

**AUDIT COMMITTEE  
23rd November, 2016**

Present:- Councillor Wyatt (in the Chair); Councillors Allen and Walsh and Bernard Coleman (Independent Person).

Councillor Simpson was in attendance as an observer.

Mrs. D. Chamberlain (KPMG) was also present.

Councillor Roche, Cabinet Member for Adult Social Care and Health, and AnneMarie Lubanski, Strategic Director, Adult Care and Housing, were in attendance for Minute No. 40.

Apologies for absence:- Apologies were received from Councillor Cowles and Ellis.

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

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

**31. MINUTES OF THE PREVIOUS MEETING HELD ON 21ST SEPTEMBER, 2016**

Consideration was given to the minutes of the meeting held on 21<sup>st</sup> September, 2016.

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

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

Neil Concannon, Legal Services, presented an update 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. There had been no such authorisations this financial year so far.

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. There had been no such authorisations this calendar year so far.

The Council's Policies were last set in September, 2015; since that time there had been no amendments to the Home Office Codes of Practice. In July 2016 the OSC had issued an amended procedures and guidance document in relation to convert surveillance/CHIS but this did not require any amendments to be made to the Council's RIPA Policy.

The RIPA Policy had been amended to reflect an accurate list of the current authorising officers together with an additional paragraph clarifying that the Council's RIPA Senior Responsible Officer (the Assistant Director of Legal Services) would maintain an up-to-date list of the current authorising officers. This would be amended should there be any relevant personnel changes throughout the year.

Notification had been received that the Council would be inspected by the OSC in January 2017 to review its policies and procedures to comply with RIPA and the use it made of the directed surveillance/CHIS powers. Details of the outcome of the inspection would be reported to the Committee.

Resolved:- (1) That the Council's RIPA Policy and Acquisition and Disclosure of Communications Data Policy, as shown in Appendix A and B of the report submitted, be approved.

(2) That the update on the figures for the use of RIPA and Communications Data authorisations be noted.

(3) That it be noted that the Office of Surveillance Commissioners were due to carry out an inspection of the Council's use of powers for directed surveillance/CHIS and the policies and procedures it had in place for that purpose in January, 2017.

(4) That a report be submitted to the Audit Committee on the outcome of the aforementioned inspection.

(5) That further annual corporate training take place with regard to the use of RIPA and Communications Data powers on 4<sup>th</sup> January, 2017.

(6) That a further update be provided in 6 months' time.

**33. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT 2016-17**

Consideration was given to the report presented by the Assistant Director, Finance and Corporate Services, that outlined a mid-year treasury review.

The review, as set out in the Appendix submitted, highlighted 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.

Overall borrowing remained fairly constant over the period covered by the report. The Council would remain under-borrowed against the borrowing requirement due to the cost of carrying debt and new borrowing would only be taken up as debt matured. This was in line with financial assumptions.

The report showed that 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 high quality counterparties. The downside of such a policy was that investment returns remained low. The governing principle remained security over return and the criteria for selecting counterparties continued to reflect this.

The 'call' account with the top-rated bank Handelsbanken who met the Council's highest investment criteria was being used in a prudent and cautious manner to improve the expected returns for the year.

To meet regulatory requirements the report would be submitted to the Cabinet and Commissioners' Decision Making meeting and to full Council.

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

(2) That the report be referred to the Cabinet and Commissioners' Decision Making Meeting to consider recommending Council approve the changes to the 2016/17 Prudential Indicators.

**34. INTERNAL AUDIT PROGRESS REPORT FOR THE TWO MONTHS ENDING 31ST OCTOBER, 2016**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during September and October, 2016, and the key issues that had arisen therefrom.

Performance against Key Indicators was generally positive although delivery of the planned programme of work remained behind schedule due mainly to vacancies and other Service priorities. The Assistant Director Audit, ICT and Procurement and the Chief Internal Auditor had both left the Authority during the period with 2 new staff having commenced in October including the new Head of Internal Audit.

## AUDIT COMMITTEE - 23/11/16

Since the last meeting, the Plan had been the subject of a half year review with all Strategic Directors consulted to update it and match to the resources available whilst ensuring it provided sufficient coverage to enable the year end Internal Audit opinion to be reached.

Summary conclusions in all significant audit work concluded during September and October 2016 were set out in Appendix B of the report submitted together with the audits that were at draft report stage. All assurance opinions were substantial or adequate.

Allegations of fraud, corruption or other irregularity were also investigated with details of significant investigations completed in the period set out in Appendix C.

The report highlighted:-

- An Internal Audit Plan for 2016/17 had been produced in line with the UK Public Sector Internal Audit Standards
- The Plan had been reviewed and updated at the half year
- Although there was an overall reduction in audit days, it was still sufficient to give the required coverage
- Despite the challenges, Internal Audit was exceeding other key performance targets and feedback on several pieces of work completed demonstrated value added by the Service
- Management responses and action plans were in place for all recommendations made by Internal Audit during the period

Veritau Ltd. had been asked to review and provide independent comment on the progress reports. They had made a number of suggestions on presentation and highlighted areas for review but overall the report accurately reflected the work being undertaken by the Team.

Discussion ensued with the following issues raised/clarified:-

- The remaining vacant posts
- BDR waste disposal facility
- Responsive work and the impact on planned work
- Involvement of the independent partner, Veritau Ltd.

Resolved:- (1) That the performance of the Internal Audit Service during September and October, 2016, and the key issues that had arisen therefrom be noted.

(2) That the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of the performance be noted.

(3) That the independent assurance provided by Veritau Ltd. on the report be noted.

**35. ANNUAL AUDIT LETTER 2015-16**

Debra Chamberlain, KPMG, presented the Annual Audit Letter (AAL) 2015/16 produced by KPMG summarising the external audit work in relation to the 2015/16 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.

A copy of the AAL was attached to the report.

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

- As last year, the external auditor had issued a qualified Value for Money conclusion
- The Council's financial statements were produced to a good standard with only one minor presentational change being made. The financial statements were given an unqualified audit opinion on 26<sup>th</sup> September. The Narrative Report published alongside the financial statements was consistent with KPMG's understanding
- The Annual Governance Statement approved September's Audit Committee (Minute No. 19 refers), was consistent with KPMG understanding an compliant with the CIPFA/SOLACE framework in local government
- The Council's consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements
- There were no high priority recommendations or other matters that needed to be brought to the attention of the Audit Committee

Resolved:- That the final Annual Audit Letter 2015/16 presented to the Council by its external auditors, KPMG LLP, be noted and approved for publication on the Council's website.

**36. IMPLEMENTATION OF RECOMMENDATIONS RESULTING FROM THE PWC REVIEW OF INTERNAL AUDIT**

Further to Minute No. 22 of the meeting held on 21st September, David Webster, Head of Internal Audit, submitted the third progress report on the implementation of the recommendations made in the PWC review of Internal Audit.

## AUDIT COMMITTEE - 23/11/16

Internal Audit had operated with a high vacancy level during most of 2016 to date. In addition there had been significant change since production of the PwC report including a refresh of procedures, a full service restructure and the subsequent recruitment to the Head of Internal Audit and a vacant senior auditor post.

Appendix 1 contained a full update of progress against the PwC recommendations with the key points being:-

Actions completed/certain to be completed as at October, 2016

- 19 actions, spread across 17 recommendations, 10 of which had been completed, 3 rated green (certain to be achieved) and 6 were amber rated (in progress/on target). There were no red rated actions

Key progress as at October

- 2015/16 audit plan successfully delivered (with 95% delivery achieved against the final plan)
- Completed service review and a restructure determined
- Audit structure and budget set up to provide for specialist audit resources to be engaged as required to carry out specified work in the audit plan
- Audit agreement between Rotherham and Doncaster Councils terminated on 30<sup>th</sup> September, 2016
- Improved consultation and engagement with senior management in audit planning and reviewing progress
- Recruitment to the new structure
- PDRs completed and a team development plan produced/implementation commenced
- Revised Audit Charter and Strategy
- Streamlined and improved audit review process
- New risk based style of audit report
- Evaluation of bids for an electronic audit system

Key actions in progress:-

- Production of plan to achieve full compliance with auditing standards, subject to regular review and reporting to Audit Committee
- Embedding of new audit scoping, reporting and performance monitoring and management processes
- Need for implementation of team development plan
- Implementation of electronic audit system, streamlining of administration and reduction of non-productive time
- Development of assurance mapping
- Development and reporting to Audit Committee of Quality Assurance and Improvement Programme to improve and maintain standards
- Full refresh of the Internal Audit Manual to reflect new PSIAS compliant, audit policies and procedures
- Establishment of programme to review the Council's Governance Arrangements set out in its Code of Governance

The Service would remain in transition until the Team reached full establishment. The procurement and implementation of an integrated audit management system would also facilitate consistency in the way in which audits were conducted and compliance with auditing standards.

It was required that an annual internal assessment be made of conformance with the Standards. This would be completed by the Head of Internal Audit and reported to the Audit Committee in February, 2017.

An external assessment was also required every 5 years by a qualified independent assessor. External assessments could be in the form of a full external assessment or a self-assessment with independent external validation. The CIIA had accepted that reviews within a peer group met the requirements for external assessments provided that the reviews were not reciprocal and were demonstrably independent, therefore, the review could be carried out by Veritau Ltd. or another South/West Yorkshire authority.

Progress against the action plan would be reported to the Audit Committee during 2016/17. Veritau Ltd. had been asked to comment on the progress reports and commented that it was a reasonable reflection of progress being made to implement the proposed actions.

Resolved:- That the progress made in implementing the recommendations included in the PwC review of Internal Audit be noted.

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

Further to Minute No. 22 of 27<sup>th</sup> April, 2016, 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) – The outstanding recommendation regarding the Manager’s registration had been completed and confirmed by the CQC in July, 2016
- Quarry Hill Road (Learning Disability Respite Service) –The jointly management arrangement with Treefields Close had been formally signed off and confirmed in July 2016 when the current Manager’s registration was finalised
- Netherfield Court (intermediate care provider) - Closed in September 2016 with Lord Hardy Court and Davies Court taking on the role of providing residential intermediate care. Netherfield’s last CQC inspection had resulted in it being awarded an overall rating of Good with 1 action recorded with respect to the way consent was obtained and recorded. Immediate action was taken to ensure client files

recorded this. Staff from Netherfield had been redeployed to Davies and Lord Hardy with both Managers being made aware of the actions taken by Netherfield with respect to the CQC requirements and had adopted them in their own services

- Park Hill (Learning Disability Residential Care Provider) – Service currently managed by the same person who managed Treefields and Quarry Hill. An application had been made with CQC to add Park Hill to her registration
- Home Enabling - Inspected on 7<sup>th</sup> July 2016 and rated as Good overall. No recommended actions
- Davies Court (Elderly Residential provider) – Inspected on 24<sup>th</sup> August, 2016, and awarded an overall rating of Good although improvements were identified in the recording of its response to service users who have a Deprivation of Liberty Safeguarding (DoLS) in place. The service had undertaken an audit of files to ensure the correct documentation was in place
- Adult Services had a good compliance record with standards subject to inspection. Governance arrangements remained under ongoing review and the Directorate’s development programme was not subject to the enhanced governance arrangements applied within the Transformation Board
- Housing Service – no inspections or recommendations since the last report in April 2016

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

- Improvement Plan revised in May 2016 following an intense period of change and improvement within Children’s Services
- Revised Improvement Plan provided a refocus on the priority actions to ensure they mapped against the Ofsted judgements/recommendations/findings and provided the opportunity to ensure that realistic RAG ratings were noted for each action
- The 26 recommendations from the OFSTED inspection would remain in place and “open” in the refreshed Plan until the Secretary of State for the Department of Education had made a decision for Rotherham to come out of intervention and satisfied that all the requirements had been met
- Focus of the Plan to put in 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
- Introduction of “focus on” agenda items at meetings of the Improvement Board
- Governance of the CYPS Plan by the Children’s Improvement Board at its monthly meetings which also oversaw progress through monitoring, challenging and supporting the actions of the Plan
- Establishment of a Performance Board in May 2016



**Ofsted Improvement Visits**

- There had been 5 visits since August 2015 as part of their improvement offer looking at the MASH, Duty and Assessment, Child in Need, Child Protection, Leadership, Management and Governance, CSE, Missing Children and Early Help. This had been supplemented by 2 regional Sector Led Peer Reviews looking at Leadership management and Government in June 2016 and Looked After Children and Care leavers in October 2016
- The first Monitoring Visit took place in October. Looked After Children had been the subject
- It was likely that there would be 4 formal Monitoring visits before an Ofsted re-inspection (expected to be in Autumn 2017)

**Rotherham's Residential Children's Units**

- The care offered across the whole of Rotherham's residential care services for children and young people had been reviewed
- Aspiration of the Council to reduce the numbers of children placed in residential care
- Consultation had taken place with affected stakeholders regarding the proposed closure of Cherry Tree House and Silverwood Children's Residential Care Homes. Commissioner Bradwell had approved the closure of both Homes on 13<sup>th</sup> September, 2016
- Liberty House Short Breaks Children's Home had received a full inspection on 2<sup>nd</sup>/3<sup>rd</sup> November within the current inspection cycle. An aspirational improvement plan had been in place which was expected to take the Home from Good to Outstanding.

**Economic Development Services and Housing and Neighbourhoods Services**

- Feedback from the LGA peer health checks programme was being used positively throughout the Service to improve performance and quality and deliver service improvement
- Review of structures in Waste Management
- No further external inspections or audits had been undertaken

**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
- 1 medium and 1 low priority recommendations made in relation to the ISA260 report regarding the 2015/16 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
- The audit of the Council's 2015/16 claim was underway

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

**38. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no issues for referral.

**39. 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 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).

**40. STRATEGIC RISK REGISTER - ADULT CARE AND HOUSING**

Councillor Roche, Cabinet Member, Adult Social Care and Health, together with AnneMarie Lubanski, Strategic Director, Adult Care and Housing, presented the Adult Care and Housing Strategic Risk Register in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Cabinet Member involvement
- How risks were included on/removed from the Register
- Anti-fraud activity in the Directorate

Discussion ensued with the following issues raised:-

- The Mental Capacity Act and the volume of referrals as a result of the Cheshire West judgement
- Approval of Housing Revenue Account Business Plan and Asset Management Policies

Resolved:- That the progress and current position in relation to risk management activity in Adult Care and Housing be noted.

**41. STRATEGIC RISK REGISTER**

Simon Dennis, Corporate Risk Manager, presented the current Strategic Risk Register which took account of updates from Directorates, the Strategic Leadership Team and the Audit Committee.

The Register was currently updated every 6 weeks with the latest updated presented to the Strategic Leadership Team on 25<sup>th</sup> October, 2016.

The current Register had been constructed from updates provided by risk owners. There were 2 new risks, 9 that had been removed and 2 that had been merged into 1 giving a total of 18 risks.

In the majority of cases, the risks that had been removed were due to the risk now being managed at Directorate rather than Strategic level. This was a reflection of the increasing maturity of the Risk management process as well as the Strategic Leadership Team's wish to focus on risks that were crosscutting or strategic in nature.

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