

**AUDIT COMMITTEE
Tuesday, 19th September, 2017**

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Evans, Sansome, Walsh and Mr. Bernard Coleman.

Tim Cutler, KPMG, was also in attendance.

17. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

18. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

19. MINUTES OF MEETING HELD ON 19TH JULY, 2017

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19th July, 2017.

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

20. EXTERNAL AUDIT ISA 260

Consideration was given to a report presented by Graham Saxton, Assistant Director Financial Services, which advised on matters arising from the external audit of the Council's 2016/17 Statement of Accounts as presented in the External Auditor's ISA260 report and, in acknowledging these findings, requested that the Audit Committee approve both the Letter of Management Representation and the audited Statement of Accounts 2016/17.

KPMG intended to issue an unqualified opinion on the Statement of Accounts and their representative at the meeting confirmed the unaudited Statement of Accounts and draft Narrative Report had no audit adjustments found to be necessary other than a small number of presentational changes. All of the presentational changes had been incorporated into the final versions of both the Statement of Accounts and the Narrative Report (Appendices 2 and 3). None of the changes affected the financial performance or financial position of the Council previously reported in the unaudited Statement of Accounts.

The ISA 260 also confirmed that working papers were of a high standard and the audit queries were dealt with in a timely and efficient manner.

In terms of the areas of significant audit risk and areas of audit focus, KPMG had confirmed that no issues had been identified other than

relating to changes to the pension liability due to LGPS Triennial Valuation, valuation of the Waste Management PFI and changes to the finance team and that reasonable professional judgement had been exercised.

Other areas of audit focus were the disclosure changes and the level of prudence within key judgements, to which KPMG were happy with the action taken.

Section 2 of the ISA 260 set out the approach, risks, work and conclusion reached by KPMG on whether the Council had satisfactory arrangements in place to secure the economy, efficiency and effectiveness in the use of its resources. The conclusion reached was that the Council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

- Observational requests from members of the public, of which there were very few.
- Helpfulness of the narratives in the documentation, but further clarification on the description of savings and cuts.
- GDP growth forecasts following the U.K.'s referendum to leave the European Union.
- Recommendation summary and the authorisation of new starters to the general ledger.

Resolved:- (1) That the Auditor's ISA260, as submitted at Appendix 1, be approved.

(2) That the Statement of Accounts 2016/17 (Appendix 2 of the report submitted) and the 2016/17 Narrative Report (Appendix 3 of the report submitted) be signed and approved for publication.

(3) That KPMG be issued with the Letter of Management Representation.

21. ANNUAL GOVERNANCE STATEMENT 2016-17

Further to Minute No. 73 of 19th July, 2017, consideration was given to the submitted report presented by Judith Badger, Strategic Director for Finance and Corporate Services, which detailed the updates and changes to the Annual Governance Statement as a result of developments since the 30th June publication date as well as comments from the external auditor.

An overall conclusion had been reached that the Council had demonstrated good governance and met its best value duty throughout the year. It recognised the improvements made in the Council's

performance throughout the financial year but also highlighted a number of areas for further developments in 2017/18.

A process to gather assurances and evidence to support the Annual Governance Statement had been led by the Corporate Governance Group as well as each Strategic Director asked to oversee a self-assessment of governance in their Directorate.

In line with the Accounts and Audit Regulations, the final Statement would be signed by the Leader and Chief Executive.

The Committee were satisfied that the Statement demonstrated, through the recommendations, that good governance had been met throughout the year.

Resolved:- That the final 2016/17 Annual Government Statement be approved for signature by the Leader and Chief Executive as required by the Accounts and Audit Regulations and related Guidance.

22. INTERNAL AUDIT CHARTER

Further to Minute No. 21 of the meeting held on 21st September, 2016, David Webster, Head of Internal Audit, presented the revised Charter which had been updated following the changes in Internal Audit and updates to the PSIAS.

The revised Charter reflected the new reporting structure for Internal Audit and compliance with PSIAS.

The main changes were:-

- Updated throughout to reflect updates to the PSIAS.
- Incorporation of the statutory requirements for Internal Audit in Section 1 of the Charter.
- Incorporation of the PSIAS Code of Ethics in Section 3 of the Charter.
- Greater detail on the Responsibilities of the Head of Internal Audit in Section 7.3.
- Greater detail on audit reporting for individual assignments and to the senior management and the Audit Committee in Sections 8.1 to 8.4.
- Greater detail on the range of work undertaken by Internal Audit in 10.3.

Resolved:- That the Internal Audit Charter be approved.

23. ANTI-FRAUD POLICY AND STRATEGY

Consideration was given to the report presented by David Webster, Head of Internal Audit, which detailed the proposed update to the Council's Anti-

Fraud and Corruption Policy and Strategy following an annual review process designed to ensure that the Policy and Strategy were up-to-date with current best practice and to take into account any changes to the Council's organisation structure.

The report also provided a summary of proposals to further strengthen the Council's fraud and corruption arrangements following a refresh of the self-assessment against the CIPFA Code of Practice on managing the risk of fraud and corruption.

The main changes to the documents were:-

- Update on the roles and responsibilities.
- Update on the procedure for reporting suspected fraud and corruption including reference to the provisions of the Public Concern at Work resources.
- Inclusion of a procedure on the investigation of suspected fraud and corruption.
- Updated assessment of the Council's arrangements compared with the CIPFA Code on Managing the Risk of Fraud.
- Reflect the assessment needed to ensure the Council meets the expectations of the Fighting Fraud Locally best practice guidance.
- Inclusion of requirements relating to the Government's Transparency Code.

The updated Anti-Fraud and Corruption Policy was attached at Appendix A and the updated Strategy at Appendix B. Appendix C of the report contained an update to the self-assessment against the CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and Appendix D was an update to the Council's action plan for Managing the Risk of Fraud. It was important that the arrangements continued to be reviewed and updated where necessary to ensure the risk of fraud continued to be minimised.

The self-assessment against the CIPFA Code of Practice (Appendix C) and management of the risk of fraud (Appendix D) were welcomed, but clarification was sought on whether or not the risk of fraud had been included within the Council's risk register.

It was also suggested that fraud awareness training be considered for reinstatement for all Elected Members as this had been included previously as part of the induction process. More recently it had only been Cabinet Members and the Audit Committee that had received this training.

Resolved:- (1) That the proposed revisions to the Anti-Fraud and Corruption Policy and Strategy be approved.

(2) That the proposed actions intended to strengthen the Council's Fraud and Corruption arrangements be noted.

(3) That consideration be given to extending the fraud awareness training to all Members.

24. FRAUD ANNUAL REPORT 2016/17

Consideration was given to a report presented by David Webster, Head of Internal Audit, which detailed the Annual Fraud report 2016/17 containing a summary of the work that had taken place during the financial year to prevent, detect and investigate allegations of fraud and corruption.

The production of such a report was in line with good practice recommended by CIPFA and would raise awareness and inform stakeholders of the work the Council was undertaking to manage the risk of fraud and corruption.

Anti-fraud work undertaken under 2016/17 included:-

- Participation in the National Fraud Initiative which compared data across the public sector and required participants to examine data matches to check on potential fraud. Savings of £16,000 had been identified resulting from the work.
- Fraud awareness training sessions held on 23rd January, 2017.
- Ongoing work with the Corporate Risk Manager to include the risk of fraud in risk registers across the Council.
- Proposed Fraud Awareness e-learning module to roll out via the Council's learning platform.
- Work on an Anti-Money Laundering Policy in conjunction with the Legal Team.
- 106 days spent by the Internal Audit Team investigating potential fraud and irregularities.

The Council had a zero-tolerance policy to fraud and corruption and it was proposed to publish the Annual Fraud report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

The Committee suggested this should serve as a reminder for the Members' register of interests.

The number of disabled blue badge abuse incidents was noted and clarification sought on benchmark data and if there were some comparator data that could be shared with the Audit Committee at some point.

Resolved:- (1) That the Annual Fraud Report 2016/17 be noted.

(2) That the report be published to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

25. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the report presented by David Webster, Head of Internal Audit, which detailed the proposed forward work plan for the Audit Committee covering the period November, 2017 - September, 2018.

It was proposed that this work plan be brought to every meeting of the Audit Committee as it clearly set out the proposed agenda items moving forward up to July, 2018.

Resolved:- That the Forward Work Plan be supported and any amendments arising actioned in due course.

26. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral to Scrutiny.

27. 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).

28. PROCESSES IN PLACE IN RESPECT OF THE SALARY PAYMENT

Consideration was given to a verbal report by David Webster, Head of Internal Audit, and Shokat Lal, Assistant Chief Executive, regarding issues in relation to a salary payment and follow up actions.

Details were outlined of the controls in place at the time and how the situation arose.

Further processes were now in place to prevent such an incident occurring in the future.

The Committee welcomed the processes now in place to ensure an incident such as the one reported did not occur in the future.

Resolved:- That the information shared be received and noted.

29. PUBLIC HEALTH'S DIRECTORATE RISK REGISTER

Councillor Roche, Cabinet Member, Adult Social Care and Health, together with Jo Abbott, Assistant Director of Public Health, and Malcolm Chiddey, Public Health Specialist, presented Public Health's Risk Register, the current position and risk management process.

The Cabinet Member confirmed he was fully briefed on the risk register on a regular basis and drew attention to the key issues set out clearly as part of the report.

The Committee were reassured by the risk monitoring and the monthly monitoring.

Discussion ensued and the following issues were raised and subsequently clarified:-

- PH1 - Minimisation of the impact of any flu pandemic on Rotherham's population, which would remain under continuous surveillance. It was uncertain who would pick up the additional cost of vaccinations should any pandemic become more widespread.
- PH3 – maintenance of TB medication which was commissioned by the CCG.
- PH8 - Risk to young children and availability of data on a South Yorkshire basis.
- PH9 – this service was the subject of a procurement exercise, but no tenders had so far been received. A second advert was to be placed.
- PH11 – the service being maintained during this period of uncertainty.

The Committee welcomed this information and suggested this also continue to be monitored by the Health Select Commission.

Resolved:- That the progress and current position in relation to risk management activity in Public Health be noted.

30. INTERNAL AUDIT PROGRESS REPORT 1ST JUNE TO 31ST JULY 2017

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during June to July, 2017, and the key issues that had arisen therefrom.

Performance against Key Indicators required improvement. Productive time, completion of reviews within planned time and the issue of draft reports had all been hit by sickness, annual leave and the introduction of new software during the period impacting upon the completion of the audit plan. However, the recruitment of a new member of staff would enable

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this to be recovered.

Summary conclusions in all significant audit work concluded during June to July 2017 were set out in Appendix A of the report submitted. Two Partial Assurances and one No Assurance audit opinions had been issued during the period which were set out as part of Appendix B.

Reference was also made Appendix C and investigative and responsive audit work on direct payments which was to be repaid.

Appendix D listed the outstanding recommendations during 2016/17 and the expected response date for completion, with a further detailed breakdown of those over a year old.

The Committee were assured that all those over a year old were being closely monitored and reviewed where appropriate.

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee on 1st June and 31st July, 2017, and the key issues arising 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.

31. DATE AND TIME OF NEXT MEETING

Resolved:- That the next meeting of the Audit Committee take place on Tuesday, 21st November, 2017, commencing at 4.00 p.m. and **NOT** 28th November as listed on the agenda papers.