

**AUDIT COMMITTEE  
27th April, 2016**

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

Debra Chamberlain (KMPG) was in attendance.

An apology for absence was received from Councillor Cowles.

**66. QUESTIONS FROM THE PRESS AND PUBLIC**

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

**67. MINUTES OF THE PREVIOUS MEETINGS HELD ON 10TH AND 25TH FEBRUARY, 2016**

Consideration was given to the minutes of the meeting held on 10<sup>th</sup> and 25<sup>th</sup> February, 2016.

Resolved:- That the minutes of the previous meetings be approved as a correct record for signatures by the Chairman.

**68. UPDATE ON THE USE AND OPERATION OF SURVEILLANCE AND ACQUISITION OF COMMUNICATIONS DATA POWERS**

Neil Concannon, Legal and Democratic Services, presented a report on the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA).

The Council was required to notify the Office of Surveillance Commissioners (OSC) of the number of directed surveillance/CHIS authorisations granted in each financial year. The annual return for 2015 had now been submitted to the OSC which confirmed:-

- Two authorisations granted for directed surveillance (both in relation to flytipping offences under the Environmental Protection Act 1990)
- No authorisations for CHIS

The use of directed surveillance on those occasions had not yielded any evidence to allow enforcement action to be taken.

The Council was also required to notify the Interception of Communications Commissioner's Office of the number of authorisations for the acquisition and disclosure of communications data granted each calendar year. The annual return had been submitted in January, 2016, which confirmed:-

- One application (for a flytipping offence under the Environmental Protection Act 1990)
- To date in 2016, there had been no authorisations for the acquisitions and disclosure of communications data

In December, 2015, a successful corporate training course had taken place for twenty-four officers from various services across the Council. In addition the Chief Executive and Assistant Director of Legal Services would undertake relevant e-learning packages on the use of RIPA powers.

Resolved:- (1) That the annual figures for the use of RIPA and Communications Data authorisations be noted.

(2) That the corporate training undertaken with regard to the use of RIPA and Communications be noted.

(3) That a further update be submitted in six months' time including the associated costs of any surveillance undertaken.

## **69. EXTERNAL AUDIT AND INSPECTION RECOMMENDATIONS**

Further to Minute No. 39 of 24th November, 2015, Sue Wilson, Performance and Planning, presented a report detailing recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing any recommendations that arose.

The following update was given:-

### **Adult Social Care**

- Treefields Close (Learning Disability Respite Service) – overall rating of Good awarded following an unannounced inspection on 14<sup>th</sup> and 15<sup>th</sup> July, 2015. There was one required improvement action in relation to “is the service well-led”. It was found that the service was well led, however, there had been no registered manager in post for several months despite it being a condition of the Home’s registration. The registration process of the new manager had commenced and the current acting manager would be interviewed by CQC to enable sign off
- Quarry Hill Road (Learning Disability Respite Service) – inspected on 11<sup>th</sup> and 20<sup>th</sup> August, 2015 and awarded an overall rating of Good with one area “is the service caring” rated as outstanding. The service was now jointly managed with Treefields and formal sign off that the manager had been registered was awaited from CQC pending the interview scheduled for April

- Netherfield Court (intermediate care provider) – an overall rating of good following the unannounced inspection on 7<sup>th</sup> and 8<sup>th</sup> October, 2015. There was one requires improvement action in relation to “is the service effective”. It was found that the service was effective although improvements could be made in the way consent was obtained and recorded
- Park Hill (Learning Disability Residential Care Provider) – inspected by the CQC on 10<sup>th</sup> and 13<sup>th</sup> November, 2015, and was awarded an overall rating of Good. The CQC made no action or enforcement action requirements of the service
- Overall Adult Services had a satisfactory compliance record with standards subject to inspection. Work had commenced to review current inspection governance arrangements including the stronger practices now implemented in CYPS to further strengthen its arrangements for preparing for inspections and responding to their outcomes

#### Children and Young People’s Improvement Plan

- Following recommendations from the CYPS Improvement Board in March, 2016, and an intense period of change and improvement within Children’s Services, the Plan was currently under review
  - Provide a refocus on the priority actions to ensure they map against all key Ofsted judgements, recommendations, findings and have realistic RAG ratings
  - Refreshed plan would build on the actions completed to clearly identify and evidence the impact and differences the changes had made to the lives and experiences of the children, young people and families
  - The twenty-six Ofsted inspection recommendations would remain in place and “open” until such time as it was determined that Rotherham had come out of intervention
  - To put in to place a sustainable approach enabling CYPS to meet aspirational objectives and provide a continuous improvement cycle to enable movement to become a child centred Borough with outstanding services
  - Refreshed plan would be live ready for the next Improvement Board in May, 2016

#### Ofsted Improvement Visits

- There had been five visits as part of their improvement offer looking at the MASH, Duty and Assessment, Child in Need, Child Protection, Leadership, Management and Governance, CSE and Missing Children
- A further Ofsted improvement visits was planned for April focussing on Early Help
- There would also be two regional Sector Led Peer Reviews looking at Leadership Management and Governance in June 2016 and Looked After Children and Care Leavers in September, 2016

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- Feedback received had been encouraging in respect of improvements in Duty and Assessment, effective responses on CASE with a continued child centred approach to CSE and a robust MASH where the quality of decision making and signposting continued to improve
- Feedback also identified key learning points which included the voice of the child needed to be influential at all levels in Children's Services

### Rotherham's Residential Children's Units

- Cherry Tree was judged as Requires Improvement in 2015. At the interim inspection on 23<sup>rd</sup> March, 2016, the Home received a judgement of sustained effectiveness
- Liberty House was judged as Good on 27<sup>th</sup> January, 2016. At the interim inspection on 17<sup>th</sup> March, 2016, the Home received a judgement of sustained effectiveness
- Silverwood was judged as Good on 30<sup>th</sup> June. At the interim inspection on 29<sup>th</sup> February, 2016, the Home received a judgement of declined effectiveness
- Woodview was judged as Inadequate in 2015. The Home closed in October, 2015
- St. Edmunds – was judged as Inadequate in 2015. The decision to close the Home was made on 12<sup>th</sup> January, 2016, following a full consultation

### Economic Development Services and Housing and Neighbourhoods Services

- External peer health checks programme, led by the LGA, commenced
- The EDS Directorate had committed to review current inspection governance arrangements to further strengthen its arrangements for preparing for inspections and responding to their outcomes

### Finance and Corporate Services

- The External Auditor issued a range of reports each year which were presented to the Audit Committee e.g. External Audit Plan, Annual Audit Letter
- No recommendations made in relation to the audit of the 2013/14 financial year
- Audit of the Council's 2014/15 claim was completed. The Council received only very minor qualifications resulting in amendments being made to the final claim in accordance with the DWP arrangements.

Discussion ensued with the following issues raised/clarified:-

- Although the twenty-six recommendations were outstanding they were all covered as part of the Improvement Plan. Their status would remain until final sign off by Ofsted. Recent published consultation by Ofsted stated that it would be at least two years from the date that the Authority published their action plan – Rotherham published their action plan in February 2015, so it would be February 2017 at the earliest. Final sign off would be part of the inspection next year

- The two recommendations concerning leadership, management and governance had received “reassurance” on the Ofsted visit in March
- Risk assessments and plans for a child should include the use of contingency plans and be SMARTer so the outcomes, timeframes and who was responsible for such were very clear

Resolved:- (1) That the governance arrangements that were currently in place for the monitoring and managing of recommendations from external audits and inspections be noted.

(2) That regular reports in relation to external audit and inspections and progress in implementing recommendations.

## **70. EXTERNAL AUDIT PLAN 2015-16**

Consideration was given to a report presented by Debra Chamberlain, KPMG, describing the KPMG External Audit Plan (included as an appendix to the submitted report) which set out the proposed external audit work to be undertaken to form an opinion on the Council’s financial statements and to conclude on whether the Council had arrangements in place to secure value for money in the use of its resources.

Section 3 of the External Audit Plan summarised the key stages KPMG would carry out in their audit of the financial statements and Section 4 set out the areas of focus during the audit in forming their opinion on the Financial Statements. The three areas to be reviewed were:-

- Revenue recognition
- Management override of controls
- New Housing Management system

The following risks had less likelihood of giving rise to a material error but which were nevertheless worthy of audit understanding:-

- Child Sexual Exploitation Claims
- Accounting for the Better Care Fund

The 2015/16 audit fee of £140,828 was based on KPMG’s assessment of the level of risk, a reduction from that of 2014/15 (£46,942 (25%)). Previously the fees were dictated by the Audit Commission but it was now Public Sector Audit Appointments Ltd. (PSAA). However, changes to the Plan and the fee may be necessary if significant new audit risks emerged or KPMG’s expectations were not met.

Discussion ensued on the new Housing Management system. KPMG would utilise its own IT specialists to assess the general IT controls in place to gain assurance that they were designed appropriately and operated effectively.

It was also noted that all authorities would have the inclusion of the Better Care Fund on their risk registers.

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

(2) That KPMG's External Audit Plan 2014/15, as now submitted, be approved insofar as the Audit Committee is concerned and the proposed areas for audit, now identified, be noted.

**71. INTERNAL AUDIT PLAN 2016/17**

Consideration was given to a report presented by Marc Bicknell, Chief Internal Auditor, which outlined the Council's Internal Audit Plan for 2016/17.

The plan explained Internal Audit's approach to the development of the plan as well as detailing the specific activities it planned to review over the year. It also reflected a comprehensive risk assessment process which included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

As well as a full refresh of the 'audit universe' and a thorough risk assessment of the Council's activities, the Audit Plan had also taken into account:-

- Analysis of the Council's Risk Registers
- Examination of revenue and capital budgets
- Cumulative audit knowledge and experience of previous work undertaken
- Review of both Corporate and Service objectives and priorities
- Discussions with Strategic and Assistant Directors
- Knowledge of existing management and control environments
- Professional judgement on the risk of fraud or error
- Examination of the Corporate Improvement Plan and the Children's Services Improvement Plan
- Review of external inspection reports

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

- Explained the statutory requirement for Internal Audit
- Described the approach and methodology adopted in producing the Plan
- Showed the level of resources available to deliver the Plan was 1,143 days
- Identified the Audit Universe for the Council
- Included a contingency for responsive work

In line with the UK Public Sector Internal Audit Standards, the Plan did not become fixed when it was approved. It remained flexible and would be revised to take into account any significant emerging risks facing the Authority.

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

- Procurement was an area receiving attention from senior management. A review was planned to which work undertaken by Audit would join up with. As part of the Corporate Improvement Plan there would be a LGA sponsored peer review of the procurement process which would commence in May
- Regular reviews of the contract registers had been implemented to ensure forward planning of contract renewals to avoid requests for exemption of Standing Orders
- Time had been invested in the audit planning process at ground level which would hopefully anticipate some of the issues
- In future it would include which audits were considered to be protection or value enhancement
- Implications should the country exit the European Union

Through careful management of resources, Internal Audit would continue to undertake the necessary work on fundamental financial systems to support the Section 151 Officer to fulfil their statutory responsibilities.

The audit plan would be kept under review on an ongoing basis, any significant changes to be reported to the Audit Committee for consideration and approval.

Resolved:- That the Internal Audit Plan for 2016/17 be approved.

## **72. PWC REVIEW OF INTERNAL AUDIT ACTION PLAN UPDATE**

Further to Minute No. 64 of the meeting held on 25<sup>th</sup> February, 2016, the Assistant Director of Audit, CIT and Procurement, presented an update on progress against the recommendations made in the recent Price Waterhouse Coopers (PWC) review of Internal Audit.

Progress was currently being made in accordance with the majority of the action plan with minor changes proposed to take into account factors external to the Service.

Future reports on progress would be subject to external review as agreed by the Chief Executive at the previous meeting. A partner had been appointed to conduct the external reviews.

Appendix 1 of the report submitted contained a full update of progress made against the PWC recommendations.

Progress against the action plan would be reported to the Audit Committee to each of its meetings during 2016/17.

Resolved:- That the progress made in implementing the recommendations included in the Price Waterhouse Coopers review of Internal Audit and the minor changes set out in Appendix 1 of the report submitted be approved.

**73. INTERNAL AUDIT ACTION PLAN FOR COMPLIANCE WITH AUDIT STANDARDS**

The Assistant Director of Audit, ICT and Procurement, presented an update on the extent to which Internal Audit had conformed with the Public Sector Internal Audit Standards.

Internal Audit had implemented a number of developments during and since the Price Waterhouse Coopers (PWC) report following their review. In particular, a full programme of audit work was completed in 2015/16 with control weaknesses and corresponding recommendations agreed by Management. A number were sensitive areas demonstrating good value added by Internal Audit with regard to the identification of risk management and control improvement actions identified.

The report identified the ongoing actions being implemented to improve the audit policies and procedures in response to the PWC report. Provision had been made to carry out further external review of progress during 2016/17.

The appointed independent person would review and draft an objective assurance to the Committee with regard to the accuracy and completeness of future progress reports.

Resolved:- (1) That the changes and progress made by Internal Audit since the Price Waterhouse Coopers review be noted.

(2) That the action plan be approved in order to ensure full compliance with Public Sector Internal Audit Standards.

**74. ITEMS FOR REFERRAL FOR SCRUTINY**

Internal Audit Plan 2016/17  
External Audit Plan 2015/16



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

Resolved:- That under Section 100A(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 involves 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).

**76. INTERNAL AUDIT ANNUAL REPORT 2015/16**

Consideration was given to a report presented by the Chief Internal Auditor, on the role of Internal Audit, the work undertaken by the Service during the 2015/16 financial year and highlighted the key issues that had arisen. It provided the overall opinion of the Head of Internal Audit (Assistant Director of Audit, ICT and Procurement) on the adequacy of the Council's control environment as well as the performance of the Internal Audit function during 2015/16.

Based upon the audit work undertaken and taking into account other internal and external assurance processes, it had been possible to complete an assessment of the Council's overall control environment. It was felt that, whilst significant improvements had been made following the appointment of Commissioners, the Council's system of internal control for 2015/16 was inadequate. In forming this opinion, during 2015/16 an opinion of 'inadequate' had been formed on the control environment in twenty-one services/functions/systems subject to audit in every Directorate of the Council.

Appendix 1 of the report submitted included:-

- Summary of the audit planning process
- Revisions to the Internal Audit Plan
- Audit work undertaken during 2015/16 including both planned and responsive/investigatory work
- Summary of other evidence taken into account for control environment opinion
- Analysis of audit recommendations made and agreed and status of implementation
- Internal Audit performance indicators

Consideration was also given to Appendix 2, which set out detailed information on each of the sixteen areas which had been found to be 'Inadequate', Appendix 3, a summary of the more significant pieces of work that had been completed in the said period, and Appendix 4, a summary of audit recommendations following each piece of audit work.

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

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- Taxi Licensing Administration
- Licensing Enforcement
- Home to School Transport
- Inspections of Closed Children's Homes/District Offices

Resolved:- (1) That the Internal Audit work undertaken during the 2015/16 financial year and the key issues that had arisen therefrom be noted.

(2) That the overall opinion of the Head of Internal Audit that, whilst significant improvements had been made following the appointment of Commissioners, the Council's system of internal control for 2015/16 was inadequate be noted.

(3) That the information contained regarding the performance of Internal Audit during 2015/16 be noted.

### 77. STRATEGIC RISK REGISTER UPDATE

Further to Minute No. 58 of 10<sup>th</sup> February, 2016, Shokat Lal, Assistant Chief Executive, presented the third update of the Strategic Risk Register which took account of updates from Directorates, the Strategic Leadership Team and the Audit Committee. The Register was still subject to further refinement as a result of experience as the process developed.

A powerpoint presentation was also given illustrating:-

- Risk Management Objectives
- Current Position
- Next Steps
- Members' Role

The Register was now updated every six weeks and presented to the Strategic Leadership Team on a three weekly cycle.

The current Register had been constructed from updates provided by risk owners. There were two new risks which had been added giving a total of twenty-one risks.

It was still subject to further refinement as a result of experience of its operation and the bedding in of new arrangements and becoming an integrated part of the performance management process. There remained different approaches across the Directorates, which impacted upon the use of the Council's reporting/monitoring software.

Discussion ensued with the following issues raised/clarified:-

- The Interim Corporate Risk Manager had provided refresh training. It was the intention to provide the training to all M3 Managers within the Council

- The Strategic Leadership Team closely scrutinised the Risk Register to check if it had been updated/if there had been any movement on identified risks
- Suggested inclusion of data to show which Directorates had updated their Risk Register

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

**78. DRAFT RISK REGISTER FOR THE REGENERATION AND ENVIRONMENT DIRECTORATE**

Caroline Bruce, Interim Director of Environment and Development Services, and Councillor Sims, Cabinet Member for Waste, Roads and Community Safety, were welcomed to the meeting together with Damien Wilson, Strategic Director, Regeneration and Environment Services.

Consideration was given to a report, presented by Caroline Bruce, concerning the review of the Directorate's Risk Register.

The report contained, as an appendix, the latest position in relation to the draft Regeneration and Environment Risk Register. On 1<sup>st</sup> April, 2016, a number of services had transferred to the Directorate. The draft Risk Register would be approved by the new Directorate Management Team on 9<sup>th</sup> May, 2015.

There were three overall categories of risk Red, Amber, Green (RAG) representing varying degrees of exposure. Each category contains a range of risk scores, resulting in varying degrees of risk within each category. There were currently no red rated risks on the draft Register.

The current key risk areas for the Regeneration and Environment Directorate were:-

- Delivery of an effective fit for purpose Licensing Service
- Delivery of effective enforcement and regulatory functions
- To have in place robust corporate arrangements to respond to a Major Incident or Emergency discharged through the Corporate Emergency Operations Room
- To put in place a Corporate Business Continuity Plan
- Maintain historic sites
- Effective Home to School Transport
- Unable to deliver the Economic Growth Plan 2015-2025

Members discussed the following salient issues:-

- Inclusion as to which Cabinet Member had responsibility for each risk
- Inclusion of commentary on which risks had been removed and the reasons why when the Register was reviewed

Resolved:- That the current position of the Regeneration and Environment draft Risk Register be noted.

**79. CORPORATE RISK MANAGEMENT UPDATE**

Shokat Lal, Assistant Chief Executive, submitted a report on the approach being adopted by the Directorate to develop its own Risk Register and its plans for delivering effective risk management in the future.

The actions designed to re-invigorate Risk Management, as set out in the Corporate Improvement Plan, had now been substantially completed. Arrangements were in place to ensure that they were refreshed over the coming months i.e.

- The new Risk Management Policy and Strategy be revised and refreshed by September 2016 in light of experience to date
- Risk management refresher and update training was now being delivered to revisit and reinforce the arrangements rolled out in late 2015
- New Strategic Risk Register formally reviewed every six weeks by the Strategic Leadership Team and presented to the Audit Committee quarterly
- New Operational Risk Registers had been developed at Directorate level with the exception of the Assistant Chief Executive's Directorate where creation of the Register in the new Directorate was underway

Resolved:- That the Corporate Risk Management update be noted.