

## **AUDIT COMMITTEE**

- Date and Time :-** Tuesday 23 March 2021 at 2.00 p.m.
- Venue:-** Virtual Meeting.
- Membership:-** The Mayor (Councillor Andrews); Councillors Cowles, Vjestica, Walsh (Vice-Chair) and Wyatt (Chair)
- Mr. J. Barber, Independent Member**

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. Apologies for Absence**

To receive the apologies of any Member who is unable to attend the meeting.

### **2. Declarations of Interest**

To receive declarations of interest from Members in respect of items listed on the agenda.

### **3. Questions from Members of the Public or the Press**

To receive questions relating to items of business on the agenda from members of the public or press who are present at the meeting.

### **4. Minutes of the previous meeting held on 19th January, 2021 (Pages 4 - 12)**

To consider and approve the minutes of the previous meeting held on 19<sup>th</sup> January, 2021, as a true and correct record of the proceedings.

### **5. External Assessment of Internal Audit against the Public Sector Internal Audit Standards. (Pages 13 - 32)**

### **6. Internal Audit Quality Assurance and Improvement Programme (QAIP). (Pages 33 - 45)**

- 7. Procurement Update (Pages 46 - 51)**
- 8. Dedicated Schools Grant - Central Reserve (Pages 52 - 58)**
- 9. Closure of the Accounts 2020/21 (Pages 59 - 87)**
- 10. Closure of the Accounts 2020/21 - Timetable (Pages 88 - 93)**
- 11. Grant Thornton Update**
- 12. Internal Audit Progress Report 1st January-28th February, 2021 (Pages 94 - 115)**
- 13. Internal Audit Annual Plan 2021/22 (Pages 116 - 135)**
- 14. Audit Committee Forward Plan (Pages 136 - 144)**
- 15. Items for Referral for Scrutiny**

To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.
- 16. Exclusion of the Press and Public**

That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).
- 17. Finance and Customer Services Risk Register (Pages 145 - 152)**
- 18. Urgent Business**

To consider any item which the Chair is of the opinion should be considered as a matter of urgency.

**19. Date and time of Future Meetings**

Meetings of the Audit Committee will be held as follows during the 2021/22 Municipal Year:-

Tuesday, 22<sup>nd</sup> June, 2021  
28<sup>th</sup> September  
30<sup>th</sup> November  
11<sup>th</sup> January, 2022  
15<sup>th</sup> March

all commencing at 2.00 p.m.



SHARON KEMP,  
Chief Executive.

**AUDIT COMMITTEE**  
**19th January, 2021**

Present:- Councillor Wyatt (in the Chair); The Mayor (Councillor Jenny Andrews), Councillors Cowles, Vjestica, Walsh and Mr. J. Barber (Independent Person).

Gareth Mills and Thilina De Zoysa, Grant Thornton (External Auditors).

**135.       DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**137.       MINUTES OF THE PREVIOUS MEETING HELD ON 24TH NOVEMBER, 2020**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 24<sup>th</sup> November, 2020.

The final report of the external inspection of Internal Audit, which took place late last year, would be submitted to the March meeting of the Audit Committee. However, the draft report gave a finding of general conformance with the Public Sector Internal Audit Standards. It should be noted that there were only 3 possible outcomes of an inspection i.e. general confirm, partial confirm or do not confirm, therefore, it was the best possible result for the Authority to achieve.

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

(2) That the response received in respect of Minute No. 132(2) (Risk Management Directorate – Assistant Chief Executive) be circulated to all Committee Members.

(3) That the final report of the external inspection of Internal Audit be submitted to the March meeting of the Audit Committee.

**138.       OVERVIEW OF CORPORATE GOVERNANCE**

Sharon Kemp, Chief Executive, gave the following powerpoint presentation on Governance, Audit and Risk:-

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Personal Oversight

- Monthly receipt of Internal Audit reports
- Regular Monitoring Officer meetings
- Quarterly Statutory Officer meetings:-
  - Complaints
  - Human Resources
  - Internal Audit
  - Whistleblowing
- Quarterly External Audit meetings
- Review and sign off of the Annual Governance Statement

Strategic Leadership Team

- Internal Audit:-
  - Review Annual Plan and Annual Report
  - Regular review of progress against Plan and reports issued
  - Monthly reviews of outstanding actions
- Quarterly review of Corporate Risk Register

Covid

- Gold and Tactical Group
- Hierarchy/workstreams
- Actions and decision making
- Threat and Risk Assessments

Discussion ensued with the following issues highlighted:-

- The majority of the Council's services were running as they had been pre-pandemic
- One of the first Councils in the country to post its decision records on the website. The same process for delegated decisions under the remit of Covid was also used
- Emergency Cabinet meetings had been held as and when needed
- Open and transparent discussion with Grant Thornton, External Auditors

The Chair thanked Sharon for her presentation and for her support to the areas of interest for the Audit Committee.

**139. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT – 2020-21**

Consideration was given to the report presented by the Head of Corporate Finance outlining the mid-year treasury review which also incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's Prudential Indicators.

The review, as set out in the Appendix submitted, provided detail of mid-year performance against the plan, the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

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

The Council would maintain its strategy of being under-borrowed against the capital financing requirement and continue to use local authority short term borrowing to meet all borrowing requirements as the most cost effective approach in the current financial climate. The position would remain under review with an update on the Strategy being submitted to Members within the Budget and Council Tax 2021/22 report to Council in March, 2021.

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

The report illustrated how the underlying economic and financial environment remained difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encouraged the Council to continue maintaining investments short term and with low risk counterparties, the downside of such a policy being that investment returns remained low. This situation had been further exacerbated by the economic impact of the Covi-19 pandemic, that had seen the Bank of England base rate fall to 0.1%.

As the Council continued to utilise the short term borrowing market to generate interest rate savings as part of approved budget plans, the level of short term borrowing will continue to rise. As a result of this, the Council increased its prudential indicator for borrowing volumes with a maturity date less than 12 months to 25% of total borrowing as part of the 2020/21 Treasury Management Strategy. Whilst the Covid-19 pandemic has seen severe impacts to the global economy, its reduction in the base rate had also led to a significantly reduced cost of short-term borrowing, enabling the Council to generate greater savings from its Strategy.

On 26th November PWLB had made a significant change to their long-term borrowing rates decreasing them all by 1%. The key features of this change were to allow local authorities to access cheaper long term borrowing but under a more restrictive borrowing arrangement that would allow the PWLB to prevent borrowing for commercial investments. The PWLB would no longer lend to any local authority that had any plans to buy investment assets primarily for yield anywhere in their capital programme. The immediate impact of this decision had seen PWLB 50 year borrowing levels fall to 1.5% and below but with that short-term borrow falling, to as little as 0.3% for 3 months, for example. The Council

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kept interest rates under constant review within its borrowing strategies and decisions on the mix of long-term and short-term borrowing.

The Strategic Director for Finance & Customer Services confirmed that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs (aside from the under 12 months indicator referenced above) had not changed from that set out in the approved Treasury Management Strategy (February 2020).

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

- The short term borrowing strategy would continue to be utilised whilst ever the current economic situation remained. A trigger would be activated should interest rates start to rise on long term loans and the strategy reviewed
- There had been slippage in the capital schemes as a result of Covid-19
- The PWLB would no longer allow long term borrowing to a local authority whose capital programme contained projects solely for commercial investment
- Rotherham's portfolio of borrowing was mixed in terms of historical borrowing of higher interest rates which would be refinanced as and when appropriate

Resolved:- That the report be noted.

**140. ANNUAL AUDIT LETTER**

Gareth Mills, Engagement Lead, reported that Grant Thornton had issued an unqualified opinion on the Council's financial statement on 4<sup>th</sup> December, 2020, and presented the Annual Audit Letter (AAL) 2019/20 summarising the external audit work in relation to the 2019/20 audit plan and highlighted the findings in relation to the following:

Value for Money Conclusion  
Audit of Financial Statements  
Any Other Matters the external auditor was required to communicate.

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

- An emphasis of matter paragraph had been included in the report in respect of the uncertainty over valuations of the Council's land and buildings, including investment properties, and the Authority's share of the pension fund's property investments given the Coronavirus pandemic. This did not affect Grant Thornton's opinion that the statements gave a true and fair view of the Council's financial position and its income and expenditure for the year

- Whole of Government Accounts – work was being completed on the Council's consolidation return following guidance issued by the National Audit Office (NAO). Once completed, a certificate would be issued (hopefully by the end of the month)
- Management Over-ride of Controls – no issues arising from the work which needed to be brought to the Authority's attention
- The Council's financial statements were produced to a good standard. Some immaterial disclosure misstatements which were not adjusted in the financial statements had been identified but had no impact on the audit opinion issued on 4<sup>th</sup> December, 2020
- The Annual Governance Statement and Narrative Report had been reviewed and both found to have been prepared in line with the CIPFA Code and relevant supporting guidance. Both documents were consistent with the financial statements prepared by the Council and Grant Thornton's knowledge of the Council

Discussion ensued with the following issues highlighted:-

- The situation with the Dedicated School Grant deficit and the need for higher level funding was a national issue and not unique to Rotherham
- It was felt that the audit deadline for 2020/21 of September would be achievable
- Work had taken place with the Finance Team during 2018/19 around the McCloud judgement

Resolved:- That the final Annual Audit Letter 2019/20 presented to the Council by its external auditors, Grant Thornton, be noted and approved for publication on the Council's website.

#### **141. EXTERNAL INSPECTIONS, REVIEWS AND AUDITS UPDATE**

Consideration was given to a report, presented by Simon Dennis, Corporate Improvement and Risk Manager, providing details of recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

Since the last report to Committee in August, 2020, 5 external inspections, reviews and audits had taken place and 11 recommendations made 2 of which had been implemented and 9 were outstanding. In addition 3 of the ongoing recommendations in relation to external inspections, reviews and audits that took place prior to August, 2020, had now been implemented, 11 remained outstanding/ongoing and one was still awaiting the final report.

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

- Children and Young People's Services
- Adult Care and Housing
- Regeneration and Environment Services
- Finance and Customer Services
- Assistant Chief Executive

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.

**142. AUDIT COMMITTEE FORWARD PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period March, 2021 to January, 2022.

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

**143. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral to Scrutiny.

**144. 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).

**145. REGENERATION AND ENVIRONMENT DIRECTORATE RISK REGISTER**

Paul Woodcock, Strategic Director Regeneration and Environment, supported by Tom Smith (Assistant Director, Community Safety and Streetscene), Simon Moss (Planning, Regeneration and Transport) and Leanne Buchan (Head of Creative Planning and Engagement), presented a report providing details of the Risk Register and risk management activity within the Regeneration and Environment's 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 Members for Jobs and the Local Economy, Waste Roads and Community Safety and Cleaner, Greener Communities
- How risks were included on and removed from the Register
- Anti-fraud activity in the Directorate

Discussion ensued with the following issues raised:-

- Consideration of the Register at the Directorate Leadership Team meetings and the Senior Management Team meetings
- 18 risks in total on the Directorate Risk Register of which 3 were included on the Strategic Risk Register i.e. ensuring effective emergency planning and business continuity, to maintain a safe and operational property estate and achieving economic growth
- Work with the Audit Team to look at areas where there were high levels of income/cash handling
- BDR Waste Treatment Plant – insurance, fire suppression works
- Impact of Covid-19 on the local economy and town centre

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

**146. CORPORATE RISK REGISTER AND UPDATE ON RISK MANAGEMENT ARRANGEMENTS DURING THE COVID-19 RESPONSE**

Simon Dennis, Corporate Improvement and Risk Manager, presented the current Strategic Risk Register which summarised the current position of the Register and also provided additional background on the role of risk management in the Council's response to the Covid-19 pandemic.

The report detailed the overall arrangements during the pandemic which had included:-

- The group of appointed Directorate Co-ordinators, together with the Business Continuity Team, continued to meet twice weekly once as part of the Council's Continuity Workforce and Recovery Cell and once as a specific co-ordinators' group
- The Group continued to ensure that directorate situation update reports were submitted to Gold group

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- The cross-Directorate workstreams focussed on specific aspects of the response to, and subsequent recovery from, Covid-19 with each workstream responsible for maintaining an up-to-date “threat and risk document”
- The combined Threat and Risk Assessment for the pandemic was managed by the Corporate Improvement and Risk Manager

Due to the significant level of activity across the Council, the “normal” Corporate Risk Management processes had been suspended with the risks on the Strategic Risk Register continued to be managed by Directorates. However, the Register had recently been revised and considered by the Strategic Leadership Team and the process for regular consideration recommended.

The Corporate Strategic Risk Register had been updated with the removal of one risk and the addition of 3. It was now aligned with the Year Ahead Plan with arrangements in place to ensure ongoing review at SLT. The Council's Risk Management Policy and Guide would now be revised and a refresh required before the new financial year to ensure alignment to current practice.

Resolved:- That the report be noted.

**147. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST NOVEMBER TO 31ST DECEMBER 2020**

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> November to 31st December, 2020, and the key issues that had arisen therefrom.

The current position with regard to the Internal Audit Annual Plan was set out in Appendix A of the report submitted. The Plan would need to remain flexible and consultation would be ongoing throughout the remainder of the year to allow for any developments relating to Covid-19. Appendix B set out the minor updates to the Plan.

9 audits had been finalised since the last Committee meeting including 5 receiving Substantial Assurance, 5 Reasonable Assurance and 1 Partial Assurance. Audit opinions and a brief summary of all audit work concluded since the previous meeting were set out at Appendix C.

There had been no unplanned responsive work into any allegations of fraud, corruption or other irregularity.

Internal Audit's performance against a number of indicators was summarised in Appendix D.

Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. The number of aged outstanding actions had decreased slightly to 39.

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

- 2 Internal Auditors were now working on Business Grants
- Work had commenced on the 2021/22 Internal Audit Annual Plan and would include any work that had not been completed in the current financial year. The exercise completed by Salford Internal Audit Services to identify IT audits would also inform the planning process
- As a result of the presentation to Assistant Directors/Heads of Service, amendments had been made and realistic dates for completion of actions set. Providing the revised target date was achieved, the number of outstanding actions should reduce over the next 3-4 months

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> November to 31st December, 2020, 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.

**148. URGENT BUSINESS**

There was no urgent business to report.

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

Resolved:- That a further meeting be held on Tuesday, 23<sup>rd</sup> March, 2021 commencing at 2.00 p.m.

### **Council Report**

Audit Committee Meeting – 23<sup>rd</sup> March 2021.

### **Title**

External Assessment of Internal Audit against the Public Sector Internal Audit Standards.

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

No.

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

Judith Badger, Strategic Director, 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**

All wards.

### **Report Summary**

All Internal Audit departments in Local Government must comply with the Public Sector Internal Audit Standards (PSIAS). The standards include the need for an annual self-assessment to confirm compliance, with an external assessment at least every five years. An external assessment was agreed by the Audit Committee and planned to take place in April and May 2020. It was postponed because of Covid-19 and was completed in late 2020.

The external assessment was completed by the Head of Internal Audit at Calderdale Metropolitan Borough Council, who has found that the department generally conforms to the standards. This paper reports the results of the external assessment.

### **Recommendations**

The Audit Committee is asked to:

- 1) Note the result of the external assessment against the PSIAS.

### **List of Appendices Included**

External Compliance Assessment Peer Review

Chartered Institute of Internal Audit definitions of levels of conformance.

### **Background Papers**

Public Sector Internal Audit Standards and Associated Local Government Application Note.

Audit Committee paper November 2019.

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

**Council Approval Required**  
No.

**Exempt from the Press and Public**  
No.

## **External Assessment of Internal Audit against the Public Sector Internal Audit Standards.**

### **1. Background**

- 1.1 Professional Standards for Internal Audit are set out in the Public Sector Internal Audit Standards (PSIAS). These require an annual internal assessment of conformance against the standards, with an independent assessment of internal audit at least every 5 years.
- 1.2 The Audit Committee agreed in November 2019 that the annual internal assessment for 2020/21 would be validated by an external peer review. This was planned to take place in April and May 2020 but had to be postponed due to Covid-19. It was completed towards the end of 2020.

### **2. Key Issues**

- 2.1 The external assessment has been completed. This 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.
- 2.2 The review consisted of an assessment against the Mission and Definition of Internal Audit, the Core Principles and Code of Ethics, and the four attribute standards and seven performance standards.
- 2.3 The conclusion was that the department generally conforms with the requirements. Some individual areas where further improvement could be made were identified and these will become the action points in the Quality Assurance and Improvement Programme for 2021/22. The full report is attached in Appendix 1.
- 2.4 The Chartered Institute of Internal Auditors (CIIA) definitions and guidance for conformance with the Standards are given in Appendix 2.

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

- 3.1 Internal Audit work through the Quality Assurance and Improvement Plan to address those areas of PSIAS that have been assessed as requiring improvement.

### **4. Consultation on proposal**

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

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

5.1 The Audit Committee is asked to receive this report at its March 2021 meeting.

5.2 Actions will be completed during 2021.

## **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. These state:

*“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 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 and Vulnerable Adults arising from this report.

## **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**

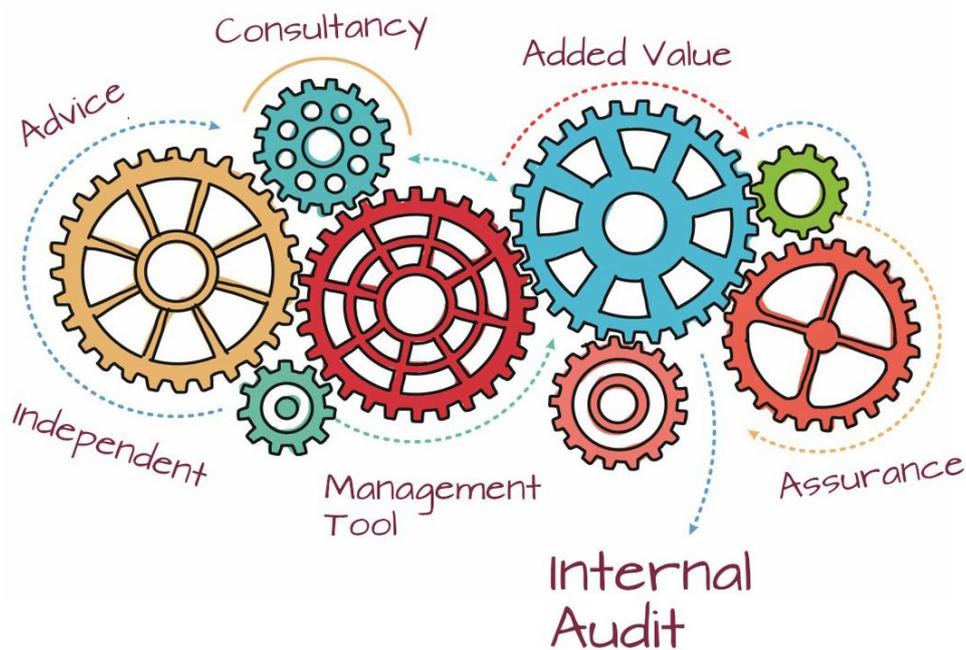
12.1 The following risk has been identified.

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	Ongoing monitoring. External assessment shows areas where standards can be improved. Produce and implement Quality Assurance and Improvement Plan.

**13. Accountable Officer(s)**

David Webster, Head of Internal Audit.

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**ROTHERHAM METROPOLITAN BOROUGH COUNCIL  
INTERNAL AUDIT SERVICE**

**PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)  
EXTERNAL COMPLIANCE ASSESSMENT PEER REVIEW**

FINAL Date 9<sup>th</sup> February 2021

LISA HINCHLIFFE CPFA  
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CALDERDALE METROPOLITAN BOROUGH COUNCIL

CHIEF EXECUTIVE'S OFFICE – FINANCE

**ROTHERHAM METROPOLITAN BOROUGH COUNCIL  
PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)  
EXTERNAL COMPLIANCE ASSESSMENT PEER REVIEW**

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Appendix A - List of Interviewees

Appendix B - List of Internal Audit Reports Examined

Appendix C – Actions to Consider

**CIRCULATION**

David Webster, Head of Internal Audit

Judith Badger, Strategic Director, Finance and Customer Services

Cllr Ken Wyatt, Chair of Audit Committee

## 1. INTRODUCTION

- 1.1 This report details the external assessment of Rotherham Metropolitan Borough Council's Internal Audit function against the Public Sector Internal Audit Standards. This external assessment has been undertaken by the Head of Internal Audit from Calderdale Council. The standards require that such an external review is carried out every 5 years.
- 1.2 This report has been discussed and agreed with David Webster, Head of Internal Audit. The results of the review will be reported to Rotherham's Audit Committee on the 23<sup>rd</sup> March 2021.
- 1.3 The external assessment builds on the internal self-assessments which have been reported to the Audit Committee.

## 2. EXECUTIVE SUMMARY

- 2.1 The overall opinion from the external review is that Rotherham Metropolitan Council Internal Audit function "**Generally Conforms**" to the Public Sector Internal Audit Standards.
- 2.2 The guidance suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform". "Generally Conforms" is the top rating and means that the Internal Audit activity has a Charter, policies and processes that are judged to be in conformance with the Standards. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the Internal Audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the Internal Audit activity from performing adequately in all or in significant areas of its responsibilities.
- 2.3 The evidence identified in the external assessment has confirmed the results arising from the Head of Internal Audit's self-assessment against the PSIAS which was reported to the Audit Committee on the 24<sup>th</sup> March 2020. It is noted that a QAIP is in place at Rotherham which has been taken account of and noted as part of this external review.
- 2.4 Although the overall assessment is that Rotherham "generally conforms" that are some areas identified for consideration against best practice, ensuring future resilience and potential enhancements. These are detailed at 4.5 of the report and recommendations have been made at section 5.

## 3. SCOPE AND METHODOLOGY

- 3.1 The review was conducted in conformance with the PSIAS using a combination of enquiry, observation and sample testing.
- 3.2 The methodology for a peer approach external assessment was agreed by the West and South Yorkshire Heads of Internal Audit Group following the introduction of the PSIAS in April 2013. This methodology was reviewed and endorsed by the peer group of Heads of Internal Audit undertaking the next round

of external assessments in 2020 and 2021. On the 26<sup>th</sup> November 2019, Rotherham's Audit Committee agreed that a peer approach be once again adopted for the external review.

- 3.3 The focus of the external assessment was two-fold; primarily to review whether Rotherham's Internal Audit function was PSIAS compliant and secondly to consider and identify any possible areas for service improvement.
- 3.4 The external assessment required an independent desktop review of Rotherham's own self-assessment against the PSIAS, structured interviews, and less formal discussions and a review of four Internal Audit reports which were selected by the assessor. **Appendix A** provides a list of the interviewees and other staff with whom discussions took place. **Appendix B** lists the titles of the audit reports examined.
- 3.5 Due to Covid-19 it was not possible to make a site visit to Rotherham MBC and as such all interviews were conducted via Microsoft Teams. As a result the assessor could not be given access to Pentana in order to review working papers and other management information included within the system. As such reliance was placed on information provided by relevant Auditors and Principal Auditors as part of discussions. It is acknowledged that like all local authorities and Internal Audit sections there have been disruptions throughout the year to service delivery due to Covid. It is noted that the Audit Committee have been kept up to date on the current position.

#### 4. SUMMARY OF FINDINGS

- 4.1. As detailed in the executive summary at 2.1 above, the findings from the external review confirmed the results from the internal self-assessment being that Rotherham Internal Audit generally conforms to PSIAS.
- 4.2. From discussions and interviews with key stakeholders, as detailed in Appendix A, and from the review of documentation provided as evidence, the following good practices and positive comments were observed:
- a) The audit team is effective and well respected within the organisation providing constructive challenge, in the main future-based reports supporting the organisation to achieve priorities.
  - b) Good engagement with services and directorates was conveyed with auditors demonstrating a good knowledge of key issues for the organisation whilst remaining independent.
  - c) Relevant expertise exists within the team with professionally qualified auditors as required.
  - d) Directors are engaged with the audit team and ask for assistance and consider the audit plan to be sufficiently flexible.
- 4.3 From interviews carried out with various officers, the Chair of the Audit Committee and from observation at the November 2020 Audit Committee it is clear that overall responsibility and implementation of Internal Audit

recommendations has been an issue, but that action has been taken by the Head of Internal Audit to address this and that this is being managed through Pentana.

- 4.4 The level of resources available to Internal Audit is a decision for the Audit Committee, Strategic Director, Finance and Customer Services and the Head of Internal Audit. From discussions it was apparent that there is an awareness of the potential issue of future resilience within the Internal Audit section. The view on the level of resources from the external assessment is that current resources are considered adequate, although any further reduction in resources could bring into question the issue of a minimum level of audit which would need to be reconsidered.

#### 4.5 **Service Improvement Opportunities**

- 4.5.1 As part of the assessment the review looked at the current practices adopted by Rotherham's Internal Audit Service. The report identifies a number of observations made that the Audit Committee, Strategic Leadership Team and the Internal Audit Service may wish to consider in terms of the future development of the service. These Actions for Consideration are outlined in the **Appendix C**.

- 4.5.2 Any developments need to be considered in the context of how they will 'add value' with the available resources both to the Internal Audit Service and to the Council as a whole. It needs to be recognised that the approach taken is the responsibility and decision of the Audit Committee, Strategic Director, Finance and Customer Services and the Head of Internal Audit along with the application of their professional judgement in accordance with Rotherham Metropolitan Borough Council's strategic objectives.

## 5. **RECOMMENDATIONS**

- 5.1 It is recommended that:

- a) This report is presented to members of the Audit Committee for consideration of the findings and suggested actions.
- b) The findings and suggested actions from the report are considered and where appropriate added to the existing Quality Assurance and Improvement Programme (QAIP) which is used and maintained on an ongoing basis.
- c) The QAIP is presented to the Audit Committee and reported periodically to monitor progress and the continued development of the Internal Audit Service.

**List of Interviewees**

Judith Badger - Strategic Director, Finance and Customer Services

Anne Marie Lubanski – Strategic Director Adult Care, Housing and Public Health

Councillor Ken Wyatt – Audit Committee Chair

Gareth Mills - Director, Public Sector Audit Grant Thornton

**Internal Audit Team Contacts**

David Webster - Head of Internal Audit

Mitch Chapman – Principal Auditor

Andy Furniss – Principal Auditor

Dave Todd – Senior Auditor

Angela McComb – Senior Auditor

Claire Shaw - Auditor



**List of Audit Reports Selected**

1. ACH&PH – No Recourse to Public funds
2. R&E – Home to School Transport
3. ACX – Payroll
4. CYPS – Themed School Audit

**Service Improvement Opportunities**

Ref	Observations	Actions to Consider	Management Response/Action
<b>1.</b>	<b>Proficiency and Due Professional Care (Standard 1200)</b>		
1.1	<p>Standards require that engagements are performed with proficiency and due professional care having regards to skills and qualifications.</p> <p>The self-assessment identified that there is a short-fall in IT audit knowledge and the use of computer assisted audit techniques (CAATs), although actions have been identified to manage this, such as buying a service from Salford Internal Audit. No reference is made to these arrangements in the Audit Manual or Internal Audit Charter.</p>	<p>Arrangements for IT audits and CAATs should be appropriately documented in the Audit Manual and Internal Audit Charter.</p> <p>Action should continue to be taken to address this gap in knowledge to ensure audits are performed in compliance with required standards</p>	<p>Agreed.</p> <p>Salford Internal Audit Services have produced an Audit Needs Assessment. This will be incorporated into the Audit Plan for 2021/22.</p> <p>The use of Computer Aided Audit Techniques is being explored and they will be used during 2021/22.</p> <p>The Audit Manual and Charter will be updated to reflect this.</p> <p>Implementation Date 30.9.21</p>
1.2	<p>Verbal assurance was provided as part of the review that all auditors take part in PDR's. Although from discussion it was clear that the majority of auditors have undertaken regular training and development some auditors could not recall any recent training or development opportunities.</p>	<p>Reviews should be undertaken of all auditors PDRs to ensure that all have participated in a programme of continuing professional development in order to ensure that standards continue to be met.</p>	<p>Agreed.</p> <p>Professional Standards will be included in the next round of PDRs, due in May 2021.</p> <p>Implementation Date 30.6.21</p>
<b>2.</b>	<b>Quality Assurance and Improvement Programme (1300)</b>		
2.1	<p>Standards require that internal assessments are required in the form of ongoing monitoring and reporting on the performance of internal audit activity against set performance targets. It is noted that the following performance targets are reported to the Audit Committee:</p>	<p>In order to provided Members of the Audit Committee with further assurance as to the effectiveness of the Internal Audit activity consideration should be given to extending the reporting of performance targets from the</p>	<p>Agreed.</p> <p>Further information from the Post Audit Questionnaires will be provided to the Committee.</p>

Ref	Observations	Actions to Consider	Management Response/Action
	<p>a) draft reports issued within 15 working days of field work being completed;</p> <p>b) Chargeable time/available time;</p> <p>c) Audit completed within planned time;</p> <p>d) Client satisfaction survey.</p> <p>From discussion as part of the assessment and a review of the Audit Manual it was established that other qualitative monitoring processes are included within Pentana and questions asked on the client post assurance questionnaire, but they are not reported to Audit Committee.</p> <p>Standards require the quality of communications to be generally accurate, objective, clear, concise, constructive, complete and timely. Although no issues were identified as part of the external review and it was noted that client post audit questionnaires consider some of these quality issues, they do not consider them all, nor are they communicated to the Audit Committee. Although a judgement has been made as part of the external assessment, that on the whole the Core Principle 'Demonstrates quality and continuous improvement' has been met, consideration should be given to enhancing the communication of quality standards.</p>	<p>information contained within the Pentana and client post audit questionnaires.</p> <p>In order to demonstrate the quality of communications, consideration should be given to reviewing the questions on the client post audit questionnaires and communicating the full results to the Audit Committee.</p>	<p>The questions will be reviewed to ensure they provide sufficient information.</p> <p>Implementation Date 30.9.21</p>
2.2	<p>As part of discussions with auditors and principal auditors it was established that they were unsure whether post audit questionnaires were being sent to clients and they were not being made aware of the results if they were. It is noted however, that this requirement is included within the Audit Manual.</p>	<p>Once revised, auditors should be reminded of the process for post audit questionnaires. In addition, as part of continuous improvement the results of questionnaires should be reviewed and communicated to auditors as appropriate.</p>	<p>Agreed.</p> <p>Implementation Date January 2021.</p>
2.3	<p>As part of the external review progress reports presented to each meeting of the Audit Committee were reviewed. It was noted that a number of audits showed the status 'WIP' (work</p>	<p>In order to ensure efficiency, and that reports are reported in a timely manner, consideration should be given to introducing targets and</p>	<p>Agreed.</p> <p>Targets for the timely completion of</p>

Ref	Observations	Actions to Consider	Management Response/Action
	in progress) for several meetings. From discussion with the Head of Internal Audit it was identified that there would be reasons for this, although the potential for “drift” is currently not being monitored.	monitoring the manage the risk of “drift” i.e. starting audits and not completing them in a timely manner.	audits will be introduced.  Implementation Date 30.9.21
<b>3.</b>	<b>Managing the Internal Audit Activity (Standard 2000)</b>		
3.1	The self-assessment identified that reliance has not been placed on other sources of assurance and that work on assurance mapping had commenced but was not complete. It is noted however, that some consideration is given to this as part of scoping individual audits.	In order to make best use of Internal Audit resources action should be taken to ensure reliance is placed on other sources of assurance where available.	Agreed.  A Research Document was introduced after the self-assessment, to be used prior to scoping audits. This will be further developed to ensure reliance can be placed on other sources of assurance where possible.  Implementation Date 31.3.21.
<b>4.</b>	<b>Performing the Engagement (2300)</b>		
4.1	Standards require that auditors should remain alert to the possibility of the following when performing their individual audits: <ul style="list-style-type: none"> <li>• Intentional wrongdoing;</li> <li>• Errors and emissions;</li> <li>• Poor value for money;</li> <li>• Failure to comply with management policy;</li> <li>• Conflicts of interest.</li> </ul> As part of the self-assessment it was confirmed that this requirement is being met through training, experience and audit methodology. Although this is acknowledged and no impairment was observed as part of the external review through discussion with auditors, and reviews of individual audit reports, the standard requires that this is documented.	Consideration should be given to documenting the requirement to be alert to the potential issues as part of all engagements. Although not exhaustive this could be achieved in a number of ways such as reference in the Audit Manual, part of annual declarations or a regular documented training or items at teams meetings for all auditors.	Agreed.  This will be referenced in the Audit Manual and included in team meetings.  Implementation Date 30.9.21

Ref	Observations	Actions to Consider	Management Response/Action
<b>5.</b>	<b>Communicating Results (2400)</b>		
5.1	<p>Standards require that internal auditors must communicate the results of engagements. The standards state that internal Auditors may report that engagements are “conducted in conformance with the PSIAS” only if the results of the QAIP support such a statement.</p> <p>It was noted as part of the external assessment that this is not included in the current report format. The reason given for this as part of the self-assessment was that this is not used as the last external assessment did not have that result.</p>	<p>Given the outcome of this external review, consideration should be given to including within the standard report format that engagements are conducted in conformance with PSIAS.</p>	<p>Agreed.</p> <p>This will be added to all reports.</p> <p>Implementation Date 1.4.21</p>
5.2	<p>As required by the standards it was identified from the external assessment that an overall annual audit opinion was provided which was supported by work undertaken by internal audit. However, as part of discussions and a review of the report it was identified that this could be improved by providing a high-level summary showing the overall picture for the year.</p>	<p>Consideration should be given to providing a high-level summary of the position for the year as part of the annual opinion.</p>	<p>Agreed.</p> <p>A high-level summary will be included in the Internal Audit Annual Report.</p> <p>Implementation Date 30.6.21</p>
5.3	<p>In local government, internal auditors operate in the public domain. There will be a variety of external interests in their work, including the organisation’s partners in the voluntary sector and other parts of the public sector, the general public, and ‘armchair auditors’ and other stakeholders who the government expects to scrutinise local authority activities. The Freedom of Information Act 2000, or equivalent, obliges internal auditors to manage their activities in the expectation that their work will become public knowledge and could be scrutinised by anyone with an interest in doing so.</p> <p>It is noted however, that Internal Audit Progress Reports are presented to Audit Committee in private. Although reasons were given as to why this decision was made, such</p>	<p>In order to improve transparency and reporting to all stakeholders, consideration should be given to all Internal Audit Progress Reports being reported in public.</p>	<p>Agreed.</p> <p>Internal Audit Progress Reports will be included in the public sessions of the Audit Committee, with any confidential information being included in the private session.</p> <p>Implementation Date 30.6.21</p>

Ref	Observations	Actions to Consider	Management Response/Action
	<p>confidentiality on sensitive issues with fraud investigations for example, it is considered that on the whole Internal Audit Progress Reports to the Audit Committee should be presented in public.</p>		
<b>6.</b>	<b>Monitoring Progress (2500)</b>		
6.1	<p>Standards require that a process should be in place to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action and that a revised opinion should be considered.</p> <p>It was noted as part of the review that recent action had been taken to address the issue of recommendations not being implemented and that this is being tracked by Pentana.</p> <p>As part of the review it was established that such a process is in place and that it is documented as part of the Audit Manual. It was found however through discussion with auditors that they were not clear when a follow-up audit should be done as they stated that it was determined by the Head of Internal Audit. It was noted that there were many follow-up audits on the Audit Plan but auditors were not always clear why the follow-up audit was required. It was also established that a different approach was being taken by different auditors when accepting that audit recommendations had been implemented, with some asking that evidence be provided, and others accepting the response from management.</p>	<p>The Audit Manual should be reviewed to ensure that the process for following up on recommendations and follow-up audits is clear. Consideration should be given to reviewing the opportunities within the Pentana system to automate the process for not only following up on recommendations but also for follow-up audits.</p> <p>Once reviewed the documented procedure should be communicated to all auditors as a reminder of the process.</p>	<p>Agreed.</p> <p>The process for tracking and following up audit actions and completing follow-up audits will be reviewed and made clearer and communicated to all auditors.</p> <p>Implementation Date 30.9.21.</p>



**Chartered Institute of Internal Audit definitions of levels of conformance**

**Generally Conforms** means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

**Partially Conforms** means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

**Does Not Conform** means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

**Committee Name and Date of Committee Meeting**

Audit Committee – 23<sup>rd</sup> March 2021.

**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.

**Report Author**

David Webster, Head of Internal Audit

Tel: 01709 823282

Email: david.webster@rotherham.gov.uk

**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 February 2020 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. This paper shows the status of actions in last year's QAIP.

In late 2020 an external assessment to validate the self-assessment was completed, confirming general conformance with the standards. Service Improvement Actions were identified which will become the QAIP for the coming year. These actions are reported in the PSIAS assessment paper to the committee.

**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 2020/21

**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 for Internal Audit.
- 1.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. External reviews must take place at least every five years. A self-assessment was completed in February 2020 and the results reported to the Audit Committee in May 2020. Where conformance to the standards was not achieved actions were generated which in total comprised the Improvement Action Plan for 2020.
- 1.3 The 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. An external review was planned for April/May 2020 but was delayed because of Covid-19. It was completed in late 2020 leading to the production of a new QAIP based on the latest results.

### **2. Key Issues**

- 2.1 The current position against the 2020 Improvement Action Plan is given in Appendix A. Many actions were completed during the year, but the implementation of the plan was affected by Covid-19 and audit resources being used in other areas. Those that were not completed related to the use of Computer Aided Audit Techniques. They did not affect the standard of work carried out by the team.
- 2.2 An updated QAIP has been produced using the results of the external assessment and the resultant actions. This is shown in a separate paper. Although General Conformance has been achieved, 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 23<sup>rd</sup> March 2021 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.



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Quality Assurance and Improvement Plan 2020/21**

# 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 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

### 2.1 Ongoing quality assurance arrangements

2.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS.

2.1.2 At assignment level the arrangements include:

- 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 are subject to agreement with the client before detailed work commences
- The results of all audit testing are documented using standard working papers
- The 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
- The supervision of audit assignments
- The regular monitoring of progress of audit assignments
- The review and approval of draft reports and recommendations by the Head of Internal Audit.
- The issue of Client View Questionnaires with each draft report to obtain feedback on the performance of the auditor and on how the audit was received.

2.1.3 At Internal Audit department level the arrangements include:

- 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

#### 2.1.4 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.

#### 2.1.5 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

### 2.2 Periodic Reviews

2.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS by the Head of Internal Audit, the results of which are reported to senior management and the Audit Committee. The results of the self-assessment are also used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.

2.2.2 A self-assessment was completed in early 2020, using a checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The use of this checklist was agreed to provide consistency in external peer reviews.

2.2.3 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. The table also shows the progress made during 2020 to implement the actions.

## 3 External Assessment

3.1 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.

- 3.2 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.
- 3.3 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 external validation was planned for April/May 2020 but was delayed because of Covid-19. It was completed at the end of 2020.
- 3.4 The results are given in a separate report, confirming general conformance with PSIAS. Some suggested service improvements were identified, which will form the QAIP for 2021.

## Quality Assurance and Improvement Plan – 2020

### Actions from assessment February 2020 – questions not scored as conforming. Current Position.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
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>	Shortfall in IT and the use of Computer-Assisted Audit Techniques (CAATs). Currently obtaining advice and assistance with IT Audit.	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>Assessment delayed because of Covid-19. Completed in November, findings included in 2021/22 planning.</p> <p>Delayed because of Covid-19. To be introduced in 2021.</p>
1210	Do internal auditors have sufficient knowledge of key information technology risks and controls?	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.	Partial Conformance	The need for IT Audit being assessed by Salford IA	April 2020	Assessment delayed because of Covid-19. Completed in November, findings included in 2021/22 planning.
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	Delayed because of Covid-19. To be introduced in 2021.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1310	<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> <li>• Is there a set of comprehensive targets which between them encompass all significant internal audit activities?</li> <li>• Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?</li> <li>• Does the CAE measure, monitor and report on progress against these targets?</li> <li>• Does ongoing performance monitoring include obtaining stakeholder feedback?</li> </ul>	<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	Electronic system introduced, more feedback received.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
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"> <li>• Making strategic and operational decisions?</li> <li>• Overseeing risk management and control?</li> <li>• Promoting appropriate ethics and values within the organisation?</li> <li>• Ensuring effective organisational performance management and accountability?</li> <li>• Communicating risk and control information to appropriate areas of the organisation?</li> <li>• Coordinating the activities of and communicating information among the board, external and internal auditors and management?</li> </ul>	<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	Included in 2020/21 plan, about to start.
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	Paragraph now ready for use.

**Committee Name and Date of Committee Meeting**

Audit Committee – 23 March 2021

**Report Title**

Procurement Update

**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)**Karen Middlebrook, Head of Procurement  
01709 334755 or [karen.middlebrook@rotherham.gov.uk](mailto:karen.middlebrook@rotherham.gov.uk)**Ward(s) Affected**

Borough-Wide

**Report Summary**

This report seeks to set out some of the more recent changes to processes and procedures implemented by the Corporate Procurement Team to improve governance and transparency in relation to the award of contracts.

**Recommendations**

1. Audit Committee is asked to note the contents of the report.

**List of Appendices Included**

None

**Background Papers**[Financial and Procurement Procedure Rules](#)[Local Government Transparency Code 2015](#)**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Procurement Update**

### **1. Background**

- 1.1 The Council procures a wide range of goods, works and services ranging from direct front line service delivery through to back office support. The Council's annual spend with third parties through procurement and commissioned activity is in excess of £300m.
- 1.2 Given this, it is imperative that the Council has robust procurement practices in place to ensure compliance, that value for money is achieved and the contracts entered into are robust, deliver against the Council's key priorities and strategies and minimise risk wherever possible.
- 1.3 This report seeks to highlight some of the processes and procedures the Corporate Procurement Team have been implementing to achieve this.

### **2. Key Issues**

- 2.1 The key aspects to be explored within this report include:
  - Exemptions from Financial and Procurement Procedure Rules
  - Procurement Business Case and Tender Evaluation Reports
  - Contracts Register
  - Category Plans / Forward Plans
- 2.2 ***Exemptions from Financial and Procurement Procedure Rules***

Financial and Procurement Procedure Rules (FPPRs) include a mechanism for seeking an exemption to award a contract in a manner not prescribed in the rules – most normally through the award of a contract without any form of competition.

Exemptions of this nature do present a risk (financial and reputational) to the Council from potential aggrieved bidders who have not been given access to the opportunity. The probability and impact of the risk is dependent upon the circumstances surrounding the exemption, including market conditions, the value and length of the proposed arrangement.

For each exemption a report is required which details the justification from the Service Area regarding the circumstances which has resulted in an exemption from FPPRs being required, the risks to the Service if the exemption is not approved along with the procurement, legal, financial and ICT implications if it is. This allows for fully informed and effective decision making. All exemption reports require the support from the Council's s151 officer prior to formal approval being granted by the responsible Strategic Director for the service concerned.

Since July 2017, the Corporate Procurement Team has been formally tracking and monitoring the use of procurement exemptions across the Council and in November 2019 started to formally report this information to the Strategic Leadership Team (SLT). Since this initial report, directorate level detail is now being provided to Strategic Directors on a quarterly basis, with a Council-wide position being reported to SLT annually.

### 2.3 ***Procurement Business Case and Tender Evaluation Reports***

When the revised FPPRs were implemented through the Council's constitution, they included a requirement for Procurement Business Cases to be completed in respect of all procurement projects. However, in practice it was identified that this was not happening, predominantly because of a lack of understanding of the reasons for their completion and no formal template documentation.

The purpose of the Procurement Business Case is to allow project teams sufficient time and opportunity to consider and debate a range of issues and scenarios prior to the commencement of any tender and collectively agree on proposed solutions to be incorporated into the tender process or the resulting contractual agreement.

The Procurement Business Case is broken down into a number of key areas:

- Purpose
- Background (i.e. previous costs, contractual position, lessons learnt)
- Proposed New Contract (i.e. contract scope, contract term, contract value)
- Key Considerations (i.e. stakeholder engagement, risk management, governance arrangements)
- Analysis and Research (i.e. market position, opportunities for collaboration, ethical procurement including social value, information and data management, health and safety)
- Procurement Options (i.e. different routes to market, project timelines, evaluation criteria)
- Contract Management (i.e. nominated contract manager, frequency of review meeting, management information, performance measures, exit strategies)
- Implications (finance, HR, ICT, communications, legal).

At the SLT/Assistant Director (AD) meeting on 10 December 2019, it was agreed that Procurement Business Cases would be implemented for projects in excess of £100,000 from January 2020, so have therefore now been in operation for over 12 months. The Corporate Procurement Team are supporting Service Areas in the completion of these documents and they are formally approved by AD's before a procurement procedure commences to provide assurance that all key aspects have been appropriately considered.

To complement this suite of procurement documentation, Tender Evaluation Reports were also implemented at the same point in time, although the threshold for requiring a Tender Evaluation Report was set at £25,000.

The Tender Evaluation Report seeks to summarise the process undertaken, identifies key information from the evaluation process (i.e. scores achieved), the conclusion of any due diligence undertaken, details of outcomes achieved and any risks/issues the recommended award presents to the Council. This process ensures there are no surprises when contracts require signature.

## 2.4 **Contracts Register**

The Council has a duty under the [Local Government Transparency Code 2015](#) to publish details of the contracts it awards. The Corporate Procurement Team have invested significant effort in an attempt to form and publish 1 corporate position of the contracts the Council holds. Please see below the link to the Contracts Register:

[Contracts register - Search results \(due-north.com\)](#)

## 2.5 **Category Plans / Forward Plans**

To support the development of the contracts register, the Corporate Procurement Team have been collating data in the form of category plans. These category plans are working documents that capture a range of information (including but not limited to):

- **Category information** (project reference numbers, project titles, lead officers, directorate)
- **Contract information** (supplier name and contact details, contract award, start and end dates, extension options and termination notice periods)
- **Reporting information** (chosen routes to market, project status, whether the contract is a one of or a cyclical contract requiring re-procuring)
- **£ information** (estimated contract value, value of modifications)
- **Contract management information** (whether the Council holds a signed contract, and if so where this is stored)

Work is currently underway to use the detail contained in the category plans to engage with Directorates and Service Areas to produce prioritised forward procurement plans (pipeline opportunities). By developing these forward plans it will ensure appropriate consideration is given to all available options, which will flow through the Procurement Business Case referred to above and that these plans can be published on the Council's website to give organisations advance warning of potential opportunities to put them in a better place to bid, which supports some of the Council's direct plans and policies such as the Year Ahead Plan and the Social Value Policy.

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

- 3.1 No options were considered. The detail contained in this report ensures the Council is compliant with its own FPPRs and national best practice.

**4. Consultation on proposal**

4.1 Before implementing any of the above processes and procedures discussions have been held with SLT and views sought from key commissioning leads within Service Areas.

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

5.1 This report is for Audit Committee information and noting, therefore it is not anticipated there will be a decision requiring implementation.

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

6.1 There are no direct financial implications as a result of this update report. All associated procurement implications are included in the main body of this report.

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

7.1 The work undertaken by the Corporate Procurement Team and the measures implemented as set out in this report, are consistent with relevant procurement Regulations and best practice in relation to procurement. This in turn lessens the likelihood of legal challenge in respect of procurement activity and contract management.

**8. Human Resources Advice and Implications**

8.1 There are no direct implications arising from this report relating to HR.

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

9.1 There are no direct implications arising from this report for Children and Young People or Vulnerable Adults.

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

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

**11. Implications for Partners**

11.1 There are no direct implications arising from this report for Partners.

**12. Risks and Mitigation**

12.1 Through the actions implemented as detailed in this report, risks and appropriate mitigation are continuously considered through all procurement procedures.

**13. Accountable Officer(s)**

Graham Saxton, Assistant Director – Financial Services

Karen Middlebrook, Head of Procurement

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Rob Mahon	10/03/21
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	11/03/21
Assistant Director of Human Resources (if appropriate)	Lee Mann	09/03/21
Head of Human Resources (if appropriate)	N/A	Click here to enter a date.

*Report Author: Karen Middlebrook, Head of Procurement  
01709 334755 or karen.middlebrook@rotherham.gov.uk*

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

**Committee Name and Date of Committee Meeting**

Audit Committee – 23 March 2021

**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)**

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Nathan Heath, Interim Assistant Director Education

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

The report outlines the current and projected overspend on the Dedicated Schools Grant (DSG) and the recovery plans in place to enable Rotherham 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 going into education. On the 30th August 2019 the DfE announced that they will invest over £14 billion in primary and secondary education between 2020/21 and 2022/23.

**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.

**List of Appendices Included**

**Background Papers**

LAC Sufficiency Strategy 2019-2021

Operational Delivery of LAC Sufficiency Strategy - Proposals to Develop New Residential Provision – February 2020

SEND Sufficiency Strategy Papers (Phases 1 to 3)

DfE Review of national funding formula for allocations of high needs funding to local authorities; changes for 2022-23

Dedicated schools grant (DSG) financial management plan

**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 £1m, but in the last four financial years the annual HNB deficit has been circa £5m, leading to a total HNB deficit of £20.4m and an overall DSG deficit of £19.9m after taking account of DSG balances across the various blocks e.g. 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 The DfE have recently acknowledged the need to review the national funding formula for allocations of high needs funding to local authorities by launching a consultation on 10 February 2021. It proposes changes to the historical spend element for 2022/23 as well as looking at other funding factors in future years.
- 1.6 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.
- 1.7 Since 2019/20 Rotherham have successfully submitted disapplication requests to the Secretary of State to transfer 1.5% of the DSG Schools Block allocation (circa £3m) to the High Needs Block. This has again taken place as part of the 2021/22 Schools funding formula consultation and was agreed in February 2021. The transfer is for one year only and to continue with the transfer of funding a new application is required each financial year.

- 1.8 Despite the £3m transfer of funding into the High Needs Block in the current financial year there is still a projected overspend of £1.9m (financial pressure would be £4.9m without the transfer) in the High Needs Block for the 2020/21 financial year, alongside this due to Covid issues and the funding of early years providers the Council is also projecting a £400k overspend on the Early Years Block offset by a reduction in PRU balances (£100k). The overall DSG deficit is estimated to increase by £2.2m to £22.1m.
- 1.9 To monitor the DSG central reserve on the 16 September 2020 the Education and Skills Funding Agency (ESFA) launched the Dedicated Schools Grant (DSG) Management Plan Template to replace last year's DfE DSG Deficit Recovery Plan and under the new arrangements there is no longer a requirement to submit this document to the DfE, but it could be requested by them at any point.
- 1.10 However the Dedicated Schools Grant (DSG): conditions of grant 2020 to 2021 paragraph 5.2, requires that any local authority (LA) with an overall deficit on its DSG account at the end of 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must be able to present a plan to the Department for Education (DfE) for managing their future DSG spend. It is the intention that local authorities utilise the above template to comply with this requirement and will also enable comparison with other LA's.
- 1.11 The template has been completed by Rotherham to support its recovery plan and this plan has been submitted to School Forum for their approval and to support the 2021/22 school block consultations.

## 2. Key Issues

- 2.1 To operate within the annual 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 As outlined above Rotherham has produced a DSG Financial Management 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 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 Since May 2019 Cabinet has approved 3 phases of the Council's SEND Sufficiency Strategies. Each phase has outlined 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.

Phase 1 SEN Sufficiency programme focussed on increasing special school places in Borough as indicated by the rapid growth in demand for all specialist provision. These plans led to increases in places at The Willows School (Including post-16 provision) Kelford School and Abbey School.

Phase 2 The second phase of SEN Sufficiency focussed on the need for more targeted provision for children with ASD and led to the development of new units at Wales School, Wath Victoria School and increased places at Milton School. There was also investment identified for post-16 provision at Thomas Rotherham College. As a consequence of this investment Rotherham has been better able to meet the needs of local children with autism and to place them in local schools.

Phase 3 The focus is to support the creation of a SEMH free school as Rotherham currently has no specialist education provision to meet the needs of this group of children several solutions have been sought. These include children and young people being placed in Pupil Referral Units (PRU). Phase 3 also proposes to resolve the building condition issues at Newman Special School.

3.3 An independent consultancy, ISOS who support LA's develop strategies and policy in education, children's services, early help, SEN, inclusion, AP and beyond, were 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. Work is now underway to implement the recommendations of the review.

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 able to directly oversee each child's Education, Health and Care Plan, and identify local provision that is suitable to meet their needs. This is being supported by the development on in-house residential homes and reducing the number of children places outside of Rotherham.

#### **4. Timetable and Accountability for Implementing this Decision**

4.1 On the 30th August 2019 the DfE announced that they will invest over £14 billion in primary and secondary education between 2020/21 and 2022/23. The 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 provisionally £7.1 billion for 2022-23.

- 4.2 In 2020/21 the £2.6 billion was split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block. For Rotherham this was an additional £6.2m for schools and £4.8m in the High Needs Block. In 2021/22 the £2.2 billion is split £1.47 billion Schools Block and £0.73 billion to the High Needs block. For Rotherham this is an additional £5.5m for schools and £5.3m in the High Needs Block. The 2022/23 split is provisional and still to be determined.
- 4.3 The LA will continue to update the ESFA's Dedicated Schools Grant (DSG) management plan to reflect Rotherham's deficit recovery plan
- 4.4 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.
- 4.5 The additional funding to the High Needs Block will enabled Rotherham to move towards operating within its DSG annual allocation at an earlier stage than in the original recovery plan 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 2020/21 financial year is estimated to be £22.1m.
- 5.2 Due to the additional funding announced by the DfE, it is estimated that Rotherham will operate within its annual allocation in the 2021/22 financial year and for DSG to make a contribution towards reducing the DSG deficit in future years.
- 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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Select report type  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 23 March 2021

**Report Title**

Closure of the Accounts 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 of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

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

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

This report brings to Members attention the main changes to the local authority accounting framework in 2020/21, including their effect on the Council's accounting policies, and to the statutory framework for preparing and reporting local authority financial statements (the Accounts and Audit Regulations 2015).

The report also reminds Members that the Audit Committee, as the body in the Council charged with governance, will need to formally approve the audited Statement of Accounts. This is covered in more detail elsewhere on the agenda and has been revised to the end of September for the next two years.

**Recommendations**

1. Audit Committee is asked to note the key accounting issues and main changes to the accounts in 2020/21 listed in Appendix A;

**List of Appendices Included**

Appendix A – Key accounting issues and changes to the accounts in 2020/21  
Appendix B RMBC Accounting Policies

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2020/21  
Accounts and Audit Regulations 2015

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Closure of the Accounts 2020/21**

### **1. Background**

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 The introduction of the faster closedown requirements from 2017/18 presented challenges and as part of meeting the challenges CIPFA encourage local authorities to focus on material items only in their financial reporting. Materiality for financial reporting purposes is fundamental. It determines the amount by which items or disclosures within the financial statements would need to be misstated before it would influence the understanding or a decision a reader of the accounts might make. An item is not material if its omission or misstatement would not influence such decisions or understanding. The Council's materiality level for 2020/21 hasn't yet been confirmed by Grant Thornton but for information the overall materiality for the 2019/20 accounts was £9 million, with differences of less than £450,000 being considered trivial.

### **2. Key Issues**

#### **Timetable**

- 2.1 Although the historic decision to bring forward the timetable for publishing Local Authorities financial statements was a major challenge the Council successfully met the 2018/19 timeframes in closing its accounts. However, members will be aware that due to the unprecedented circumstances around at the time of last year's closure of the accounts, the closure of accounts deadlines were extended for the year 2019/20. The Council successfully produced its accounts within the revised timeframes.

- 2.2 It should also be noted that the volume of audit review, challenge and testing that the external auditors now have to carry out also places additional strain on the Council's resources. This additional strain would be further exacerbated by the continuing challenge that the Covid-19 pandemic places on the resources of the Councils finance function. However, the timescales for the publication of the financial statements have now been extended for the next two years. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) will come into force on 31 March 2021 and will revise the statutory deadline for publishing the unaudited financial statements to 31st July, followed by the statutory deadline for publishing the audited financial statements by 30 September.

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

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

### **Local Authority Accounting Framework**

- 2.7 The decision has been taken to delay the implementation of IFRS 16 within Local Authorities for a further year. This disclosure, which will see the removal of operational leases, 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, will now be reflected in the accounts for 2021/22.

- 2.8 Major changes to service delivery that have taken place in 2020/21 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies and the impact of Covid 19.
- 2.9 The Council's Statement of Accounting Policies is attached as Appendix B. These policies are reviewed and updated where necessary, and it should be noted that these were amended where appropriate following the "technical review" of the accounts carried out by the external auditors last year as part of the audit process.

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

- 3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2020/21 and to note the actions being taken by officers to ensure that they are being implemented.

### **4. Consultation on proposal**

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

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

- 5.1 The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) will come into force on 31 March 2021 and will revise the statutory deadline for publishing the unaudited financial statements to 31<sup>st</sup> July, followed by the statutory deadline for publishing the audited financial statements by 30 September. These revised deadlines will be in place for two financial years.

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

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

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

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

**8. Human Resources Advice and Implications**

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

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

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

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

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

**11. Implications for Partners**

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

**12. Risks and Mitigation**

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

**13. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance &amp; Customer Services)

Approvals obtained on behalf of:-

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

*Report Author:* Clare Rosser (Finance Manager – Financial Accounting)  
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This report is published on the Council's [website](#).

## Appendix A

**KEY ACCOUNTING ISSUES / CHANGES TO THE ACCOUNTS**

Area of accounts	Issue	Action taken
IFRS 16 Leases	<p>IFRS 16 removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset.</p> <p><b>This has now been further deferred until April 2022 following a decision made by the CIPFA/LASAAC Local Authority Accounting Board in December 2020. However, as part of the Councils accounts for 2021/22 it must disclose the estimated impact of IFRS 16.</b></p>	Initial assessments of any operational leases the Council holds have been carried out, with a view to preparing draft note for the accounts on the impact of the IFRS, further work will be required to ensure the Council is compliant by April 2022.
Schools converting to academy	During the course of 2020/21, a further 8 primary schools are expected to convert to an academy. The impact on the Council's balance sheet and income and expenditure has yet to be determined but is likely to be material.	The Narrative Report will highlight the impact.
Covid 19 Grants	The Council has received a high number of high value government grants throughout the financial year in recognition of the financial consequences of the pandemic. The accounting treatment of these grants will vary depending on their purpose. A number of these grants will need to be flagged as exceptional items due to their value as they would otherwise distort the understanding of the accounts.	Thorough analysis of each grant and the supporting information to ensure these are presented accurately in the accounts.

## STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES

### 1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"), supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue is recognised when the following conditions have been met:

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

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

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

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

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

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

**4 Overheads and Support Services**

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

**5 Debtors**

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

**6 Creditors**

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

**7 Tax Income (Council Tax and National Non-Domestic Rates)**

Council Tax

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

National Non-Domestic Rates (NNDR)

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

**8 Inventories**

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

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

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

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

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

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

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

## **10 Cash and Cash Equivalents**

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

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

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

### Provisions

A provision is recognised when:

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

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is

settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

## Contingent Liability

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

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

## Contingent Asset

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

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

## **12** Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

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

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

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

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

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

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

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

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

### Recognition

Expenditure on the acquisition and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets – depreciated historical cost,
- property, plant and equipment and intangible assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.
- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as a Asset Held for Sale, it will be measure at fair value less cost to sell.

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

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

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

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

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

### Impairment of Assets

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

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

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

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

## Disposals

The carrying amount of an item is derecognised:

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

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

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

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

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings over 30 Years or by using notional Major Repairs Allowance (MRA) if notional MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non-operational properties up to 100 years)
- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation will take place as assets are acquired, enhanced, replaced or revalued.

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

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

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

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

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

Depreciation, revaluation and impairment losses represent a "real" charge to the HRA to be met by rent payers. However, the Council took advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance (MRA) included within the HRA

Business Plan for that year. From 2017/18, depreciation, revaluation and impairment losses are determined in accordance with the new Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

#### Minimum Revenue Provision (MRP)

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

In 2014/15 the Council carried out a review of historic MRP payments made, indicating a significant overpayment, that has since been recovered via an annual MRP holiday (in line with the CIPFA Prudential Code & MRP Guidance). The recovery of any MRP that had been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years' charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year. Following the introduction of the revised CIPFA Prudential Code 2018/19 and CIPFA Treasury Management Code of Practice it is no longer permissible for the Council to calculate new MRP overpayments in relation to historical transactions, however it can continue to realign the existing overpayment as the new code is not to be applied retrospectively.

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

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council will recognise a lease where the contract for individual asset exceeds £25k.

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

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

(b) Operating Leases – Council as Lessee

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

(a) Finance Leases – Council as Lessor

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

(b) Operating Leases – Council as Lessor

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

Private Finance Initiative (PFI) and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The only exception to this is where PFI assets are transferred to academies under 125 year lease arrangements, at which point the assets are removed from the Council's balance sheet.

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

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows to the Council at that time, similar to an asset that a Council constructs or develops for its own use.

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

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

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

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

Investment properties are measured initially at cost and subsequently at Fair Value being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

## **19** Intangible Assets

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

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

## 21 Heritage Assets

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

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

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

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

## 22 Financial Instruments

### Financial Assets

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

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

#### - **Treasury Investments:**

Those valued at **Amortised Cost** – assets that have fixed or determinable payments but are not quoted in an active market. These assets are Solely for Principal and Interest (SPPI), and they are part of the Council's Business Model. Whist Money Market Funds (MMF) behave as Amortised Cost, strictly they are FVPL, but there is little material difference in accounting, as such the Council will treat them as Amortised Cost.

#### - **Non-Treasury Investments:**

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

- **Fair Value through Comprehensive Income (FVCI)**, policy driven investments (not solely for profit), activity, which would normally simply be equity stakes in joint companies etc.
- **Fair Value through Profit and Loss (FVPL)**, assets held purely for commercial investment (primarily for profit, firstly to raise monies/profit, that will be used to support the execution of normal service functions.

## (a) Financial Assets Measured at Amortised Cost

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

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

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

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

## (b) Fair Value Through Profit or Loss (FVPL) and Fair Value through Comprehensive Income (FVCI)

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

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

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

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

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

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

### Expected Credit Loss Model

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

### Financial Liabilities

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

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

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

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

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

## 23 Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

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

### Post-Employment Benefits

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

- The National Health Service Pension Scheme, administered by the NHS Business Services Authority (NHSBSA).
- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme (LGPS), administered by South Yorkshire Pensions Authority.

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

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

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

- The liabilities of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits

earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - re-measurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

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

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

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

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

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

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

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

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

## **27 Exceptional Items**

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

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

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

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

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

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

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

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

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

## **29 Acquisitions and discontinued operations**

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

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

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



**Committee Name and Date of Committee Meeting**

Audit Committee – 23 March 2021

**Report Title**

Closure of the Accounts 2020/21 – Timetable

**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)**

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**Ward(s) Affected**

Borough-Wide or

**Report Summary**

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

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

This report brings to members attention the Council's timetable for the production of the financial statements, that members of the Audit Committee, as the body in the Council charged with governance, will need to formally approve the audited Statement of Accounts by the 30<sup>th</sup> September, based on the revised regulations to be implemented for two years.

**Recommendations**

1. Audit Committee is asked to note the timetable for the production of the Council's financial statements.

**List of Appendices Included**

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2020/21  
Accounts and Audit Regulations 2015

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Closure of the Accounts 2020/21**

### **1. Background**

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 Members will recall that following the Covid 19 outbreak last March that the production of the Statement of Accounts was delayed and the draft accounts were presented on the 18<sup>th</sup> August 2020 following their publication on the website on the 30<sup>th</sup> July, and the final audited accounts were approved on the 24<sup>th</sup> November 2020.
- 1.4 The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) will come into force on 31<sup>st</sup> March 2021 and extend the publication of the Statement of Accounts for the next two financial years (2020/21 and 2021/22). These amended regulations require draft accounts to be published by the 31<sup>st</sup> July and final audited accounts by the end of September. These regulations also require Authorities to publish a notice on their website if they fail to publish their draft accounts by 1<sup>st</sup> August.

### **2. Key Issues**

#### **Timetable**

- 2.1 The amended deadlines have only just been confirmed and will result in key dates on the timetable for the production of the accounts as shown below.

**Statement of Accounts Timetable - Amended Dates**

<b>Action</b>	<b>Amended Date</b>
Unaudited accounts published	31 July 2021
Public Inspection of Draft Accounts	1 August to 10 August 2021
Unaudited accounts presented to Audit Committee along with Narrative Report & Annual Governance Statement	tbc
External Audit of the Councils Accounts	August & September 2021
Audited accounts presented to Audit Committee along with Narrative Report & Annual Governance Statement	28 September
Audited Accounts Published	30 September

2.2 It was initially anticipated that the draft accounts would be presented to this committee on the 22nd June and the final audited accounts on the 29th July. Consideration needs to be given by Officers as to whether to utilise the full extension in the production of the draft accounts or whether to aim for an earlier date with a view to allowing a longer timeframe for the audit process. This will determine whether the draft accounts are presented on the 22nd June or the 29th July and Members will be updated accordingly.

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

3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the timetable for the production of the accounts in 2020/21.

### **4. Consultation on proposal**

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

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

5.1 The statutory deadline for publishing the unaudited financial statements is 31<sup>st</sup> July, with the statutory deadline for publishing the audited financial statements of 30<sup>th</sup> September.

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

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

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

7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015 and the revised Regulations that come into force on the 31<sup>st</sup> March 2021.

**8. Human Resources Advice and Implications**

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

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

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

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

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

**11. Implications for Partners**

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

**12. Risks and Mitigation**

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

**13. Accountable Officer(s)**

Judith Badger (Strategic Director of Finance &amp; Customer Services)

Approvals obtained on behalf of:-

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

*Report Author:* Clare Rosser (Finance Manager – Financial Accounting)  
 Finance & Customer Services Directorate  
 01709 334144 [clare.rosser@rotherham.gov.uk](mailto:clare.rosser@rotherham.gov.uk)

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

**Council Report**

Audit Committee Meeting – 23<sup>rd</sup> March 2021.

**Title**

Internal Audit Progress Report for the period 1<sup>st</sup> January to 28<sup>th</sup> February 2021.

**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

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

**Ward(s) Affected**

All wards.

**Report Summary**

This Progress Report provides the committee with an up to date position on the Internal Audit Plan, a summary of Internal Audit work completed during the period 1<sup>st</sup> January to 28<sup>th</sup> February 2021 and the key issues that have arisen from it, and the status of actions arising from audits. It also provides information regarding the performance of the Internal Audit function during the period.

**Recommendations**

The Audit Committee is asked to:

- 1) Note the Internal Audit work undertaken since the last Audit Committee, 1<sup>st</sup> January to 28<sup>th</sup> February 2021, and the key issues that have arisen from it.
- 2) Note the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of their performance.

**List of Appendices Included**

Internal Audit Progress Report for the period 1<sup>st</sup> January to 28<sup>th</sup> February 2021.

**Background Papers**

Public Sector Internal Audit Standards and Associated Local Government Application Note.

Accounts and Audit (England) Regulations 2015.

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

**Council Approval Required**  
No.

**Exempt from the Press and Public**  
No.

## Internal Audit Progress Report for the period 1<sup>st</sup> January to 28<sup>th</sup> February 2021

### 1. Background

- 1.1 CIPFA guidance for Audit Committees in Local Authorities gives the Audit Committee a clear role in supporting the effectiveness of the internal audit process. This role is reflected in the Terms of Reference of the committee. To fulfil this role the committee receives updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. In addition, it receives information on performance relative to the audit plan.
- 1.2 Public Sector Internal Audit Standards require that the Head of Internal Audit reports periodically to the Audit Committee. This is reflected in the Audit Charter which provides for Progress Reports to be presented to the Audit Committee regarding the audit plan and progress against it; resource requirements; the results of audit activities; the tracking of audit recommendations; and the performance of the audit team.
- 1.3 This report includes the position up to the end of February on the completion of the annual plan for 2020/21, the reports finalised in January and February, the latest position on overdue actions arising from audit reports and performance indicators for the team.

### 2. Key Issues

#### 2.1 Internal Audit Annual Plan

Internal Audit produced a risk based Annual Audit Plan for 2020/21 and intended to present it to the Audit Committee at its meeting on 24<sup>th</sup> March 2020. The plan was revised as a result of Covid-19 and was presented to the committee on 18<sup>th</sup> August 2020. Work is continuing on this plan. The current position with regards to the plan is given in **Appendix A**. Consultation has taken place with DLT's regarding the remainder of the plan. Several audits were identified where it would be beneficial to postpone them until the next financial year. This will not affect the requirement to reach an annual audit opinion. The changes are shown in **Appendix B**.

#### 2.2 Audit Work Undertaken During the Period

Internal Audit provides an opinion on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall annual opinion on the Council's control environment. There are four possible levels of assurance for any area under examination, these being "Substantial Assurance", "Reasonable Assurance" "Partial Assurance" and "No Assurance". Audit opinions and a brief summary of all audit work concluded since the last Audit Committee are set out in **Appendix C**. Three audits have been finalised since the last Audit Committee, all with Substantial or Reasonable Assurance.

- 2.3 In addition to the planned audit assurance work, Internal Audit also carries out unplanned responsive work and investigations into any allegations of fraud, corruption or other irregularity. There have been no reports of this type issued since the last meeting.

## 2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. Target Performance was not achieved for productive time. This is affected by the need to work from home and the time spent on Business Support Grants. There were no client satisfaction surveys received in the period.

## 2.5 Management Response to Audit Reports

Following the completion of audit work, draft reports are sent to or discussed with the responsible managers to obtain their agreement to the report and commitment to the implementation of recommendations. This results in the production of agreed action plans, containing details of implementation dates and the officers responsible for delivery. Draft reports are copied to the relevant Head of Service and Assistant Director and final reports are also sent to the Strategic Director.

Confirmation of implementation of audit recommendations is sought from service managers when the implementation date is reached. This is automated, with alerts being sent out a week before the due date to the Responsible Manager and Head of Service, and overdue alerts sent out weekly, copied into the Assistant and Strategic Director. Managers should enter the system and provide an update on the action – either implemented or deferred.

Summary reports of outstanding actions are produced monthly and distributed to Strategic Directors. A presentation has been given to more than 50 Assistant Directors and Heads of Service outlining the issue and asking them to ensure that realistic dates are set when draft reports are agreed and to endeavour to clear actions on time if possible in the future. As a result, many of the actions have been given revised implementation dates which should be more realistic. They are being monitored at SLT/AD meetings on a monthly basis.

The number of aged outstanding actions has decreased to 26. Provided that the new realistic dates are achieved and new actions are completed on time this will reduce over the next six months.

**Appendix E** shows the number of outstanding recommendations that have passed their original due date, age rated. In the detailed spreadsheet, where they have been deferred, the comment received from the Manager is given.

## 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. It provides a summary of Internal Audit work completed and the key issues arising from it for the period from 1<sup>st</sup> January to 28<sup>th</sup> February 2021 and information about the performance of the Internal Audit function during this period.

#### **4. Consultation on proposal**

- 4.1 The Internal Audit plan was produced after consultation with management teams. All Internal Audit reports referred to in this report have been discussed and agreed with management in the respective service areas.

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

- 5.1 The Audit Committee is asked to receive this report at its March 2021 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. These state:

*“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 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 includes a report of progress against delivery of the Internal Audit Plan. 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 Council Plan.

**12. Risks and Mitigation**

12.1 An effective Internal Audit Department helps to minimise the Council's exposure to risk.

**13. Accountable Officer(s)**

David Webster, Head of Internal Audit.

Tel 01709 823282 E mail david.webster@rotherham.gov.uk

## Internal Audit Annual Plan 2020/21

<b><u>CORPORATE</u></b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	4
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	4
Social Value		Risk Based	Review of compliance with Social Value policy requirement that for contracts below £25,000, where the Council invites written quotations, Services must ensure that a minimum of 1 of these quotes is from a local supplier.	10	FINAL
<b>Total Planned Days – Corporate</b>				<b>40</b>	

**ASSISTANT CHIEF EXECUTIVE**

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	DRAFT
HR Policies		Risk Based	Review of policies and procedures for the new payroll system to provide assurances that they are fit for purpose.	20	WIP
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	4
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	TO 21/22
Recruitment		Risk Based	To review the modified recruitment process set up as a response to Covid-19.	10	FINAL
Community Hub		Risk Based	To review the operation of the shopping arrangements set up in the Community Hub as a response to Covid-19	10	FINAL
Members Allowances		Risk Based	To provide assurance on the accuracy of allowances paid to Members.	10	DRAFT
<b>Total Planned Days – Assistant Chief Executive</b>				<b>100</b>	

## **ADULT CARE, HOUSING AND PUBLIC HEALTH**

<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Target Operating Model / Liquid Logic	Directorate Risk ACOP15	Follow Up	To review the Social Care Pathway (Target Operating Model) to provide assurance that it is being applied correctly and consistently by social workers, including the use of liquid logic.	25	FINAL
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	TO 21/22
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	FINAL
Homelessness	Operational Risk 18	Risk Based	Review of policies and procedures and provide assurance on compliance with the Homeless Reduction Act 2017.	15	TO 21/22
Housing Rents		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system	10	4
Financial Support after Covid-19		Risk Based	To review the application of additional funding provided as a response to Covid-19	20	DRAFT
<b>Total Planned Days – Adult Care Housing and Public Health</b>				<b>105</b>	

## CHILDREN AND YOUNG PEOPLES SERVICE

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Placements	Directorate Risks CYPS1	Risk Based	Review policies and procedures for sourcing and agreeing placements to ensure that they are correctly considered, authorised and costed	20	WIP
Unregistered and Unregulated Placements	Directorate Risk CPQ43	Risk Based	Review of policies and procedures and provide assurance that unregulated placements are authorised and monitored and unregistered placements do not take place.	20	WIP
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	DRAFT
Fostering / Adoption / SGOs		Risk Based	Review of the controls around the allowance payments systems and linkages with the financial information system, E5.	15	FINAL
Payments		Risk Based	Review of the policies and procedures in place for requisitioning payments, including Section 17 payments.	20	DRAFT
Schools Control and Risk Self-Assessment			Self-Assessment questionnaires for schools	5	COMPLETED
Schools Themed Review		Risk Based	Sample visits to schools based on the results of CRSA	15	TO 21/22
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements.	15	TO 21/22
Direct Payments		Risk Based	Review policies and procedures and ensure all previous audit recommendations in this area have been implemented.	10	DRAFT
<b>Total planned days - Children and Young People's Services</b>				<b>140</b>	

## **FINANCE AND CUSTOMER SERVICES**

### **Finance**

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	TO 21/22
Council Tax		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	WIP
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	TO 21/22
Treasury Management	Operational Risk	Risk Based	Review of policies and procedures in place to ensure an efficient treasury management service.	10	WIP
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	4
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	WIP
Payment and Support to Suppliers		Risk Based	Review the operation of payment and support to suppliers introduced as a response to Covid-19	10	FINAL
Business Support Grants		Risk Based	Review the operation of payments to businesses introduced as a response to Covid-19	10	FINAL
Discretionary Grants		Risk Based	Review the operation of payments to businesses introduced as a response to Covid-19	10	FINAL

<b><u>Customer Information &amp; Digital Services</u></b>					
Cyber Security Attacks	Directorate Risk FCS14	Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	TO 21/22
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	FINAL
Right of Access Requests		Risk Based	Review of the system for processing RoARs.	10	WIP
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	ONGOING
<b><u>Legal Services</u></b>					
Child Protection Litigation Service to CYPS	Directorate Risk FCS6	Risk Based	Provision of an effective child protection litigation service to CYPS	10	FINAL
Adult Care Protection Legal Support	Operational Risk	Risk Based	Provision of an effective adult care protection legal support	10	TO 21/22
<b>Total Planned Days – Finance and Customer Services</b>				<b>175</b>	

## **REGENERATION AND ENVIRONMENT**

<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
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	FINAL
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	TO 21/22
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	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	FINAL
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	TO 21/22
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	FINAL
Licensing & Enforcement		Risk Based	Delivery of an effective, fit for purpose licensing service. Follow up of previous review of Licensing & Enforcement.	5	TO 21/22
Licensing Applications		Risk Based	To review the licensing application process changes as a result of the response to Covid-19	10	FINAL
Home to School contracts		Risk Based	To review the changes to Home to School Contracts introduced as a result of the response to Covid-19	10	FINAL

<b>Total Planned Days – Regeneration and Environment</b>	<b>115</b>
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<b><u>OTHER</u></b>	<b>Provision</b>	<b>Half Year Update</b>	<b>Days used</b>
Grants	50	50	32
Provision for investigations	170	170	35
Pro-active fraud	30	30	0
Contingency	40	40	40
Covid Contingency	30	30	30
<b>Total</b>	<b>320</b>	<b>320</b>	<b>137</b>
<b>Overall Plan Total</b>	<b>975</b>		

## Changes to the Audit Plan.

Audits transferred to the 2021/22 Audit Plan

Performance Management. A new performance management system is being introduced.

Rothercare. The service is currently under review.

Homelessness. Under pressure because of Covid. Review in six months

Schools Themed Review. Schools closed until recently

Schools Exclusions. Schools closed until recently

Procurement Governance. Working on propose changes to procedure rules

NNDR. No issues in previous audits, currently under pressure because of Covid

Cyber Security Attacks. Currently working on PSN compliance, complete audit after that

Adult Care Protection Legal Support. Restructure, complete the audit after that

Sales and Participation Targets. Impacted by Covid

Licensing and Enforcement. Recent LGA review

### Summary of Audit Work Completed since the last meeting

Note:- Internal Audit uses an Executive Summary and reporting structure which gives four levels of overall assurance for areas under examination. Within each area audited an overall assurance opinion is assessed as being either “Substantial Assurance”, Reasonable Assurance”, “Partial Assurance” or “No Assurance”, taking into account the results of all the risks assessed.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
<b>Adult Care, Housing and Public Health</b>				
Social Care Pathway	To provide assurance that the Social Care Pathway is being applied correctly and consistently and has been enabled via the use of its Liquid Logic software.	5.2.21	Substantial Assurance	The review found that the Pathway had been implemented and was working as planned. No recommendations were made.
<b>Finance and Customer Services</b>				
Payment and Support to Suppliers	To review the application and compliance with changes to payment arrangements as a result of Covid-19.	15.1.21	Substantial Assurance	The review found compliance with national and local guidelines and processes. No recommendations were made.
Data Loss	To review the controls around the security of data transferred to external email addresses via mobile devices.	3.2.21	Reasonable Assurance	There was a need to update and develop a policies in this area to cover the transfer of data.

Definitions

Rating	Definition
Substantial Assurance	<p>Substantial assurance that the system of internal control is designed to achieve the service’s objectives and this minimises risk.</p> <p>The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.</p>
Reasonable Assurance	<p>Reasonable assurance that the system of internal control is designed to achieve the service’s objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk.</p> <p>There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.</p>
Partial Assurance	<p>Partial assurance where weaknesses in the design or application of controls put the achievement of the service’s objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.</p>
No Assurance	<p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse. Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p>

## Appendix D

## Internal Audit Performance Indicators

Performance Indicator	Target	Apr 2020	May to June 2020	July to Aug 2020	Sep to Oct 2020	Nov to Dec 2020	Jan to Feb 2021
Draft reports issued within 15 working days of field work being completed.	90%	0%	88%	100%	90%	89%	100%
Chargeable Time / Available Time.	80%	21%	59%	71%	66%	72%	69%
Audits completed within planned time	90%	100%	50%	100%	90%	78%	100%
Client Satisfaction Survey.	100%	n/a	n/a	n/a	100%	100%	n/a

## Appendix E

**Consolidated Agreed Action Due Date 31.12.20**

	<b>&lt; 30 Days</b>	<b>&lt; 60 Days</b>	<b>&lt; 90 Days</b>	<b>&lt; 120 Days</b>	<b>120+ Days</b>	<b>Totals</b>
Adult Care, Housing &Public Health	0	0	0	0	1	1
Assistant Chief Executive	0	1	0	0	3	4
Children & Young Peoples Services	2	0	2	0	13	17
Finance & Customer Services	0	4	0	0	3	7
Regeneration & Environment	6	0	1	0	3	10
<b>Totals</b>	<b>8</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>23</b>	<b>39</b>

**Consolidated Agreed Action Due Date 28.2.21**

	<b>&lt; 30 Days</b>	<b>&lt; 60 Days</b>	<b>&lt; 90 Days</b>	<b>&lt; 120 Days</b>	<b>120+ Days</b>	<b>Totals</b>
Adult Care, Housing &Public Health	0	0	0	0	1	1
Assistant Chief Executive	0	0	0	0	3	3
Children & Young Peoples Services	0	0	0	1	11	12
Finance & Customer Services	1	0	0	0	3	4
Regeneration & Environment	0	0	4	1	1	6
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>19</b>	<b>26</b>

## Agreed Action details

Data revision date: 1/3/2021

ACHPH								
Audit Name	Issue	Recommendation	Agreed Action	Priority	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
Direct Payments	The wording of the Direct Payment Agreement (DP04) is out of date	A revised template Direct Payment Agreement should be developed and used for all new Direct Payment cases	Leading the change of agreement form, sign off and introduction to all staff members	Amber	31/08/2020	01/05/2021	2	02/11/20 Gordon Waigand - Action taken: working group has re-formed and is working on audit actions. Deferral date 01/05/21.  Update requested.

ACX								
Audit Name	Issue	Recommendation	Agreed Action	Priority	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
Transitions for Childrens to Adult Care	No specific reports are produced for management on new transitions cases post 17 together with the additional service costs.	Introduce annual reports on transitions cases of those not previously known to the Council when a referral is made at the age of 17 and above. The reports should include how research on late referrals can influence approaches to existing pathways and assessment processes for children.	Development of Transitions Data Set, Age of referral, age at assessment, age at start of formal support (post enablement) track impact on budget of this.	Green	31/10/2019	31/03/2021	4	Transitions team are utilising the Preparing for Adulthood area of Insight which gives them direct access to CYPs case information of all those aged 14yrs+ where SEND is present. This includes all demographics. This informs case level discussions and service planning on a case by case basis. Transitions already have systems to manually monitor performance and financial information.  This action relates to the development of a specific reporting area on Insight for the Transitions team. Transitions team manager will hold the responsibility to produce the annual reports not DJ. This technical reporting development will support them with this task. This action has not yet started and is currently on hold due to Covid-19. Specialist technical reporting resource has been redirected to focus solely on the development of reporting for Covid-19, (both Hub and ASC), and/or ASC statutory returns. The PBI team also have had two B.I. vacancies on hold due to the pandemic. It is hoped that one of these will be filled and in place by September increasing technical capacity.
Payroll	Current Standby policy and payment rates not adhered to.	HRP should ensure that all Standby payments are in line with the rates outlined in the HR Employee Standby & Call-Out Policy and have a process in place to prevent any payments outside of the published rates from being processed.	Current arrangements not in line with policy to be reviewed and contractual terms changed.	Amber	31/03/2020	31/03/2021	2	Registrar service is now the only service which needs moving onto the corporate rates. Due to the sensitivities around the work staff have been undertaking during the COVID19 outbreak it is considered not timely to issue notice to change current arrangements
Payroll	Current Standby Policy and payment rates not adhered to.	HR should ensure that all Standby payments are in line with the rates outlined in the HR Employee Standby & Call-Out Policy and have a process in place to prevent any payments outside of the published rates from being processed.	System development to be undertaken for calculation based on hourly rate with employee claiming number of hours on standby.	Amber	31/03/2020	31/03/2021	2	Registrar service is now the only service which needs moving onto the corporate rates. Due to the sensitivities around the work staff have been undertaking during the COVID19 outbreak it is considered not timely to issue notice to change current arrangements. A change to the HR & Payroll before notice is given cannot be made as it would enforce the change prior to the Council being legally able to do so.

CYPs								
Audit Name	Issue	Recommendation	Agreed Action	Priority	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
Liquid Logic	The manual reconciliation process between E5 and the manual spreadsheet is resource intensive and does not provide for an accurate costing figure where information is omitted from the spreadsheet.	Where ContrOcc is used to make payments to suppliers, the use of a unique identifier between systems should be included to provide a more efficient reconciliation process.	Finance to progress the Business Case to secure the funding to facilitate this functionality.	Amber	31/12/2019	31/03/2021	2	Capital funding has been applied for to be considered on 05/02/20. After which IT have indicated that it could take 6 months before the system is configured to address the recommendation. This time for implementation is an estimate at present as the project is still to be planned and mapped out.
Liquid Logic	Projected placements costs are currently held on a spreadsheet with restricted access. Management information for costings are not easily accessible and reliance is placed on the spreadsheet being manually updated with financial information.	The agreed framework costs for service providers relating to Commissioned placements should be held within ContrOcc. This should also allow for management information for projected placement costs and budget monitoring purposes.	Finance to progress the Business Case to secure the funding to facilitate this functionality	Amber	31/12/2019	31/03/2021	2	Capital funding has been applied for to be considered on 05/02/20. After which IT have indicated that it could take 6 months before the system is configured to address the recommendation. This time for implementation is an estimate at present as the project is still to be planned and mapped out.
Liquid Logic	Invoices from suppliers charging for placements are processed through the Councils P2P system, however, there is the risk that the costs could be different to those on the agreed framework that is in place due to current manual processes in place.	ContrOcc should be utilised for payments to service providers. This should also allow for management information of actual placement costs paid, reconciliation of these and budget monitoring purposes.	Finance to progress the Business Case to secure the funding to facilitate this functionality.	Amber	31/12/2019	31/03/2021	2	Capital funding has been applied for to be considered on 05/02/20. After which IT have indicated that it could take 6 months before the system is configured to address the recommendation. This time for implementation is an estimate at present as the project is still to be planned and mapped out.
SEND	The Moving and Handling Service provision has not been reviewed for the optimum way to deliver the service.	Compile a business case for the continued Council provision of this service in its current form or in alternative ways.	Review to be commenced 1/2/20 and run for 6 months with options paper at the end regarding future of the Service	Amber	31/08/2020	30/07/2021	1	The action relies on a joint review with colleagues at the Rotherham Foundation Trust. They have not had capacity to respond.  The Local Authority has now proposed that 6 months notice is provided from 1st February 2021 and that the current arrangement ceases at the end of this academic year.

SEND	No awareness of using the Moving and Handling Service to maximise income for RMBC and provide additional resources for the NHS.	Ensure flexibility of resources between RMBC and the NHS to meet demand and maximise income.	Review of service to take into consideration income maximisation.	Green	31/08/2020	30/07/2021	1	The agreed action relies on joint work with the Rotherham Foundation Trust; it has not been possible to progress due to Covid-19.  The service has now proposed that the secondment arrangement ceases with six months notice provided from 1st February 2021 to end at the end of the academic year.
SEND	No clearly documented boundaries between the Moving and Handling Service and the Corporate Health and safety Team.	Establish a clear boundary of services offered to customers by the Moving and Handling Service and the Corporate Health and Safety Team	Phil to meet with Corporate Health and Safety Team to clarify roles and responsibilities	Green	31/03/2020	30/07/2021	5	All staff currently working remotely and Health & Safety team prioritising Covid-19 response.  Unrealistic deferral date set previously due to the unknown continued impact of Covid 19.  The action relies on a joint review with colleagues at the Rotherham Foundation Trust. They have not had capacity to respond.  The Local Authority has now proposed that 6 months notice is provided from 1st February 2021 and that the current arrangement ceases at the end of this academic year.
SEND	Clarity is required on the costs in the agreement between RMBC and the Rotherham NHS Foundation Trust for the provision of Moving and Handling Co-ordinator service.	Renegotiate the costs of the service with the NHS.	Costs to be provided	Amber	31/08/2020	30/07/2021	1	The service has requested that the current secondment arrangement ceases and the post returns to the management of TRFT. The deferral date reflects a sixth month notice period from 1st February 2021 with the current arrangement ceasing at the end of this academic year.
SEND	The agreement between RMBC and Rotherham NHS Foundation Trust provides the scope of the work to be for Children's services only.	Ensure that any future agreement for the Moving and Handling Co-ordinator service allows for activities across all Council Directorates, partners and third sector providers and also with the NHS.	Service review to ensure that in future services are deliverable	Green	31/08/2020	30/07/2021	1	The action relies on a joint review with colleagues at the Rotherham Foundation Trust. They have not had capacity to respond.  The Local Authority has now proposed that 6 months notice is provided from 1st February 2021 and that the current arrangement ceases at the end of this academic year.
SEND	No formal key performance indicators for the current Moving and Handling Service.	Compile and introduce a set of measurable key performance indicators for the Moving and Handling Service that can be applied to any future service delivery model.	Outcomes to be created as a result of service review	Green	31/08/2020	30/07/2021	1	The action relies on a joint review with colleagues at the Rotherham Foundation Trust. They have not had capacity to respond.  The Local Authority has now proposed that 6 months notice is provided from 1st February 2021 and that the current arrangement ceases at the end of this academic year.
SEND	No evidence was identified of the application of agreed quality standards apart from the annual appraisal and no spot checks on invoices raised for accuracy of charges.	Ensure that measurable quality standards including for income generation to RMBC are introduced and included in future secondment agreements.	Quality standards to be developed within the Service review	Green	31/08/2020	30/07/2021	1	The action relies on a joint review with colleagues at the Rotherham Foundation Trust. They have not had capacity to respond.  The Local Authority has now proposed that 6 months notice is provided from 1st February 2021 and that the current arrangement ceases at the end of this academic year.
SEND	No contract/agreement compliance information to inform any future commissioning of the service.	Compile a performance report to inform future commissioning of the service.	Review to be commenced 1/2/20 and run for 6 months with options paper at the end regarding future of the service.	Green	31/08/2020	30/07/2021	1	The action relies on a joint review with colleagues at the Rotherham Foundation Trust. They have not had capacity to respond.  The Local Authority has now proposed that 6 months notice is provided from 1st February 2021 and that the current arrangement ceases at the end of this academic year.
Fostering and Adoption Allowances	The fostering handbook is not up to date	The fostering handbook should be updated to include the changes to skills payments and birthday/holiday/christmas allowances approved in July 19	The updated Foster Carer Handbook will include an updated section specifically on Skills Level and payment. There will also be a section for payments such as birthdays/Christmas/holiday allowances. The Handbook will be completed by October 2020. This will then be shared with carers and new carers will have a copy. It will be live on Tri-X by December 2020	Green	01/12/2020	12/04/2021	2	Foster care handbook has been updated. The revised skills payments section went to DLT on 7.12.20. Action from DLT to see if this needed to be a cabinet decision Legal and democratic services advised in Jan 2021 this could be an officer led decision. Next steps to progress with DCS. Extension requested to ensure that both pathway officer led decision and cabinet are factored in to the new timescale.

F&CS								
Audit Name	Issue	Recommendation	Agreed Action	Priority	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
Data Security	Windows 2003 Server is still in use within the authority. This operating system is out of support and no longer receives critical and security updates. It was, however, stated by IT management that each affected system is now being reviewed on a case-by-case basis.	The authority should implement a formal upgrade process for all obsolete operating systems and establish a project to complete the upgrade by a specific deadline. Business units should be informed of the project and encouraged to actively engage with IT services in the upgrade process so that it can be appropriately expedited.	A detailed work plan is under way to address all outstanding Windows 2003 Servers on the estate. The importance of this is well understood and support is being sought from the owning departments.	Red	30/09/2017	31/03/2021	7	The planned programme has suffered set-backs in terms of staff availability and involvement of service departments and suppliers. There has been movement in the main areas of Housing and Telephony and these remain a priority, but they continue to call-on scarce resources, further compounded by the work on M365.  Work was expected to be complete by the summer of 2020, however the impact of Covid19 has and will now impact this date. A revised completion date is now expected to be December 2020, subject to resources being able to be released from Covid19 related work.
Data Security	The authority is using obsolete versions of SQL server. SQL Support for SQL server 2005 ceased in April 2016. SQL server 2008 reached End of Life in 2014, and is now on extended support to July 2019.	Obsolete versions of SQL server should be upgraded to a supported version such as SQL server 2012 or SQL server 2016. Urgent consideration should be given to upgrading SQL server 2005 (and anything older), but also start to plan ahead to upgrade SQL server 2008 installations before extended support ceases.	A review of the current status is under way with regards to initiating a programme to address all SQL database instances which are not supportable and to plan a timely upgrade of other versions. The importance of this is well understood and support will be sought from the owning departments.	Red	30/09/2017	31/03/2021	7	This work is linked to that of ID 242 and will be completed at the same time. Covid19 has taken resources off this project and will be delayed until several months after staff can be released from work related to supporting the business during Covid19.  03/12/2020 - There are now only a small number of databases/servers running unsupported versions of SQL. There is a plan for all to be upgraded and/or decommissioned, however, this work has been impacted by responses to Covid-19 both within IT, the Service and/or Supplier side. The work aligns with the other audit action. There is a new plan for completion which takes us to 31st March 2021

Rotherham Opportunities College	Capital Approvals Procedures have not been formal approved.	The Capital Approvals Procedures should be finalised and presented to SLT and Cabinet for formalisation.	The Financial Accounting Team (Capital Element) are working closely with the Assistant Director of Financial Services to finalise the new capital governance documentation, updated financial regulations (to reflect changes to capital); and establish a clear approvals process for all capital expenditure. Initial plans are due to be presented to the Strategic Director Finance and Customer Services before being moved on to SLT and DLTs for wider buy in. Eventually they will need to be presented to Cabinet.	Amber	30/11/2019	30/06/2021	5	<p>The availability of the constitutional working group is prohibiting us from moving forwards with this process though we are pushing for a specific CWG to focus solely on the FPPR's. The FPPR's will be updated at May Council but in the interim that an enhanced capital procedure document will be completed and issued in January 2021</p> <p>Covid -19 response has prevented the finalisation of new capital governance procedures.</p> <p>A draft version of the procedures has been prepared, and the new meeting structure for monitoring capital and managing the approvals process is in place. However the formal approval of the new governance procedures and its distribution across directorates is yet to take place. The next opportunity to update the capital governance into the FPPR's will be May.</p>
GDPR 19/20	Scope to enhance GDPR compliance as evidenced from the ICO checklists. (see Appendix A1).	Compile and implement an action plan for relevant areas of 80-100% compliance with the ICO checklists and report the results to the CIGG.	Review and align with the DSP toolkit and report to the CIGG.	Green	28/02/2021	31/05/2021	1	The 'review and alignment with the DSP toolkit' will be considered at April/May's CIGG and will be part of the DSP compliance work that has just started for our latest submission. The action will then be closed.

R&E								
Audit Name	Issue	Recommendation	Agreed Action	Priority	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
Rotherham Opportunities College	The Anti-Social Behaviour Policy and Procedure was last updated / reviewed in July 2012.	The Anti-Social Behaviour Policy & Procedure should be reviewed / updated immediately and every 2 years thereafter, in accordance with the Policy.	Identify key stakeholders and engage. (August 2019) Develop Action Plan to management the Policy review (September 2019) Identify key aspects of the Policy to review within sub-groups (September 2019) Develop updated Policy and sign off through SRP (December 2019) Present to Cabinet for adoption (March 2020)	Green	31/03/2020	30/07/2021	3	Capacity remains limited as a result of the Covid-19 response and in particular the impact on enforcement services and the frequent changes in legislation. The refresh of the Policy is now not likely to conclude until July 2021 in light of the impending election and purdah period.
Asset Management (Property Disposals)	No formal process of notification in place	Formal notification of approved disposals should be sent to the Estates team including fully completed review and appropriate approval documentation.	Formal process currently being trialled, soon to be fully implemented.	Green	01/12/2020	31/03/2021	1	Due to the impacts of Covid- 19 alongside a change in the Management Structure within Asset Management and the recent appointment of a new Estates Manager, it is requested that this action be deferred until the end of the Financial Year (31st March 2021). This deferral will give the opportunity for the Strategic Asset Manager alongside the new Estates Manager to consider the changes in line with the new relationship between the Estates Team and Strategic Asset Management.
Asset Management (Property Disposals)	Current Procedures are out of date	The Estates team disposal procedures require updating to reflect the changes to processes now used.	Recommendation agreed	Green	01/12/2020	31/03/2021	1	Due to the impacts of Covid- 19 alongside a change in the Management Structure within Asset Management and the recent appointment of a new Estates Manager, it is requested that this action be deferred until the end of the Financial Year (31st March 2021). The existing disposal procedures, whilst out of date, are comprehensive and compliant both with the Council's Standing Orders and Financial Regulations. This deferral will give the opportunity for the new Estates Manager to consider the changes in line with the new relationship between the Estates Team and Strategic Asset Management.
Emergency Planning and Business Continuity	The Council has a shortage of available and trained volunteers to sustain a response in an emergency.	Engage with HR to seek to recruit and train volunteers for emergency planning.	Engagement with HR will be addressed as part of planning for concurrent incident capability and serious incident testing.	Red	31/12/2020	31/03/2021	1	<p>This remains an issue, as reported through the joint committee and other forums. There is little capacity to actively seek new volunteers at present, given other pressures and demands of the team, however in light of the Covid 19 context and as part of the planning for managing a concurrent incident, an audit is carried out of staff availability, accessibility etc which is remaining static.</p> <p>Suggest defer item, as not completed to at March 2021, when there could be a project plan in place to seek more response capability</p>
Emergency Planning and Business Continuity	Classification and payment arrangements for volunteers.ning staffing	Identify and evaluate models for the provision of volunteers in emergency situations to increase the level of volunteering.	Payment arrangements will be assessed as part of planning for concurrent incident capability and serious incident testing.	Amber	31/12/2020	31/03/2021	1	Linked to the Volunteer Availability – this hasn't been progressed given other conflicts and resource capacity, suggest deferral
Emergency Planning and Business Continuity	Audit testing identified errors in 3 cases – and in one of these the total levy demanded was understated by £89,388	All CIL Demand Notices issued to date should be checked by another officer to confirm that the square footage (total and any reliefs) used in the calculation agrees to the forms submitted by applicants	Review and check CIL demand notices issued to date (NB £89k example was due to incorrect info submitted by applicant)	Red	31/10/2020	31/03/2021	1	The CIL officer has corrected the examples found during the audit, however to fully comply with this action requires another 350 demand notices to be checked. This is a considerable amount of work. Two support officers are being trained to provide backup on the CIL system and can work through these records. However this will take time due to their normal workload and priorities.

**Council Report**

Audit Committee Meeting – 23<sup>rd</sup> March 2021.

**Title**

Internal Audit Plan 2021/22.

**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 2021/22. 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. It includes a contingency to allow for the impact of Covid-19 and will need to remain flexible to respond to future developments.

**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 2021/22.

**List of Appendices Included**

Appendix 1: Internal Audit Plan 2021/22.

**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 2021/22.**

### **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 The plan has been designed to allow for actions taken as a result of Covid-19, including the current reallocation of audit staff and the need to remain flexible throughout the year.

2.3 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 1000 days
- Includes a contingency for responsive work

2.4 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, in particular any future developments as a result of Covid-19. 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 2021/22.

#### **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 23<sup>rd</sup> March 2021 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 2021/22. 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.

<b><i>Risk</i></b>	<b><i>Likelihood</i></b>	<b><i>Impact</i></b>	<b><i>Mitigation</i></b>
<b><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></b>	<b><i>Low</i></b>	<b><i>Medium</i></b>	<b><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></b>

## 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 2021/22**

## 1. Introduction

This document provides a summary of the Internal Audit Plan for 2021/22.

### 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

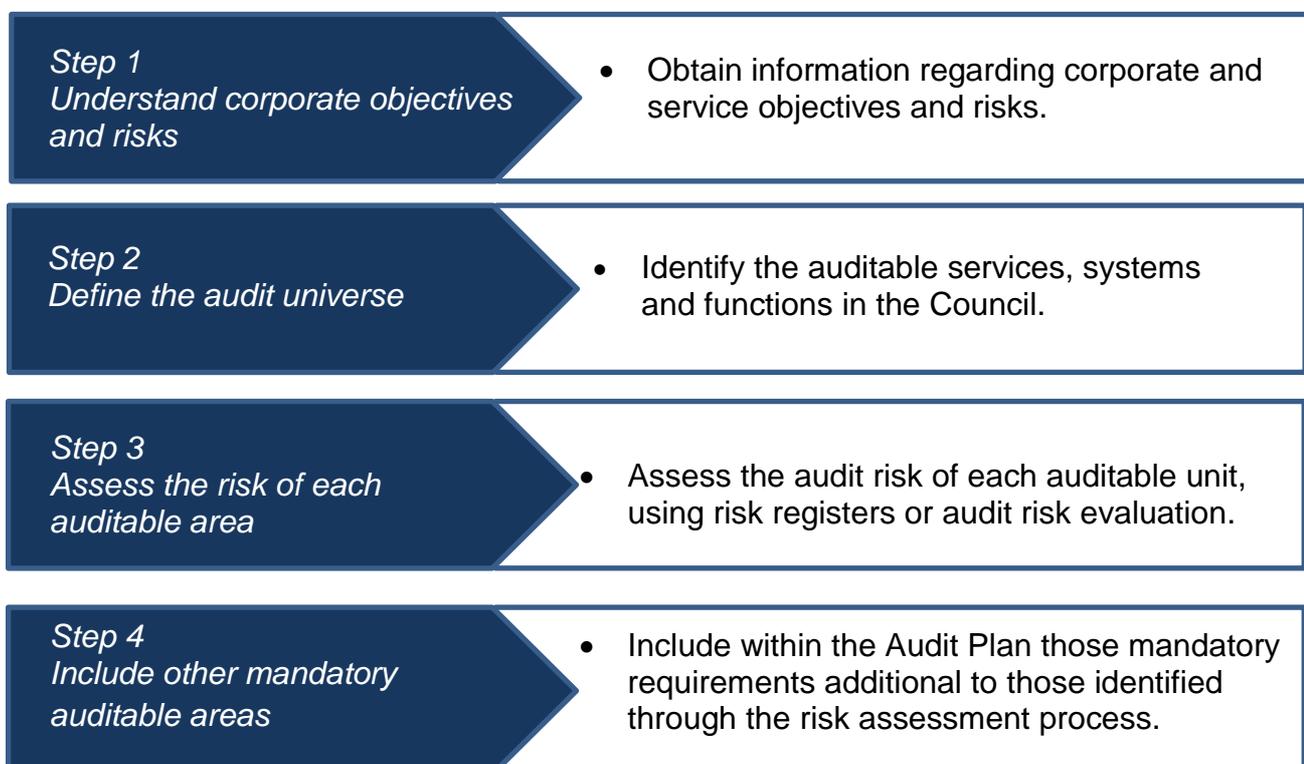
It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary, in particular any future developments as a result of Covid-19. It is also intended to undertake a half year review. Any significant changes 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 2020. 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 and the findings of the external review against PSIAS. Development will be predominantly by 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 2021/22 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.



*Step 5  
Adjust the plan for Covid-19*

- Include contingencies within the plan to allow for the impact of Covid-19.

*Step 6  
Derive the audit plan*

- Determine the Audit Plan for 2021/22 based on corporate priorities and risks and taking into account audit resource.

### **Step 1 – Review objectives and risks**

We have examined all the Council's Strategic and Directorate risk registers. We have also reviewed the Council's 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**

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**

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**

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 – Update the Audit Plan to allow for the impact of Covid-19.**

The onset of Covid-19 and the lockdown, the audit plan for 2020/21 was not completed as audit resource was redeployed and used more flexibly. The uncompleted reviews from 2020/21 have been considered and where appropriate the plan updated to include them.

### **Step 6 – Derive the Audit Plan.**

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 2021/22**

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN). The department was externally assessed in early 2021 as Generally Conforming with PSIAS.

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. Despite the impact of Covid-19 there is still sufficient resource available throughout the year to support an 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.
- There may be a further impact from Covid-19.

### **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. Grant claims

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

6. Schools

During 2021/22 we will again use Control and Risk Self-Assessment for all maintained schools. This is 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 will use the results to complete themed school-based reviews on risks identified from the self-assessment. A sample of schools will be visited to assess the identified risks.

7. 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. In late 2020 they completed an Audit Needs Assessment of RMBC IT. The results of the review highlighted areas where detailed IT audits could usefully be completed. These are also shown in the Plan although they will be completed by the Salford team.

8. 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 with the exception of some specialised IT audits completed by Salford City Council Internal Audit, and has been based on the current complement of the team.

There is a contingency of 80 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 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 is 1000 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 2021/22**

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 2021-22

<b>ASSISTANT CHIEF EXECUTIVE</b>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	Dir Risk ACX20	Fundamental System	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	35	3
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	2
HR Policies		Risk Based	Review of policies and procedures to provide assurances that they are fit for purpose.	20	
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	
Members Allowances		Risk Based	Review of allowances paid to members following May 21 Borough Elections, including a follow-up of 2020/21 audit actions.	10	2
Establishment Control		Follow up	Follow-up of 19/20 Audit	5	
<b>Total Planned Days – Assistant Chief Executive</b>				<b>95</b>	

<b>ADULT CARE HOUSING AND PUBLIC HEALTH</b>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Liberty Protection Safeguards	Strat Risk SLT22 ACS22	Risk Based	Review of compliance with new legislative changes and requirements. Detailed scope to be agreed in Q3 / Q4 after new procedures have been embedded.	10	3 / 4

Public Health		Risk Based	Scope to be agreed for a review of elements from the What Good Looks Like (WGLL) Programme.	10	3
Homecare and Support Delivery Model	Op Risk ACHC16	Risk Based	Review new delivery model to ensure services are being delivered to vulnerable people on date of contract implementation.	15	4
Direct Payments	Op Risk ACOP10	Risk Based	Review the updated policies and procedures and ensure that all previous Internal Audit recommendations, covering this service, have been addressed and incorporated into these policies and procedures.	20	1 / 2
Repairs & Maintenance Contract	Op Risk No.8	Risk Based	Review and provide assurance on the new repairs and maintenance contract; and ensure that previous Internal Audit recommendations have been addressed within the new contract.	20	2
Housing Rents		System Based	Audit examines key areas within the system on a cyclical basis.	10	4
Rothercare Service	Op risk ACOP11	Risk Based	Support Housing's internal review of systems and operations of Rothercare and Assistive Technology	20	3
Homelessness	Op Risk No 18	Risk Based	Review of findings from Housing's internal review of processes.	10	1 / 2
Transition from Children's Care to Adult Care	Op Risk ACOP9	Risk Based	Review of the process, including meeting the financial commitments. Linked to CYPS.	15	
<b>Total Planned Days – Adult Care and Housing</b>				<b>130</b>	

<b><u>CHILDREN AND YOUNG PEOPLES SERVICE</u></b>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Early Years Education	Op Risk ES6	Risk Based	Review of policies and procedures to ensure compliance with statutory duties. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20	
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to	15	4

			ensure compliance with statutory requirements		
Schools CRSA and Themed Audits		Risk Based	Reviews based on the results of the schools' Control and Risk Self-Assessment. Includes School Visits.	30	3
Special Education Needs and Disability	Dir Risk CYPS03 Op Risk CPQ39	Risk Based	Review of SEND. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20	4
LAC Sufficiency (Children's Homes)	Op Risk CPQ42	Risk Based	To provide an independent risk based review on progress with the LAC Sufficiency Strategy. This review can be used to support any further project changes and provide independent assurance on any changes in delivery post Covid.	15	
Rating of Schools	Op Risk ES2 / ES14		Review of the arrangements to ensure maintained schools are rated highly.	10	
Fostering and Adoption Allowances		Follow up	Follow up of review in 2020/21	5	
<b>Total planned days - Children and Young People's Services</b>				<b>115</b>	

## FINANCE AND CUSTOMER SERVICES

### Finance

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Annual Governance Statement		Risk Based	Review of the process for the production of the AGS.	10	4
NNDR	Op Risk	Systems Based	Fundamental system. Previously no concerns, audit resources to examine changes to the system.	10	3
Debtors		Systems Based	Assess the degree of compliance with Finance Procedures by Directorates.	15	2

Capital Procedures		Risk Based	Review the updated capital procedures and provide assurance that they are being complied with and that expenditure is appropriately approved, controlled and monitored.	15	4
Procurement Social Values	Op Risk	Risk Based	Review of compliance with Social Value policy requirements for procurement and provide assurances that controls are in place to ensure the policy is embedded.	15	1
Procurement Governance	Op Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	4
IR35 Anti-Avoidance Tax Legislation		Risk Based	Review procedures and provide an assurance on compliance with IR35 legislation	15	3
<b><u>Customer Information &amp; Digital Services</u></b>					
Cyber Attacks	Dir Risk FCS14	Risk Based	Provide assurance on how the Council manages the risk of threats from cyber-attack in terms of preventative & reactive measures.	10	3/4
Physical Security of servers / data		Risk Based	Provide assurance that the Councils server / data areas are secure and resilient to withstand physical & environmental attack.	10	
Hardware Asset Management		Risk Based	Confirm the adequacy of arrangements for managing the issue of new IT equipment (laptops) and any items that are returned and overall stock management.	15	
Vulnerability Management		Risk Based	Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner.	10	
Network Management	Op Risk	Risk Based	Provide assurance that the Council's IT infrastructure (network, server and storage) is robust, fit for purpose, secure & resilient.	10	
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	
<b><u>Legal Services</u></b>					

Adult Care Protection Legal Support	Op Risk	Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing and Public Health Services.	10	
Whistleblowing		Risk Based	Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings.	15	
Contract Sealing		Risk Based	Partial Assurance level reported in 2021 audit review, follow up audit to ensure agreed actions are in the process of, or have been, implemented.	5	
Right to Buy		Risk Based	Review of Right to Buy procedures from receiving instructions to completion of sales to highlight any delays in the processes and reduce risk of complaints.	10	
<b>Total Planned Days – Finance and Customer Services</b>				<b>205</b>	

## **REGENERATION AND ENVIRONMENT**

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Property Estate Management	Strat Risk SLT27 Dir Risk R&E13	Risk Based	Review Health & Safety arrangements in management of property estate & follow-up previous audit actions from 20/21 audit.	10	
Enforcement	Dir Risk R&E2	Risk Based	Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements.	10	
Historic Sites	Dir Risk R&E8 Op Risk CST15	Risk Based	Review the adequacy of arrangements for the management of the health & safety programme for maintenance of the Council's historic sites.	10	
Building Security	Dir Risk	Risk Based	Ensure adequate building security arrangements are in place across the	15	

	R&E26 Op Risk PRT39		property estate. To include follow-up of agreed actions relating to security at Hellaby Depot.		
Private Rented Housing	Op Risk CSS1	Risk Based	Review policies & procedures and gain assurance that the Council is compliant with regulations surrounding selective licensing and administration of the scheme	10	
Household Waste Recycling Centres	Op Risk CSS18	Risk Based	Seek assurance adequate contract management arrangements are in place & operating effectively.	10	1
Catering / Cleaning (Facilities Services)	Op Risk PRT45	Risk Based	Review adequacy of health & safety arrangements around catering & cleaning and that appropriate PAT testing is in place.	15	
Home to School Transport	Dir Risk R&E9	Follow up	Follow up of review in 2020/21	5	
S106 & Community Infrastructure Levy		Follow-up	Follow-up of review in 2020/21	5	4
<b>Total Planned Days – Regeneration and Environment</b>				<b>90</b>	

<b><u>OTHER</u></b>	<b>Provision</b>
Follow Up reviews	20
Grants	50
Provision for investigations	100
Pro-active fraud	30
Contingency	90
Covid – grant work	75

	<b>Other Work Total</b>	<b>365</b>
	<b>Overall Plan Total</b>	<b>1000</b>

**Committee Name and Date of Committee Meeting:**

Audit Committee – 23<sup>rd</sup> March 2021

**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.

### **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](mailto:david.webster@rotherham.gov.uk)

Audit Committee Forward Work Plan

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
22 June 2021	Financial Reporting	Training	Graham Saxton
	Governance Risk and Control	Draft Statement of Accounts	Judith Badger
	External Audit	Draft Annual Governance Statement	Grant Thornton / Graham Saxton
	Governance Risk and Control	External Audit Progress Update	Bal Nahal
	Governance Risk and Control	Review of Surveillance and use of Regulation of Investigatory Powers	Simon Dennis
	Internal Audit / Governance Risk and Control	Risk Management Annual Report	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Internal Audit Annual Report	Suzanne Joyner
	Audit Committee Accountability	Risk Management Directorate Presentation – Children and Young Peoples Service	David Webster
		Audit Committee Forward Plan	
<b>Meeting</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>

Date			
29 July 2021	<p>Financial Reporting</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Treasury Management</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Audit Committee Accountability</p> <p>Audit Committee Accountability</p>	<p>Training – Statement of Accounts</p> <p>Final Statement of Accounts</p> <p>Final Annual Governance Statement</p> <p>External Audit report on Accounts</p> <p>Annual Treasury Management</p> <p>Strategic Risk Register</p> <p>External Audit and Inspection Recommendations</p> <p>Risk Management Directorate Presentation – Adult Care Housing and Public Health</p> <p>Audit Committee Annual Report</p> <p>Audit Committee Forward Work Plan</p> <p>Private meeting</p>	<p>Graham Saxton</p> <p>Judith Badger</p> <p>Grant Thornton / Graham Saxton</p> <p>Graham Saxton</p> <p>Simon Dennis</p> <p>Simon Dennis</p> <p>Anne Marie Lubanski</p> <p>David Webster</p> <p>David Webster</p>

Meeting Date	Key Responsibility	Agenda Item	Author
28 September 2021	<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>Governance Risk and Control</p> <p>Audit Committee Accountability</p>	<p>Training</p> <p>External Audit Annual Letter</p> <p>IA Charter review and update</p> <p>IA Progress Report</p> <p>Information Governance Annual 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>Paul Vessey</p> <p>Assistant Chief Executive</p> <p>David Webster</p> <p>David Webster</p>

Meeting Date	Key Responsibility	Agenda Item	Author
30 November 2021	Financial Reporting	Training – Code of Corporate Governance	
		Final Statement of Accounts	Graham Saxton
	Governance Risk and Control	Final AGS	Judith Badger
	Financial Reporting	External Audit report on the Accounts	Grant Thornton / Graham Saxton
	Governance / Risk and Control	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	
Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster	

Meeting Date	Key Responsibility	Agenda Item	Author
11 January 2022	Financial Reporting	Training Final Accounts closedown and accounting policies	Graham Saxton
	External Audit	Accounts Audit Plan	Grant Thornton / Graham Saxton
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	Judith Badger
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
15 March 2022	Internal Audit	Training	
	Internal Audit	IA Annual 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 – Children and Young People’s Service	Suzanne Joyner
	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 Forward Work Plan	David Webster	

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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