AUDIT COMMITTEE
7th December, 2011

Present:- Councillor Sangster (in the Chair); Councillors Gilding, Kaye and Sims.

Also in attendance were Mrs. A. Bingham (Vice-Chair of the Standards Committee) and Steve Clark and Rashpal Khangura (KPMG)

An apology for absence was received from Councillor License.

P25. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH OCTOBER, 2011

Resolved:- That the minutes of the previous meeting held on 19th October, 2011 be agreed as a correct record.

P26. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR SEVEN MONTHS ENDING 31ST OCTOBER, 2011

Consideration was given to a report presented by Marc Bicknell, Internal Audit Manager, which summarised the Internal Audit's work and performance for the seven months ending 31st October 2011. The service has achieved good performance in the period, exceeding most of its stretch targets.

The audit work completed to date has confirmed the Council has a robust overall control environment.

The report summarised the main activities of the Internal Audit service for the first seven months of 2011/12. including :

- performance against key service benchmarks
- planned audit reports issued during the period, highlighting the overall conclusion for each audit
- the number of high priority recommendations made
- the proportion of recommendations agreed / not agreed
- a summary of responsive work undertaken
- revisions to the Audit Plan required at this point in the year
- an analysis of use of audit resources
- a summary of key service developments during the period.

Members asked questions on a number of items and were provided with answers.

Resolved:- (1) That the performance of the Internal Audit Service during the period be noted.

(2) That the key issues arising from the work done in the period be noted.

(3) That the revisions made to the Audit Plan be noted.

P27. ANNUAL AUDIT LETTER 2010/11

Colin Earl, Director of Audit and Governance, presented the submitted report, together with the very positive Annual Audit Letter 2010/11 which summarised the external audit work in relation to the 2010/11 Audit Plan and highlighted the findings in relation to the following:-

- Audit of Accounts 2010/11
- Value for Money Conclusion
- Other Reviews completed

The Annual Audit Letter (AAL) 2010/11 was KPMG's summary of audit work for the 2010/11 year.

This year's AAL highlighted the work completed in relation to the audit plan and the presentation of **all** external audit recommendations previously reported through to Management and/or Members. We have confirmed with KPMG that there was no recommendation that they considered to be significant and of such priority that Management needed to draw it to Members attention. Such confirmation was a reflection of the **very positive** audit assessment for the 2010/11 year. It also showed the Council's Financial Services function (part of the Council's Resources Directorate) to be in a strong position to proactively support the Council in meeting the significant financial challenges facing the local government sector.

In summary the main headlines from the AAL were:

- The Council's Accounts were given an **Unqualified audit opinion** and officers received significant praise from KPMG LLP with regard to their **proactive approach, dedication and commitment** to restating our Financial Statements in response to the International Financial Reporting Standards; and
- The Council had put in place proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness in the use of its finite resources.

Steve Clark (KPMG) confirmed the positive nature of, and highlights from, the Annual Audit Letter 2010/11.

Resolved:- (1) That the sustained positive Annual Audit Letter, presented to the Council by its external auditors, KPMG, be noted.

(2) That a note on the process and the relationship with KPMG be included in the next Annual Audit Letter.

P28. BRIBERY ACT 2010

Colin Earl, Director of Audit and Governance, presented the submitted report which referred to the Bribery Act 2010, which came into force on 1st July 2011 and consolidated the law on bribery. It covers offences of –

- offering, promising or giving of a bribe (active bribery) and the requesting, agreeing to receive or accepting of a bribe (passive bribery);
- bribery of foreign public officials; and
- failure to prevent a bribe being paid on an organisation's behalf.

Failure to prevent a bribe is a new offence which could be committed by commercial organisations, which included for this purpose a local authority. An organisation had a defence however if it could prove on the balance of probability that despite an incident of bribery it had adequate procedures in place to prevent persons associated with it from bribing.

The Council had a number of measures in place designed to prevent incidents of bribery. Internal Audit colleagues were currently updating the Council's Anti-Fraud Strategy & Corruption Policy to reflect the requirements of the Act and would be making certain recommendations to the Audit Committee shortly. In addition to the Anti-Fraud policy, there were a number of other Council documents that would require updating, for example Standing Orders, Financial Regulations, the Code of Official Conduct and model contract clauses.

It was noted that this report had been considered by the Standards Committee.

Members sought information on a number of issues.

Having properly documented policies and procedures to guard against bribery reduced the risk of the Council being found to have failed to prevent bribery.

Resolved:- (1) That the main provisions of the Bribery Act 2010 be noted.

(2) That the work done by Legal Services and Internal Audit to refresh and update the Council's documents and procedures in light of the Bribery Act 2010 and guidance on the Act published by the Secretary of State for Justice be supported.

(3) That a report on the implementation of the Act be submitted to a future meeting of this Committee.

P29. AUDIT COMMITTEE UPDATE ISSUE 6 - PARTNERSHIPS' GOVERNANCE

Colin Earl, Director of Audit and Governance, presented the submitted report which provided for briefings to be presented to the Committee on any significant publications issued on any areas covered by the Committee's terms of reference.

The Better Governance Forum had recently issued the sixth Audit Committee Briefing Paper. The purpose of the publication was to provide Members with direct access to relevant and topical information that would support them in their role. The briefing provided information on partnerships' arrangements and the extent of scrutiny on such arrangements by audit committees.

The briefing suggested audit committees should adopt a more proactive role in assuring themselves that sound governance arrangements are in place, including:

- Ensuring there was appropriate consideration of partnership arrangements within the process for producing the Annual Governance Statement.
- Reviewing Internal Audit reports on partnership arrangements and key partnerships
- Ensuring there were appropriate risk management arrangements for partnerships and that risk registers existed
- Obtaining assurance that there were robust arrangements for in place for whistleblowing and managing the risk of fraud.

The briefing highlights actions required in 2 key areas. These are repeated below along with comments on current arrangements at Rotherham Council:

Key Questions	Comments
Assurance on partnerships Does the assurance framework underpinning the Annual Governance Statement adequately cover partnerships? What conclusions on partnership working were made in the Annual Governance Statement? Are there any actions you should be monitoring? Are risk management arrangements in place to cover partnership risks? Are they effective? What other existing assurances do you have on partnerships, for example the internal audit annual report? Has the organisation identified all its significant partnerships? Is the list up to date?	Partnerships' arrangements are integrated into the Council's governance framework and have been reviewed annually as part of the process for producing the Annual Governance Statement. The arrangements in place were found to be satisfactory, with some improvement actions noted. The Council's risk management arrangements cover partnerships and partnerships have been encouraged to produce their own risk registers. Internal Audit considers partnerships for coverage in its audit plan as part of the annual audit planning process. Any coverage is based on an assessment of risks. The Council's list of significant partnerships is kept up to date on a regular basis.
Supporting good governance in	The Council has a governance

partnerships What advice or policy is available to cover partnership governance arrangements? For example. many have a 'protocol' or handbook that sets out who is responsible and what should be put in place. Find out what the audit committees of partner organisations do in relation to the partnership. Perhaps there are opportunities to work together? Consider whether decision making in partnerships is transparent and whether accountability is clear. Consider whether the initiatives that your organisation takes to improve governance should also be developed within the partnership. For example if you undertake ethical awareness training, could that be extended to the partnership?	framework for partnerships, which is supported by more detailed guidance. The Council and partner organisations discuss partnership issues at the 'Rotherham Audit Committee'. Other services have agreed to adopt Rotherham's governance framework and the PCT has adopted the Council risk register template. The governance framework covers decision making, performance management, financial management and ethical arrangements. Joint development issues can be considered through the Rotherham Audit Committee.

The Council had done more work and was better placed than most in this area. The briefing paper included Rotherham's arrangements as a case study of good practice.

The Audit Committee had a key role to play in supporting the application of good governance principles. The information and guidance contained within this briefing would help Members to perform their roles in a positive way.

Resolved:- That the Better Governance Forum briefing paper be noted and in particular the positive reference made to Rotherham's arrangements in relation to partnerships' governance.

P30. AUDIT COMMITTEE SELF ASSESSMENT

Marc Bicknell, Internal Audit Manager, presented the submitted report which referred to the 2011 self-assessment by the Audit Committee of its current arrangements relative to the standards contained in CIPFA document 'A Toolkit for Local Authority Audit Committees'. Other published standards for audit committees had been reviewed and found to be consistent with the expectations of the CIPFA toolkit to the extent that if the Committee could satisfy the CIPFA expectations, it was likely also to be able to comply with broader good practice.

The assessment showed that the Council's Audit Committee substantially applied with current best practice. Only 2 issues were raised for discussion;

induction arrangements and assessment of development needs.

Rotherham was regarded as having strong audit committee arrangements. In order to maintain its position the Audit Committee should continue to re-consider appropriate arrangements and compare them with best practice.

Resolved:- (1) That the answers to questions in the Audit Committee self assessment checklist be noted.

(2) That the further actions required to enable the Committee to further strengthen its arrangements be supported.