

**AUDIT COMMITTEE  
18th June, 2019**

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

Gareth Mills and Thilina De Zoysa, Grant Thornton, were also in attendance

**1. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH MARCH 2019**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26<sup>th</sup> March, 2019.

It was noted that the Committee's revised Terms of Reference had been approved at the 22<sup>nd</sup> May Council Meeting.

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

**2. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**4. PUBLICATION OF UNAUDITED STATEMENT OF ACCOUNTS 2018/19**

Paul Stone, Head of Corporate Finance, presented the Draft Statement of Accounts 2018/19 which had been published on the Council's website on 31st May, 2019, as required under the Accounts and Audit Regulations 2015.

The publication of the unaudited accounts triggered a period of 30 working days (ending on 12<sup>th</sup> July, 2019) for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor.

The external audit of the unaudited accounts had commenced on 3rd June, 2019 with Grant Thornton reporting their findings to the July meeting of the Committee.

The deadline for publishing the audited accounts was 31st July, 2019.

The Highlights Report (Appendix B) summarised the key financial disclosures reported in the 2018/19 draft Statement of Accounts and provided further detail on each of the key financial issues referred to above.

Resolved:- That the draft 2018/19 Statement of Accounts be received.

**5. DRAFT ANNUAL GOVERNANCE STATEMENT 2018-19**

Consideration was given to the 2018-19 draft Annual Governance Statement (AGS) presented by David Webster, Head of Internal Audit.

In producing the 2018-19 AGS, the Council had gathered sufficient evidence to support the statements that it had made. Each Strategic Director had been asked to oversee a self-assessment of governance in their Directorate. This had comprised of completion of a self-assessment form based on the Principles and Sub-Principles in the Local Code by each Assistant Director as well as a review and update of the detailed issues raised in the 2017-18 AGS. Each Strategic Director was also required to sign a Statement of Assurance based on the information arising from their review of current and previous governance issues.

The Corporate Governance Group had reviewed evidence contained within the returned Statements of Assurance as well as considering which issues were of sufficient significance to require reporting in the Statement. The Group had then produced the AGS.

The AGS would be updated by 31st July to reflect any issues that emerged between now and the completion of the final Statement of Accounts. It would also take account of any comments made by the Committee and external auditor.

At the start of 2018/19 the Commissioners had retained responsibility for Children's Safeguarding all other Children's Social Care Services, the appointment and dismissal of statutory officers and for Adult Social Care. On 14th June, 2018, the results of an independent check, a "Health Check", of the Council had been published and reported that the Council had demonstrated that it was fit to continue its improvement journey without Commissioner oversight.

As a result of the Health Check, the Commissioner Team recommended to the Secretary of State that the Government intervention in Rotherham could be concluded. The Secretary of State had announced on 18<sup>th</sup> September, 2018, that he would remove the Commissioners from the Council but that the Council should submit to him an independent review of their performance to ensure compliance with the requirements of Part 1 of the 1999 Act.

This was submitted on 14<sup>th</sup> February, 2019, and stated that the Council had continued to make good progress since the Commissioners were stood down and had acted on the recommendations made by the independent progress review report in June 2018. Accordingly, it was announced on 27<sup>th</sup> March, 2019, that the Secretary of State was content to let the Directions relating to the governance of the Council lapse on 31<sup>st</sup> March, 2019.

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

It was felt that there should be reference within the Statement to the revised Audit Committee's Terms of Reference as identified previously.

Resolved:- (1) That the 2018-19 draft Annual Governance Statement be noted subject to the suggested amendment with regard to the revised Terms of Reference.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to the publication of the Annual Governance Statement by 31<sup>st</sup> July, 2019, be noted.

(3) That the final version of the Annual Governance Statement be submitted to the 30<sup>th</sup> July meeting of the Audit Committee following completion of the audit of accounts by Grant Thornton UK LLP.

## **6. EXTERNAL AUDIT UPDATE**

Gareth Mills, Engagement Lead, Grant Thornton UK LLP, gave the following verbal report:-

- Grant Thornton had received the draft accounts and the Annual Governance Statement narrative report on 31<sup>st</sup> May
- Their external audit had commenced on 3<sup>rd</sup> June and making good progress to date
- Work would continue for the next 5-6 weeks before the report was submitted in July

Attention was drawn to the potential impact on the pension fund by the McCloud Judgement. This was a national issue and not particular to Rotherham. However, the Strategic Director, Finance and Customer Services, reassured the Committee that there was no particular expectation that there would be any change to Rotherham's outturn position. External Audit were reporting on the accounts and technicalities of Statement of Accounts; if it was a matter for the Council's budget and financial plan it would be reported to Cabinet.

Resolved:- (1) That the update be noted.

(2) That a further update be provided to the next meeting on the McCloud Judgement.

**7. EXTERNAL INSPECTION RECOMMENDATION UPDATE**

Consideration was given to a report, presented by Jackie Mould, Head of Performance, Intelligence and Improvement, providing details of recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

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

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

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

It was noted that the major outstanding issues from the majority of the inspection had been addressed.

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

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

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

**8. INTERNAL AUDIT ANNUAL REPORT 2018-19**

Consideration was given to a report presented by David Webster, Head of Internal Audit, on the role of Internal Audit, the work completed during the 2018/19 financial year and highlighted the key issues that had arisen. It provided the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment as well as the performance of the Internal Audit function during 2018/19.

Appendix 1 of the report submitted included:-

- Legislative requirements and Professional Standards
- The Head of Internal Audit's annual opinion on the control framework, risk management and governance
- Resources and audit coverage during the year
- Summary of audit work undertaken during 2018/19 including both planned and responsive/investigatory work
- Summary of other evidence taken into account for control environment opinion
- Summary of audit opinions and recommendations made
- Internal Audit Performance Indicators

There had been substantial changes to the Internal Audit Team during 2018/19. Resource levels provided sufficient capacity to provide an adequate level of assurance and sufficient work completed to enable the Head of Internal Audit to provide his opinion that the Council had overall an adequate and effective framework of governance, risk management and control.

A Quality Assurance and Improvement Programme (QAIP) was put into place during 2018 with the results reported to the Audit Committee in January 2019 (Minute No. 70 refers). This showed that 10 of the 17 actions had been completed. An updated QAIP based on the internal assessment had been produced to maintain and increase the level of conformance within the Team. This had 27 recommendations and suggestions which would be actioned and monitored during 2019.

63% of audits where an assurance level was given resulted in a Substantial or Reasonable assurance level. During 2018/19, 182 recommendations were made to improve the internal control, risk management and government arrangements across the Council. Appendix A contained a summary of results together with definitions of the assurance levels and recommendation categories.

A new system of tracking audit recommendations had been implemented in May 2018. At the start of the year there had been 60 overdue outstanding actions; by March, 2019 this had reduced to 49 and, due to further work undertaken after the year end, now stood at 29.

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

- Summary of audit opinions
- Number of Members who had undertaken the re-issued fraud awareness e-learning

Resolved:- (1) That the Internal Audit work undertaken during the 2018/19 financial year and the key issues that had arisen therefrom be noted.

(2) That the overall opinion of the Head of Internal Audit be noted.

(3) That the information contained regarding the performance of Internal Audit during 2018/9 be noted.

**9. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period July, 2019 to June, 2020.

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

**10. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral for Scrutiny.

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

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

**12. ADULT CARE, HOUSING AND PUBLIC HEALTH RISK REGISTER**

Consideration was given to a report, presented by AnneMarie Lubanski, Strategic Director, Adult Care, Housing and Public Health, and Helen Fisher, Programme Manager, providing details of the Risk Register and risk management activity within the Adult Care, Housing and Public Health 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 17 risks included within the Register of which 4 related to Adult Social Care, 4 to Adult Social Care Commissioning, one jointly owned by Adult Social Care and Commissioning, 6 to Housing and 2 by Public Health. Additionally the Directorate had a separate RAID log (risks, assumptions, issues, dependencies) for all its project activity.

Discussion ensued with the following issues raised:-

- Procurement of new Housing IT system
- Repairs and Maintenance Contract re-tendering exercise
- Pending outcome of the Judicial Review

Resolved:- That the progress and current position in relation to risk management activity in the Adult Social Care, Housing and Public Health Directorate, as detailed in the report now submitted, be noted.

**13. INTERNAL AUDIT PROGRESS REPORT - 1ST MARCH TO 31ST MAY 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 1<sup>st</sup> March to 31st May, 2019, and the key issues that had arisen therefrom.

8 audits had been finalised since the last Committee meeting, all with Substantial or Reasonable Assurance.

Work had commenced on the 2019/20 annual plan, the current position being attached at Appendix A. Audit opinions and a brief summary of all audit work concluded since the previous meeting were set out at Appendix B.

Internal Audit also carried out unplanned responsive work and investigation into any allegations of fraud, corruption or other irregularity. One report of this type had been issued since the last meeting (Appendix C).

Internal Audit's performance against a number of indicators was summarised in Appendix D which showed that target performance was being achieved except for chargeable time which had been affected by annual leave. Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. For those over 120 days old the detail was then given, where they had been deferred the comment received from the Manager was given and where there was no change to the due date or comment, the Manager had not updated the system. There had been an overall reduction from a total of 49 to 29.

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

- Council Tax collection rates
- Liquid Logic
- Regulation 24 process

## **AUDIT COMMITTEE - 18/06/19**

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> March to 31<sup>st</sup> May, 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.

### **14. URGENT BUSINESS**

There were no urgent items.

### **15. DATE AND TIME OF NEXT MEETING**

Resolved:- That a further meeting be held on 30<sup>th</sup> July, 2019, commencing at 2.00 p.m.