

**AUDIT COMMITTEE  
21st November, 2017**

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

Debra Chamberlin, KPMG, was in attendance.

Apologies for absence were received from Councillor Cowles and Evans.

**32. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**34. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH SEPTEMBER, 2017**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19<sup>th</sup> September, 2017.

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

**35. 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. The annual return was made to the OSC in April for the financial year 2016/17 to confirm there had been no such authorisations in that period. There had also been no such authorisation 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.

As a result of the Investigatory Powers Act 2016, with effect from September 2017, the new Investigatory Powers Commissioner's Office took over the responsibility for oversight of investigatory powers from the OSC and IOCCO.

An inspection had taken place in January, 2017 by the OSC of the Council's use of surveillance powers. In line with one of the recommendations from the OSC inspection report, there would be further corporate training for relevant officers focussing on the use of CHIS in January 2018. The training would also include the interface between RIPA and the use of social media which had been a line of enquiry during the inspection.

Since publication of the report, notification had been received that the Regulator was consulting on revised Codes of Practice. Work would take place to ascertain if any revisions would impact on the Council.

Resolved:- (1) That there had been no requirement for the Council to make use of surveillance and acquisition of communication data powers under RIPA be noted.

(2) That, in line with the recommendations of the Office for Surveillance Commissioners' latest inspection report, further corporate training focussing on the officers acting as controllers and handlers of covert human intelligence sources (CHIS), take place in January 2018.

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

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

Further to Minute No. 57 of the meeting of the Audit Committee held on 19th April, 2017, consideration was given to a report, presented by Bev Pepperdine, Performance Assurance Manager, stating that, in accordance with the Council's "fresh start" improvement plan (Minute No. 8 of the Council meeting held on 22nd May, 2015, refers), progress continued to be made against the recommendations from all of the key external audits and inspections. The report included detail of progress being made in respect of the following specific areas and Directorates:-

- : the "Fresh Start" Improvement Plan;
- : Adult Care and Housing;
- : Children and Young People's Improvement Plan;
- : Liberty House
- : Regeneration and Environment Services.

The summary of recommendations from "Active" Inspection and Audit Action Plans was appended to the submitted report.

It was noted that Children and Young People's Services were in the third week of an Ofsted inspection which was due to be completed on 30<sup>th</sup> November, 2017. Their report was expected on 29<sup>th</sup> January, 2018.

The Audit Committee's discussion of this matter highlighted the following salient issues:-

- An Early Help Worker had won the national Youth Worker of the Year award for their work with young people
- Nomination for the Children and Young People Now Awards for the Young Inspector Programme
- Rotherham had chosen not to fill the posts of Dedicated Activity Co-ordinators at Lord Hardy Court. Would this decision have a detrimental impact on a future inspection of non-compliance with a recommendation?

*Response from Service following the meeting – A review of the service and staffing structure is currently being undertaken by a Quality Assurance Consultant within Children's Services. It was not known at the present time if Activity Co-ordinators would be introduced back into the service or if alternatives for providing activities would be considered; the review should determine this. It was likely that, unless options could be found to better provide for activities for residents, that this would be raised again at the next CQC inspection*

- The January inspection had recommended, as part of any future upgrade to the heat/cooling system, a new volume meter should be installed. No future upgrades to the system, however, were currently being planned. Would this have a detrimental impact on a future inspection?

*Response from Service following the meeting - It was not necessary to install a volume meter; this was a suggestion from the Inspector rather than a requirement. There was no time based target on how often there should be an upgrade to the system; this was as required to maintain operation based on condition survey. If the Authority did not install it would not have any impact on future inspections*

- It would be appreciated if the risks could be known associated with the recommendations that were outstanding and what, if any, impact they had on performance. It was noted that any recommendations associated with CYPS could not be formally signed off until the outcome of Ofsted was known

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

(2) That the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections, as now reported, be noted.

(3) That the Audit Committee shall continue to receive regular reports in relation to external audit and inspections and the progress made in implementing recommendations.

**37. RELATIONSHIP WITH OVERVIEW AND SCRUTINY MANAGEMENT BOARD**

James McLaughlin, Democratic Services Manager, presented a proposed protocol to ensure that referrals between the Audit Committee and the Overview and Scrutiny Management Board (OSMB) were formally captured.

In the event of the Audit Committee being minded to refer an issue to OSMB, or vice versa, the issue, the reasons for referral and the desired outcome must be clearly understood and specified in the minutes and the reference.

If such a protocol was supported by both this Committee and OSMB, the protocol would be incorporated into the pending changes to the Overview and Scrutiny Procedure Rules and Terms of Reference for the Audit Committee. This would be reported to the Constitution Working Group and subsequently to Council for formal adoption.

Resolved:- (1) That the adoption of a concise protocol governing referrals between the Audit Committee and the Overview and Scrutiny Management Board be supported.

(2) That the report be submitted to the Overview and Scrutiny Management Board for consideration.

**38. CODE OF CORPORATE GOVERNANCE**

David Webster, Head of Internal Audit, submitted the refreshed Council Code of Corporate Governance for consideration.

In April 2016 CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in local government. The Council's Code of Corporate Governance was rewritten at that time to set out how it would comply with the new guidance. Although there had been no subsequent changes to the guidance in the last year, an annual review of the Code had been completed in order to ensure it remained up-to-date and relevant to the Council.

The 7 key principles set out in the guidance which underpinned the governance of each local government organisation had not changed. However, how each of those principles would be evidenced in Rotherham had and were set out in the report submitted.

Resolved:- (1) That the refreshed version of the Local Code of Corporate Governance be approved.

(2) That Local Code of Corporate Governance be signed off by the Chief Executive and Leader of the Council.

**39. ANTI-MONEY LAUNDERING POLICY AND SUPPORTING GUIDANCE**

David Webster, Head of Internal Audit, submitted a proposed update to the Council's Anti-Money Laundering Policy. This was designed to ensure that the Policy was in line with current best practice and legislation. The Policy linked with the Anti-Fraud and Corruption Policy and Strategy and would be referred to in Fraud Awareness training being rolled out to relevant staff.

The updated Policy was attached at Appendix A of the report submitted. The definition of money laundering was given along with a summary of the relevant legislation. The guidance gave examples or signs of possible money laundering and the action to be taken if there were any suspicions of attempted money laundering. A template of the form to be completed was also included.

The Council's Money Laundering Reporting Officer was the Head of Internal Audit who would be responsible for reporting any suspicious transactions to the National Crime Agency.

Fraud Awareness training was to be delivered to relevant staff and would include reference to the Policy.

It was clarified that this applied solely to cash transactions and did not include online payments.

Resolved:- That the Anti-Money Laundering Policy and Supporting Guidance, as set out in Appendix A of the submitted report, be approved.

**40. AUDIT COMMITTEE FORWARD WORK PLAN**

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

Resolved:- That the forward work plan be supported and any amendments arising actioned in due course.

**41. ANNUAL AUDIT LETTER 2016-17**

Graham Saxton, Assistant Director Financial Services, reported that KPMG had now concluded their 2016/17 audit and had issued their audit certificate on 31<sup>st</sup> October, 2017. Both the audit certificate and notice of conclusion of audit had been published on the Council's website.

## AUDIT COMMITTEE - 21/11/17

Debra Chamberlin, KPMG, presented the Annual Audit Letter (AAL) 2016/17 produced by KPMG summarising the external audit work in relation to the 2016/17 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:-

- The external auditor had issued an unqualified Value for Money conclusion. KPMG was satisfied that the Authority had appropriate arrangements in place for securing economy, efficiency and effectiveness in the use of resources
- 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. 20 refers), was consistent with KPMG understanding an compliant with the CIPFA/SOLACE framework on good governance 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 2016/17 presented to the Council by its external auditors, KPMG LLP, be noted and approved for publication on the Council's website.

## **42. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT – 2017-18**

Consideration was given to the report presented by the Assistant Director, Financial Services, outlining 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 maintain its strategy of being significantly under-borrowed against the capital financing requirement as the most cost effective approach in the current financial climate. The Council's existing Treasury Management Strategy provided for the Council to take out £30M of new borrowing per annum over the next 4 years to reduce the amount of under-borrowing over time. The position would remain under view and an update of the Strategy would be submitted to Members within the Budget and Council Tax 2018/19 report to Council in February, 2018.

With regard to governance, strategies and monitoring were undertaken by the Audit Committee.

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.

Treasury Management and Prudential Indicators would form part of the 2018/19 budget report submitted to Council on 28<sup>th</sup> February, 2018.

Resolved:- That the report be noted.

**43. ITEMS FOR REFERRAL FOR SCRUTINY**

The Democratic Services Manager would submit Minute No. 37 (Relationship with Overview and Scrutiny Management Board) to Overview and Scrutiny Management Board.

**44. 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 item of business on the grounds that it 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).

**45. INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1<sup>st</sup> August to 30<sup>th</sup> October, 2017, and the key issues that had arisen therefrom.

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

Summary conclusions in all significant audit work concluded during August to October 2017 were set out in Appendix A of the report submitted. All the reports issued during the period gave Substantial or Reasonable Assurance (set out as part of Appendix B).

Reference was also made Appendix C which detailed significant responsive work completed since the last Audit Committee.

Appendix D listed the outstanding recommendations and their current status and, as requested at a previous Audit Committee, Appendix E showed aged recommendations that were still outstanding with an explanation of progress made for each. These had been reported to the Strategic Leadership Team on 7th November. It was proposed to expand this procedure to include all recommendations raised that were still outstanding after 6 months.

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

- Work was on track to complete the plan by the end of the financial year
- Development of an E-learning module on Fraud Awareness
- Work within maintained schools

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee on 1<sup>st</sup> August and 30th October, 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.

**46. SELF-ASSESSMENT**

The Chairman reported that in the New Year Committee Members, KPMG and appropriate officers would receive a self-assessment for completion on the work of the Audit Committee.

**47. DATE AND TIME OF NEXT MEETING**

Resolved:- That the next meeting of the Audit Committee be held on Tuesday, 6<sup>th</sup> February, 2018, commencing at 4.00 p.m.