

**AUDIT COMMITTEE**  
**Wednesday, 20th July, 2011**

Present:- Councillor Sangster (in the Chair) and Councillor Gilding.

Also in attendance were Rob Mitchell and Amy Warner (KPMG)

Apologies for absence were received from Councillors Kaye and Sims.

**P11. MINUTES**

Resolved:- That the minutes of the previous meeting held on 29th June, 2011 be agreed as a correct record.

**P12. ANNUAL FRAUD REPORT 2010/11**

Colin Earl, Director of Internal Audit and Governance, presented the submitted report relating to the third 'Annual Fraud Report'. The purpose of the report was to bring together, in one document, a summary of the work which had taken place in the period to prevent and detect fraud and corruption. By publicising the Annual Report, it was intended to demonstrate the Council's commitment to minimising the risk of fraud and to act as a deterrent to would be fraudsters.

The incidence of fraud remained very low in overall terms, taking into account the Council's activities and spending. There were no general fraud cases (excluding benefits) exceeding £10,000 which were required to be reported to the Audit Commission.

Examples of cases were:-

- RBT, which administered the Housing Benefit service on the Council's behalf, recovered £2.45m overpayment of benefits (mainly as a result of error but including fraudulent claims). Any amounts recovered were used in delivering front line services for the benefit of Rotherham residents.
- RBT investigated 895 potentially fraudulent Housing and Council Tax Benefit cases, obtained 25 prosecutions and issued 191 cautions and penalties
- Investigations of cases highlighted by the Audit Commission's 'National Fraud Initiative', led by the Council's Internal Audit Service, identified savings in excess of £249,000
- 109 Blue Badge parking permits were withdrawn as a result of validation checking against deceased persons' records and 19 successful prosecutions were made against fraudulent permit users

The draft Annual Fraud Report was submitted.

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

(2) That the production of the Annual Fraud Report be supported.

(3) That it be agreed that appropriate publicity be produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

### **P13. AUDIT AND INSPECTION RECOMMENDATIONS UPDATE**

Sue Wilson, Performance and Quality Manager, presented the submitted report which summarised the progress made against recommendations from across all key external audits and inspections by the Council.

It was intended that the report provided a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the last report considered in October, 2010. A summary of the full inspection profile, since 2007, was detailed in the appendix to the report.

Since the last report there had been 5 new inspections and external assessments resulting in 25 new recommendations. The inspections and external assessments were :-

- CQC Adult Social Care (NAS)
- Customer Service Excellence (CEX)
- Core Case Inspection Youth Offending (CYPS)
- Adoptions Services (CYPS)
- Contact, Referral and Assessments Services (CYPS)

Including the above, there had been a total of 339 recommendations since 2007. Of those:-

- 311 had been completed (92%), 40 of which had been completed since the last report
- 28 remained outstanding (8%), 18 of which related to new inspections and assessments

Discussion and a question and answer session ensued and the following issues were covered:-

- statistical neighbour and national averages relating to (R2-NI59) Increase the percentage of initial assessments for children's social care carried out within 7 working days of referral to 85% by the end of October, 2010
- reasons for significant drop in performance relating to (R2-NI60) Increase the percentage of core assessments for children's social care carried out within 35 working days of their commencement to 87% by the end of March, 2011

- action in respect of (R18) Implement the Council's supervision policy so that all social workers receive supervision in line with the Council's policy
- (R5) Improve the quality of social care supervision so that staff receive the right of level of challenge, development and support
- Adult Social Care inspection regimes and concerns regarding the futility of notified inspections. Inspections should be unannounced
- need for the inspection and audit profile to include an indication of completion timeline

Resolved:- (1) That the progress achieved against outstanding recommendations be noted.

(2) That the actions detailed in the exception reporting on the outstanding recommendations be noted.

(3) That consideration be given to the need for adult social care inspections to be unannounced.

(4) That future reports on the inspection and audit profile include an indication of completion timeline.

#### **P14. KPMG 2010/11 INTERIM EXTERNAL AUDIT REPORT**

Stuart Booth, Director of Central Finance, presented the submitted report which referred to the outcomes of KPMG's 2010/11 interim external audit work.

The Scope of KPMG's work included:-

- A review of the Council's general Control Environment, including its ICT systems;
- An assessment of the Council's Internal Audit function;
- Testing certain key controls over the Council's key financial systems;
- A review of the Council's accounts production process including work to restate the 2009/10 financial statements to be International Financial Reporting Standards (IFRS) compliant; and
- An assessment of the Council's financial resilience as part of its VFM Conclusion work

The outcome of KPMG's interim audit report was a very positive one, with only 3 recommendations for improvement being made in relation to improving ICT access and password security control and risk management. None of the recommendations (according to KPMG) were of a 'high priority' status that required immediate action.

The report identified how the recommendations would be concluded over the next period. Rob Mitchell, KPMG, gave a brief overview of the interim visit and affirmed the positive nature of the report but stressed that there were challenging times ahead. He elaborated on the three recommendations. KPMG's report was submitted.

Discussion and a question and answer session ensued and the following issues were covered:-

- NNDR
- IFRS restatement
- Pension liability

Resolved:- That the findings and recommendations presented in KPMG's interim external audit report be noted.

#### **P15. UNAUDITED STATEMENT OF ACCOUNTS 2010/11**

Further to Minute No. P45(2) of the meeting of this Committee held on 16th February, 2011, Derek Gaffney, Chief Accountant, presented the submitted report to highlight some of the key features to help interpret the 2010/11 Statement of Accounts which were the first to be produced under International Financial Reporting Standards (IFRS).

Particular focus had been given to providing an understanding of the changes IFRS had introduced and to more general areas of interest within the accounts. Formal audit of the Council's 2010/11 accounts had begun. The results would be reported in the Auditor's ISA 260 report in September, 2011 at which formal approval of the audited Statement of Accounts by the Committee would be sought.

The report also set out action that had been taken to address issues raised in the Auditor's 2009/10 ISA 260 report and 2010/11 interim audit report.

Discussion and a question and answer session ensued and the following issues were covered:-

- level of balances
- current Icelandic banking situation
- short term temporary borrowing
- pension liability

Resolved:- That the unaudited Statement of Accounts 2010/11, as submitted, be approved.