

**AUDIT COMMITTEE  
6th February, 2018**

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

An apology for absence was received from Councillor Cowles.

**48. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**50. MINUTES OF THE PREVIOUS MEETING HELD ON 21ST NOVEMBER, 2017**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 21<sup>st</sup> November, 2017.

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

**51. COMMUNICATIONS**

(a) The Council was to be subject to a full health check by representatives of the Local Government Association at the request of the Commissioners. The Chair and the Head of Internal Audit would be interviewed as part of the process.

(b) E-learning on Fraud Awareness had been rolled out to managers, relevant Council staff in the Council and all Members. Members of the Audit Committee would be encouraged to undertake the E-learning.

(c) The results of the recent self-assessment were now known which would help influence the Committee's training and development throughout the year. The scores had improved from the previous self-assessment.

**52. FINAL ACCOUNT CLOSEDOWN AND ACCOUNTING POLICIES**

The Finance Manager presented a report setting out the main changes to the local authority accounting framework in 2017/18, including their effect on the Council's accounting policies and to the statutory framework for preparing and reporting local authority financial statements (the Accounts and Audit Regulations 2015).

It also highlighted the need to achieve faster closure to meet the shortening of the reporting timetable under the Accounts and Audit Regulations 2015 which required unaudited financial statements to be published by the end of May, previously the end of June, and audited financial statements to be published by the end of July, previously the end of September.

Information was included in the appendix to the submitted report which set out the key accounting issues and changes to the accounts in 2017/18.

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

(2) That a meeting be held on Monday, 30<sup>th</sup> July at 2.00 p.m. to enable the final accounts to be signed off by the Chairman and published by the 31<sup>st</sup> July deadline.

**53. EXTERNAL AUDIT PLAN 2017/18**

Consideration was given to a report, presented by Amy Warner (KPMG), describing the KPMG External Audit Plan in respect of the 2017/18 financial year.

The report stated that, as the Council's external auditor, KPMG had a duty to:

- give an opinion on the Council's financial statements;
- conclude on whether the Council had arrangements in place to secure value for money in the use of its resources.

The External Audit Plan document was included as an appendix to the submitted report and set out the audit approach that KPMG were planning to take to discharge these duties.

The main proposed areas identified of the audit were:-

- : Financial statements audit planning (risk assessment; determination of materiality level; issuing of audit plan to communicate with audit strategy);
- : Use of resources (concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources)

The External Audit Plan set out the risks which KPMG have identified as requiring special audit attention, which may prevent them from being able to reach a positive Value For Money conclusion, namely:

- Valuation of PPE
- Pension Liabilities and Assets
- Faster Closure of Final Accounts

- Financial Sustainability
- Delivery of Children's Services Improvement Plan

Members were informed that KPMG would continue in their present role as the Council's external auditor until the end of the present audit and completion of the contracted Housing Benefit work; the 2018/19 audit would be with the new auditors.

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

(2) That KPMG's External Audit Plan for the 2017/18 financial year, as now submitted, be approved and the proposed areas of audit identified be noted.

**54. EXTERNAL AUDIT GRANTS REPORT 2016/17**

Consideration was given to a report, presented by Amy Warner (KPMG) concerning the annual feedback, provided by external auditor KPMG, on the effectiveness of the Council's arrangements for preparing and submitting Government grant claims and returns.

The external auditor's report summarised KPMG's key findings from the certification work carried out in 2016/17. The Committee was informed that KPMG was required to audit three claims and returns in 2016/17 all of which had been issued an unqualified certificate. Minor adjustments were made to the Housing Benefit Subsidy claim as a result of the certification work.

KPMG had noted that there were no recommendations outstanding from previous years' work and had not made any recommendations following this year's certification work.

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

(2) That the fees, in line with those charged for 2015/16, be noted.

**55. INTERNAL AUDIT SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

The Head of Internal Audit presented the results of the internal self-assessment for 2017/18 to confirm compliance with the Public Sector Internal Audit Standards (PSIAS) together with the Internal Audit Quality Assurance and Improvement Programme (QAIP) produced to address the areas where conformance was not achieved during the internal self-assessment completed in January 2017.

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The self-assessment had found that substantial progress had been made to conclude that the department now had general conformance with the Standards. Appendix 1 of the report submitted contained the evaluation procedure used together with a detailed assessment against individual standards, current and last year.

The areas of partial conformance gave rise to actions which would form the Quality Assurance and Improvement Plan for the next year. Key actions included:-

- Embedding new audit scoping, reporting and performance monitoring and management processes
- Individual and team development plans implemented
- Implementation of the electronic audit system, streamlining of administration and reduction of non-productive time
- Development of assurance mapping
- Fully refreshing the Internal Audit Manual to reflect new PSIAS compliant audit policies and procedures

Progress against the action plan would be reported to the Audit Committee.

The Standards required that an external assessment be carried out every five years by a qualified independent assessor with the next assessment due in 2020-21. However, as the Department was still subject to considerable change in the way it worked, it was proposed that an external assessment be carried out next year to verify the general conformance at that time.

Discussion ensued with the following issues raised/clarified:-

- The external review would be by way of a Peer Review
- The full implementation of the audit software would reduce the number of non-productive time
- Assurance mapping required development and was an outstanding risk on the Risk Register
- Develop the use of CAATs (Computer Aided Audit Techniques) – software that enabled comparison to be made and directed the user to anomalies for investigation

Resolved:- (1) That the result of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) be noted.

(2) That the progress since the external assessment carried out in 2015/16 be noted.

(3) That an external peer review be completed in 2019.

(4) That the production and ongoing implementation of the Quality Assurance and Improvement Programme based on the internal self-assessment be reported to this Committee.

**56. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to proposed forward work plan for the Audit Committee covering the period June 2018-February, 2019.

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

**57. ITEMS FOR REFERRAL FOR SCRUTINY**

Resolved:- That the Audit Committee Forward Work Plan be forwarded to Caroline Webb, Scrutiny Adviser.

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

Resolved:- 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).

**59. INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report presented by the Head of Internal Audit which provided a summary of Internal Audit work completed during 1<sup>st</sup> November 2017 to 31<sup>st</sup> December, 2017, and the key issues that had arisen therefrom.

It was noted that there had been no further changes to the Audit Plan since those reported to the November meeting of the Audit Committee.

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. An inward secondment was in place but had ended at the end of December 2017 with another due to start on 1<sup>st</sup> February, 2018.

Summary conclusions in all significant audit work concluded during the period were set out in Appendix A of the report submitted. All the reports issued during the period gave Partial, Substantial or Reasonable Assurance (set out as part of Appendix B). In two reports no recommendations were made.

Reference was also made Appendix C which detailed significant responsive work completed since the last Audit Committee. A number of requests had been submitted resulting in Internal Audit currently working on five investigations.

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 23rd January. As previously reported, this procedure had been expanded to include all recommendations raised that were still outstanding after 6 months.

Appendix F summarised Internal Audit's performance against a number of Indicators. These had been affected by leave over the Christmas period.

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

- Number of tenant/former tenant rent arrears
- Current situation with regard to the refresh of the Asbestos Management Plan

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> November 2017 to 31<sup>st</sup> December, 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.

## **60. STRATEGIC RISK REGISTER**

The 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 reviewed six weekly by the Strategic Leadership Team (SLT) and reported quarterly to the Committee.

The current Register had been constructed from updates provided by risk owners. There were two new risks with three risks having been removed totalling eighteen risks on the Strategic Risk Register.

It was noted that the format of the Register had been amended to improve the focus and actions that needed to be carried out in order to reduce the level of risk and clarity of the risk scoring. However, it was clarified that the Register was formally reviewed quarterly by the SLT at joint SLT/AD Performance Management meetings as well as the Corporate Risk Manager ensuring updates were obtained from all risk owners, reviewed each update and drew attention to any issues or missing updates.

Discussion ensued with regard to the need for the Audit Committee to have an audit trail of the success, or otherwise, of the mitigating actions taken and the resultant impact upon the risk rating. The report stated the number of risks removed from the Register but not the tracking of any adjustment of the risk rating.

Resolved:- (1) That the updated Strategic Risk Register be noted.

(2) That future updates include a paragraph highlighting any risks whose ratings had decreased.

## **61. RISK REGISTER - CHILDREN AND YOUNG PEOPLES' SERVICES**

The Strategic Director of Children and Young People's Services presented the Directorate Risk Register and risk management activity 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/clarified:-

- The risks contained within the Risk Register would need to be recalibrated in light of the results of the recent Ofsted inspection
- Each outcome had a number of risks – the SLT decided which ones they wanted to monitor and score the risk level
- The Service was facing unprecedented budgetary pressures in the next financial year with massive increases in the numbers of children in care
- Complex Abuse Inquiry
- Document completed for the consultation "Enabling School Improvement"
- Preparation underway for the forthcoming SEND inspection
- Working partnership with Academies
- Recruitment and retention
- Number of conversions from Statement of Special Educational Need to Education Health Care Plan which was a requirement of the Children and Families Act
- Development of the SEND Excellence Strategy for children in Rotherham

Resolved:- That the progress and current position in relation to risk management activity in the Children and Young People's Directorate be noted.

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

Resolved:- That a further meeting be held on Tuesday, 12<sup>th</sup> June, 2018, commencing at 4.00 p.m.