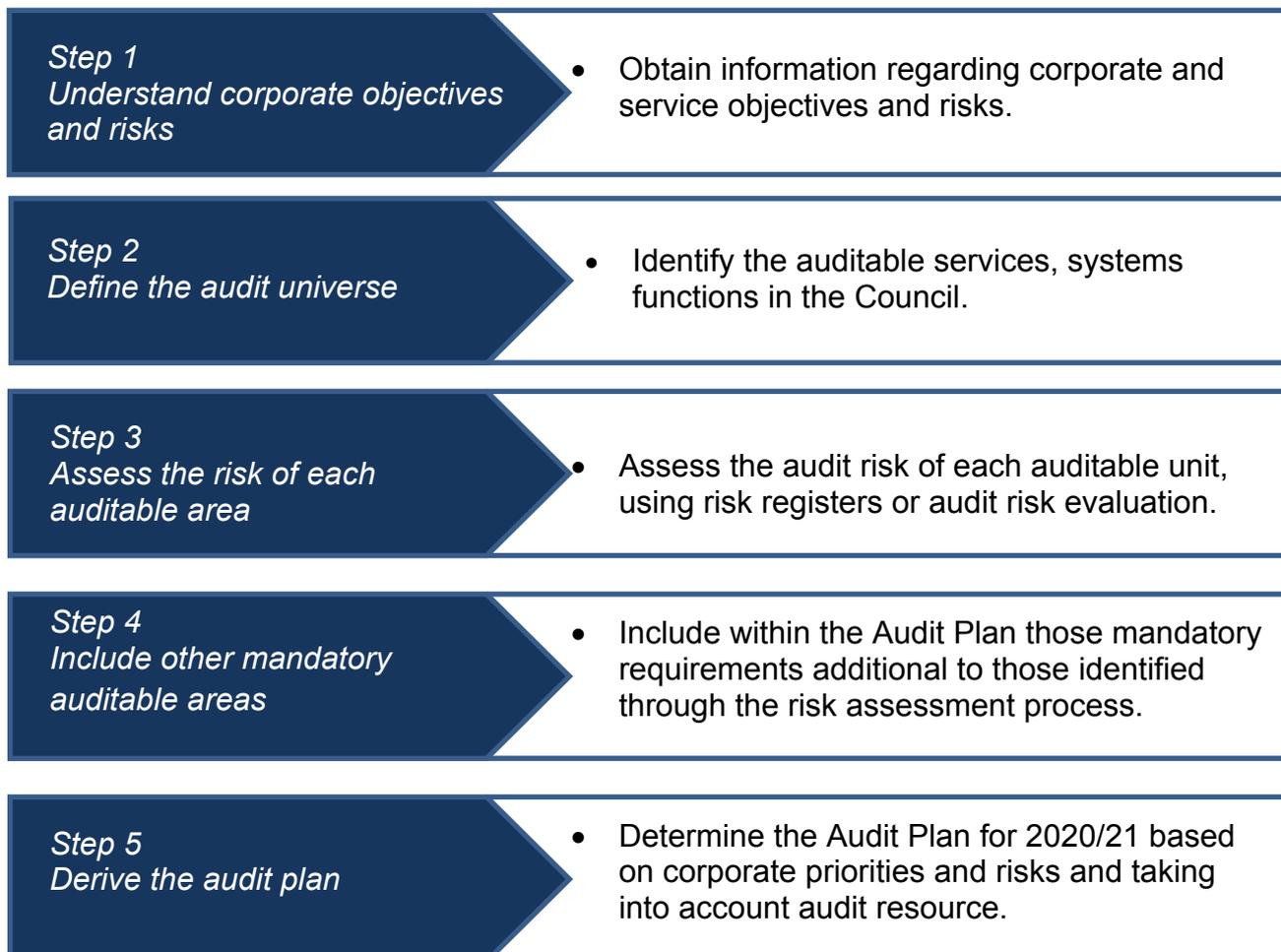
It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary. It is also intended to undertake a half year review. Any significant changes to it will be reported to the Audit Committee for consideration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

2. Approach

The internal audit function will be delivered in accordance with the Internal Audit Charter, as presented to the Audit Committee in September 2019. The Charter defines the role, scope, independence, authority and responsibility of the internal audit department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly by the further embedding of integrated audit software and the use of Computer Aided Audit Techniques (CAATs) to increase the efficiency of the department.

3. Methodology

A summary of our approach to the development of the Audit Plan for 2020/21 is set out below. The Plan is driven by the Council's organisational objectives and priorities and the risks that may prevent the Council from meeting these objectives.



Approach

We have examined all the Council's Strategic and Directorate risk registers. We have also reviewed the Councils plans to identify objectives and priorities. We have reviewed the discussions for previous year's plans and looked at the reviews carried out this year, and also those deferred. In this way we have sought to ensure that risks are addressed over successive annual audit cycles. We have reviewed the findings from recent external reviews and have also used sector knowledge to gain a wider understanding and perspective on risk. We have considered the previous year's plans from other Councils to ensure wider issues were picked up.

Step 2 – Define the audit universe

Approach

Using that information we have updated the 'audit universe', the possible areas for audit within the Council based on the risk registers, Council plans objectives and priorities, Performance Management framework and our accumulated knowledge and experience.

Step 3 – Assess the risk of each auditable area

Approach

This is a function of the estimated impact and likelihood of risk occurring for each auditable unit within the audit universe. It also takes into account our understanding of the strength of the control environment of each area. Where the auditable area is included in a risk register, the risk rating was used. Where the auditable area was not in a risk register the risk was assessed in terms of:

- The importance of the auditable area
- The level of risk of the auditable area

Step 4 – Include other auditable areas

Approach

In addition to the audit work identified through the risk assessment process, we also work on fundamental financial systems to assist the Responsible Finance Officer to meet her statutory responsibilities under s.151 of the Local Government Act 1972. We are required to provide certification of a small number of grant claims. We include an allowance for the investigation of suspected fraud and irregularity, and a contingency for management requests and emerging issues. Finally, we have committed to provide an internal audit service to a small number of academy schools in the Rotherham area, from which we generate a small income stream.

Step 5 – Derive the Audit Plan.

Approach

From the above a 'long-list' of potential areas for audit was produced. Discussions were then held with all Strategic Directors and their teams. The plan was then derived to account for competing priorities, the need to provide an opinion at the end of the year and the resources available. It was presented to the Senior Leadership Team for information and any comment.

4. Basis of our annual audit opinion for 2020/21

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN).

Our annual internal audit opinion will be based on the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. Progress against our Plan will be reported to the Audit Committee during the year.

In producing this Plan, we have considered carefully the level of audit coverage required to be able to form an evidenced annual internal audit opinion. There are a number of risks to the delivery of this Plan:

- The plan includes a realistic provision for investigations. However, there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.
- The team is now at full capacity, but the plan could be affected by staff vacancies or sickness during the year.

Audits covered within the plan

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

1. Risk based work

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

2. System based work

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

3. Follow up audits

Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews.

4. Advisory work

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

5. Value for money

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

6. Grant claims

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

7. Schools

During 2019/20 we used Control and Risk Self-Assessment for all maintained schools. This was designed to provide a level of assurance about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits. We used the results to complete themed school-based reviews on risks identified from the self-assessment. A sample of schools was visited to assess the identified risks.

There is a decreasing number of maintained schools within RMBC, which may mean the CRSA exercise is not viable. In addition, recent Department of Education consultation on Financial Transparency of Local Authority maintained schools and academies recommended a return to audits of individual schools. The results of the consultation are not yet known. The provision of school audits will therefore remain under review during the year.

8. IT Audit

The Internal Audit team completes audits of the IT section but does not have the expertise to carry out technical audits of IT systems. Salford City Council Internal Audit Services specialise in this area and provide audit services to councils in Greater Manchester, the north-west and north-east of England and north Wales. They have been engaged to perform an Audit Needs Assessment of RMBC IT, with the review taking place on 23rd March. The results of the review will highlight any areas where detailed IT audits should be completed. This may mean that the plan will be amended. If so, the amendments will be presented to the Audit Committee at its meeting in June.

9. Counter Fraud work

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

Resources

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

There is a contingency of 40 days for further audits of risks as they arise, or for requests from management for advisory work.

Not shown within the plan is a small allocation of days for the provision of an audit service to a number of academy schools in the Rotherham area, from which we generate a small income stream.

The level of available resources for the Internal Audit function for 1st April 2019 to 31st March 2020 is 1,140 days and is based on an establishment structure of 8 FTE. This is sufficient to allow the Head of Internal Audit to give his annual opinion at the end of the year. However, a

greater resource would enable the team to provide a better service and greater assurance to the Council. The plan depends on maintaining the current level of resource.

5. Internal Audit Plan 2020/21

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

Internal Audit Plan 2020-21

<u>CORPORATE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	2
Annual Governance Statement		Advisory	Review of the process for the production of the AGS.	10	4
Schemes of Delegation		Advisory	Review 'sub-schemes' of delegation across each directorate / service for compliance with policy and processes.	10	3
Total Planned Days – Corporate				30	

<u>ASSISTANT CHIEF EXECUTIVE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	Directorate Risk ACX20	Risk Based	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	20	3
Tackling Family Poverty	Strategic Risk SLT 03	Risk Based	Review of new contract for provision of crisis loans and provide assurances that the contract is operating as prescribed.	10	3
Establishment Control		Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4
Organisational Development		Risk Based	Review of policies and procedures in place to ensure an efficient and effective Entry Level apprenticeship scheme.	10	2
Complaints		Risk Based	Review of the arrangements for dealing with complaints.	10	4

HR Policies		Risk Based	Review of policies and procedures for the new payroll system to provide assurances that they are fit for purpose.	20	1
Leavers		Risk Based	Provide an assurance on the procedures in place for ensuring leavers are processed efficiently and that all aspects across respective Directorates are complied with (return of equipment; recycling of software licences etc).	15	
Members Allowances		Risk Based	Review of policies and procedures in place to gain assurance that allowances are approved, controlled and monitored.	10	4
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	
Total Planned Days – Assistant Chief Executive				115	

<u>ADULT CARE HOUSING AND PUBLIC HEALTH</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Mental Capacity Act	Strategic Risk SLT22	Risk based	Review of policies and procedures and provide assurance on compliance with the Mental Capacity Act.	20	3
Target Operating Model	Directorate Risk ACOP15	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4
Health and Safety – Repairs and Management	Directorate Risk H7	Risk Based	Review of policies and procedures in place to gain an assurance that the Council complies with health and safety regulations in relation to replacement of Council House fire doors throughout the Borough.	15	4
Rothercare Service	Operational Risk ACOP11	Risk Based	Review the policies and procedures in place to ensure the effective and efficient operation of the Rothercare Service and Assistive Technology.	20	3
Liquid Logic		Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2018-19.	5	1

Direct Payments	Operational Risk ACOP10	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20 where a partial assurance was reported.	10	4
Housing Management System	Operational Risk 2	Risk Based	Review the policies and procedures for the new housing management system and provide an assurance that they are fit for purpose.	10	3
Charging Policy		Risk Based	Review of charging including benchmarking and compliance with the Care Act.	10	4
Court of Protection (Appointees)		Risk Based	Review the policies and procedures in place to ensure the effective and efficient provision of a Court of Protection Appointeeship Service.	15	1
Homelessness	Operational Risk 18	Risk Based	Review of policies and procedures and provide assurance on compliance with the Homeless Reduction Act 2017.	15	2
Housing Rents		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	1
Total Planned Days – Adult Care and Housing				135	

CHILDREN AND YOUNG PEOPLES SERVICE

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Safeguarding	Strategic Risk SLT01	Risk Based	Review of the application of processes around safeguarding children.	15	
Placements	Directorate Risks CYPS4 CYPS11	Risk Based	Review policies and procedures for sourcing and agreeing placements to ensure that placements are correctly considered; authorised and costed	20	1
Unregistered and Unregulated Placements	Directorate Risk CPQ43	Risk Based	Review of policies and procedures and provide assurance that unregulated or unregistered placements are authorised and monitored.	20	2

Traded Services for Schools	Directorate Risk CPQ45	Risk based	Review the processes in place to ensure traded services are controlled and accounted for correctly.	20	
Virtual School Pupils	Directorate Risk ES15	Risk Based	Review of policies and procedures in place to ensure that all virtual school pupils make progress in line with their peers.	10	
Fostering / Adoption / SGOs		Risk Based	Review of the controls around the allowance payments systems and linkages with the financial information system, E5.	15	
Cash Handling		Risk Based	Review of the policies and procedures in place for requisitioning cash, including Section 17 payments, and alternative methods of payments to clients.	20	
SEND – Moving and Handling	Operational Risk CPQ39	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Schools		Risk Based	Sample visits to schools.	20	
Total planned days - Children and Young People's Services				145	

<u>FINANCE AND CUSTOMER SERVICES</u>					
<u>Finance</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Contract Renewals	FCS13	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	
Council Tax		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	

Debtors		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	
Creditors		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	
Treasury Management	Operational Risk	Risk Based	Review of policies and procedures in place to ensure an efficient treasury management service.	10	
Capital Programme		Risk Based	Review new procedures due in May and gain assurance that expenditure is appropriately approved, controlled and monitored.	15	4
Purchasing Cards		Risk Based	Review policies and procedures and gain an assurance that expenditure on procurement cards is appropriate and supported by receipted records.	10	
Procurement "Feeder" Systems		Risk Based	Examine feeder systems, e.g. ContrOcc, and gain assurance that payments generated through systems are approved, controlled and monitored.	20	
<u>Customer Information & Digital Services</u>					
Cyber Security Attacks	Directorate Risk FCS14	Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
GDPR		Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Data Loss	Operational Risk	Risk Based	Review of the controls around the security of data transferred to mobile devices (via InTune Portal and 365).	10	2
Asset Management		Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Active Directory		Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	

Access to Systems		Risk Based	Review "super user" access rights to computer systems and audit trails of "super user" actions.	10	
<u>Legal Services</u>					
Child Protection Litigation Service to CYPS	Directorate Risk FCS6	Risk Based	Provision of an effective child protection litigation service to CYPS	10	
Adult Care Protection Legal Support	Operational Risk	Risk Based	Provision of an effective adult care protection legal support	10	
Total Planned Days – Finance and Customer Services				210	

<u>REGENERATION AND ENVIRONMENT</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Estate Management	Strategic Risk SLT27	Risk Based	Review policies and procedures and gain an assurance that the Council maintains a safe and operational property estate.	10	3
Enforcement & Regulatory Functions	Directorate Risk R&E2	Risk Based	Review policies and procedures and gain an assurance that the Council delivers an effective enforcement and regulatory function.	10	
Home to School Transport	Directorate Risk R&E9	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4
Sales and Participation targets	Directorate Risk R&E31	Risk Based	Provide an assurance on the processes for controlling and accounting for sales and income.	15	2
Food Safety	Operational Risk PR38	Risk Based	Review policies and procedures and gain an assurance that all catering units manage food safety for all customers.	10	
Vehicle Fleet		Risk Based	Review the policies and procedures for the insourcing of the fleet maintenance service by September 2020 and provide assurance on the benchmarking and performance data collected to allow full consideration of appropriate future delivery model for fleet maintenance.	25	2 & 4

Highway Network		Risk Based	Provide an assurance on the performance results of the completed Roads2020 roads programme and for arrangements for control and monitoring of the latest 36m funding.	15	1
Private Rented Housing		Risk Based	Review policies and procedures and gain an assurance that the Council are compliant with the regulations surrounding Selective Licencing and administration of the scheme.	10	3
Household Waste Recycling Centres	Operational Risk CSS18	Risk Based	Review of contract management arrangements to ensure contractor compliance with the agreed contract and new 7 day opening arrangements.	10	
Section 106 and Community Infrastructure Levies (CIL)		Risk Based	Review of the policies and procedures and gain an assurance on the collection and utilisation of Section 106 and CIL contributions.	15	
Markets Income		Risk Based	Review policies and procedures and gain an assurance that there are effective arrangements in place for the collection of income due from markets.	10	
Total Planned Days – Regeneration and Environment				135	

<u>OTHER</u>	Provision
Grants	50
Provision for investigations	250
Pro-active fraud	30
Contingency	40
Total	370
Overall Plan Total	1140

Committee Name and Date of Committee Meeting:

Audit Committee - 24th March 2020

Report 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:

Borough-Wide.

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.

List of Appendices Included

Audit Committee Forward Work Plan.

Background Papers

Audit Committee Terms of Reference – Constitution, Appendix 9 Responsibilities and Functions, Section 5 Terms of Reference for Committees, Boards and Panels.

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

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Audit Committee Forward Work Plan

1. Background

1.1 The Audit Committee's Terms of Reference are published in the Constitution. The attached Forward Work Plan details how the committee meets those Terms of Reference.

2. Key Issues

2.1 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 Terms of Reference for the Audit Committee are designed to ensure the Committee meets the CIPFA standards.

2.2 The forward work plan is designed to ensure that the key Audit Committee responsibilities are fulfilled.

2.3 The Chair of the Audit Committee has asked for a report from Procurement, which has not yet been scheduled.

3. Options considered and recommended proposal

3.1 The work plan for the Audit Committee is a helpful guiding document 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.

4. Consultation on Proposal

4.1 Relevant officers and the Audit Committee were consulted in producing the work plan.

5. Timetable and Accountability for Implementing this Decision

5.1 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).

6. Financial and Procurement Implications

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

7. Legal Advice and Implications

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

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

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

12. Risks and Mitigation

12.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a 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.

13. Accountable Officer:

David Webster, Head of Internal Audit
01709 823282 – david.webster@rotherham.gov.uk

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
23 rd June 2020	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Financial Reporting	Draft Statement of Accounts	Graham Saxton
	Governance Risk and Control	Draft AGS	Judith Badger
	Governance Risk and Control	Review of Surveillance and use of Regulation of Investigatory Powers	Bal Nahal
	Governance Risk and Control	External Audit and Inspection Recommendations	Simon Dennis
	Governance Risk and Control	Risk Management Annual Report	Simon Dennis
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Internal Audit	IA Annual Report	David Webster
	Internal Audit	IA External Assessment	David Webster
	Governance Risk and Control	Risk Management Directorate Presentation – Adult Care and Housing	Anne Marie Lubanski
Audit Committee Accountability	Audit Committee Forward Plan	David Webster	

Meeting Date	Key Responsibility	Agenda Item	Author
30 th July 2020		Training	
	Financial Reporting	Final Statement of Accounts	Graham Saxton
	Governance Risk and Control	Final AGS	Judith Badger
	External Audit	External Audit report on the Accounts	Grant Thornton / Graham Saxton
	Treasury Management	Financial Outturn - Treasury Management and Prudential Indicators	Graham Saxton
	Governance Risk and Control	Information Governance Annual Report	Paul Vessey
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Audit Committee Accountability	Audit Committee Annual Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster
Internal Audit	Private meeting		

Meeting Date	Key Responsibility	Agenda Item	Author
29 th September 2020	<p>External Audit</p> <p>Internal Audit</p> <p>Internal Audit / Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Audit Committee Accountability</p>	<p>Training</p> <p>External Audit Annual Report</p> <p>IA Charter review and update</p> <p>IA Progress Report</p> <p>Risk Management Directorate Presentation – Assistant Chief Executive</p> <p>Anti-Fraud and Corruption Policy and Strategy review and update</p> <p>Audit Committee Forward Work Plan</p>	<p>Grant Thornton / Graham Saxton</p> <p>David Webster</p> <p>David Webster</p> <p>Assistant Chief Executive</p> <p>David Webster</p> <p>David Webster</p>

Meeting Date	Key Responsibility	Agenda Item	Author
24 th November 2020	Governance Risk and Control	Training – Code of Corporate Governance	
		External Audit and Inspection recommendations	Simon Dennis
	Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Governance Risk and Control	Code of Corporate Governance	Simon Dennis
	Governance Risk and Control	Risk Management Strategy and Policy	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Regeneration and Environment	Paul Woodcock
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Financial Reporting	Updates to Financial Procedures	Graham Saxton
Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster	

Meeting Date	Key Responsibility	Agenda Item	Author
19 th January 2021	Financial Reporting External Audit Governance Risk and Control Governance Risk and Control Internal Audit / Governance Risk and Control Audit Committee Accountability	Training Final Accounts closedown and accounting policies Accounts Audit Plan Strategic Risk Register Risk Management Directorate Presentation – Finance and Customer Services IA Progress Report Audit Committee Forward Work Plan	Graham Saxton Grant Thornton / Graham Saxton Simon Dennis Judith Badger David Webster David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
23 rd March 2021	Internal Audit	Training	
	Internal Audit	IA Strategy and Plan	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	Risk Management Directorate Presentation – CYPS	Sally Hodges
	Internal Audit	Public Sector Internal Audit Standards	David Webster
	Internal Audit	Internal Audit Quality Assurance and Improvement Plan	David Webster
	Audit Committee Accountability	Audit Committee Self-Assessment	David Webster
Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster	

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