

**AUDIT COMMITTEE
29th January, 2019**

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

Gareth Mills and Thilina De Zoysa (Grant Thornton) were also in attendance.

Apologies for absence were received from Councillor Evans and Councillor Alam (Cabinet Member for Corporate Services and Finance).

60. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

61. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

62. AUDIT COMMITTEE SELF-ASSESSMENT

The Chairman reported, as in previous years, a self-assessment questionnaire would be sent to Committee Members and Grant Thornton, External Auditors, for completion.

63. MINUTES OF THE PREVIOUS MEETING HELD ON 27TH NOVEMBER, 2018

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 27th November, 2018.

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

It was noted that Council had agreed the appointment of Bernard Coleman, Independent Member, for a 12 month period to allow a recruitment process to take place at its meeting on 23rd January, 2019.

64. LIQUID LOGIC AND THE REG 24 PATHWAY

In accordance with Minute No. 57 (Internal Audit Progress Report), Rebecca Wall, Head of Safeguarding, Learning and Development, presented a report on the Reg 24 process and the current electronic case management system, Liquid Logic.

The current Liquid Logic system had been in place since October 2016. Since going live there had been a number of additional pieces of practice Children and Young People's Services had sought to embed into the base

model including the Reg 24 pathway in relation to relative and connected persons who were assessed as foster carers.

Following extensive work by the IT Systems team it had become apparent that there was a wider system issue. Following discussion with the Liquid Logic provider a wider system fix was required. Following the upgrade, part of the Reg 24 pathway, the kinship pathway and logging of all key decision making had been able to be used. The next step was to develop subsequent performance reporting.

A number of the forms developed still needed to be completed as word documents. Continued efforts had been made to pursue making the forms live in the system but, when tested, had created further errors in the pathway. As a result they had not gone live as yet and further discussions taking place with Liquid Logic to address the errors.

Training was planned for the workforce and would take place over the next 2 months.

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

- The CYPS Systems Group had the maintenance responsibility for the development work that had been carried out
- There were certain individuals within the IT Team who worked on Liquid Logic for both CYPS and Adults but no dedicated team
- An Independent Review Officer would carry out a quality and compliance check before every review to ensure all documentation had been completed. Dip samples and auditing were also carried out to check the quality of the assessment
- The functionality of Liquid Logic was there and fit for purpose. Each local authority made their own changes to personalise it to their own requirements
- There was a Liquid Logic User Group and links with other local authorities
- It was anticipated that a number of the outstanding actions would be cleared by the 29th March 2019 deadline

Resolved:- That the report be noted.

65. PROPOSED REVISIONS TO THE COUNCIL'S REGULATION OF INVESTIGATORY POWERS ACT POLICY

Further to Minute No. 49, Dermot Pearson, Assistant Director Legal Services, presented a report on the implications of the Home Office's Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources.

The proposed revisions to the RIPA Policy was attached to the report (Appendix 1) and related to the following issues:-

- Policy amendments required to ensure that it referred to current legislation and Codes of Practice, up-to-date officer contact details and authorising officers and ensuring specific paragraph numbers matched those in the Revised Codes of Practice
- Section 6 of the Policy now included reference to the duties of the Senior Responsible Officer to report errors to the Investigatory Powers Commissioner as set out in the Investigatory Powers Act 2016
- Amendment of the guidance on the definition of Private Information for the purposes of RIPA at Section 2 of the Policy to include the current wording of the guidance in the Revised Code of Practice on Covert Surveillance and Property Interference
- New guidance on the use of social media for surveillance. The revised guidance from the Revised Code of Practice on Covert Surveillance and Property Interference was incorporated in Section 2(i) and the revised guidance from the Revised Code of Practice on Covert Human Intelligence Sources incorporated in Section 2(iii)

It was noted that training would be arranged for authorising officers and investigating officers on the revised RIPA Policy to ensure that they were properly equipped to comply with the Revised Codes of Practice and current legislation.

It was also noted that there was an error on Flowchart 4 which the Assistant Director undertook to correct.

Resolved:- (1) That the revisions required to the Council's RIPA Policy to ensure compliance with the Home Office's Revised Codes of Practice on covert surveillance and interference with property and on covert human intelligence sources, as set out at section 3 of the report, be noted.

(2) That the revised Regulation of Investigatory Powers Act Policy at Appendix 1 be approved.

(3) That it be noted that training on the use of RIPA powers was to be arranged for authorising officers and investigating officers.

66. EXTERNAL AUDIT ACCOUNTS AUDIT PLAN

Consideration was given to a report, presented by Gareth Mills describing Grant Thornton's External Audit Plan in respect of the 2018/19 financial year.

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

- give an opinion on the Council's financial statements;
- conclude on whether the Council had arrangements in place to secure economy, efficiency and effectiveness in the Council's use of its resources.

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

The International Standards on Auditing provided guidance on the significant risk which should be considered by auditors. Grant Thornton had identified the following significant risks:-

Management override of controls
Valuation of pension liabilities
Valuation of land and buildings

The risk assessment regarding the Authority's arrangements to secure value for money had identified the following significant risks:-

Financial standing – delivery of 2018/19 budget, savings plan and Medium Term Financial Strategy
Regulatory oversight of Children's Services

However, Grant Thornton did not consider fraudulent transactions to be a significant risk for the Council and, therefore, no specific work would be completed other than normal audit practices and procedures.

A brief description of each risk was provided in the Appendix.

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

(2) That Grant Thornton's External Audit Plan for the 2018/19 financial year, as now submitted, be approved and the proposed areas of audit identified be noted.

67. FINAL ACCOUNTS CLOSEDOWN AND ACCOUNTING\POLICIES UPDATE

Rob Mahon, Finance Manager (Financial Accounting), presented a report outlining the main changes to the local authority accounting framework in 2018/19 which included 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).

The decision to bring forward the timetable for publishing the unaudited financial statements by one month and for the publishing of the audit financial statements by 2 months had represented a major challenge for all local authorities. Rotherham had successfully met the 2017/18

timeframes in closing its accounts. It had continued to review internal procedures from lessons learned in order to streamline processes and improve the quality of the closedown processes and procedures.

In accordance with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, notice of the inspection period would be advertised on the Council's website in advance of the unaudited financial statements being published. In order for the inspection period to commence, the Annual Governance Statement and narrative Report would also need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report was, therefore, being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

Discussion ensued with regard to Academy conversions and issues experienced in the past with schools converting and leaving the Authority with substantial debts. Work did take place to reduce the levels of debt each school had before it transferred. Invoices could be levied against the school but it was difficult to enforce. The land and buildings remained with the Local Authority under a long term lease.

Resolved:- That the key accounting issues and main changes to the accounts in 2018/19, as set out in Appendix A of the report submitted, be noted.

68. CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2017-18

Rob Mahon, Finance Manager (Financial Accounting), reported that, in agreement with the Council's external auditor for 2017/17 (KPMG), feedback was provided on the effectiveness of the Council's arrangements for preparing and submitting Government grant claims and returns.

The report submitted summarised KPMG's key findings from the certification work they had carried out in relation to the 2017/18 financial year.

KPMG were required to audit the Housing Benefit Subsidy claim for 2017/18. A small number of minor adjustments were made to the claim as a result of the certification work; there were no recommendations outstanding from the previous year's work and KPMG had made no recommendations following this year's certification work. The value of the certified claim was £82.27M for which KPMG had issued an unqualified certificate.

Resolved:- That the former external auditor's report be noted.

69. INTERNAL AUDIT SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Further to Minute No. 55 of 6th February, 2018, David Webster, Head of Internal Audit, presented the results of the internal self-assessment for 2018/19 to confirm compliance with the Public Sector Internal Audit Standards (PSIAS).

A further internal self-assessment had been carried out by one of the new recruits to the Internal Audit Team who was an experienced auditor. It had reaffirmed the conclusion of general conformance with the standards. Appendix A of the report submitted contained the results of the review against each individual standard.

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:-

- Fully refreshing the Internal Audit Manual to reflect new ways of working after the introduction of audit software
- Develop audit planning method and documentation
- Development of assurance mapping
- Develop the use of Computer Aided Audit Techniques

The Standards required that an external assessment be carried out every 5 years by a qualified independent assessor with the next assessment due in 2020-21. It was proposed that an external assessment be carried out next year after a period of stability and development.

Resolved:- (1) That the result of the self-assessment against the PSIAS be noted.

(2) That the progress made from the external assessment carried out in 2015/16 and the internal assessment in 2018 be noted.

(3) That an external peer review be conducted in 2019/20.

70. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

David Webster, Head of Internal Audit, submitted a report on the Internal Audit Quality Assurance and Improvement Programme (QAIP) which had been produced to address the areas where conformance was not achieved or further improvement could be made.

The current position against the 2018 Improvement Action Plan was set out in Appendix A of the report submitted. Many actions had been completed during the year; those that were not completed related to the Audit Manual, the use of Computer Aided Audit Techniques, assurance

mapping and the provision of an external assessment. None of the foregoing had affected the standard of work carried out by the Team.

An updated QAIP had been produced using the results of the 2019 self-assessment and the resultant actions (Appendix B of the report submitted). Suggestions had been made where appropriate to drive further improvements.

The Programme was monitored by the Strategic Director of Finance and Customer Services and the Head of Internal Audit to ensure complete compliance by the end of the 2019/20 financial year.

Resolved:- That the production and ongoing implementation of the QAIP based on the internal self-assessment reported to the Committee be noted.

71. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee covering the period March, 2019 to January, 2020.

Resolved:- That the Audit Committee forward work plan, now submitted, be supported and any amendments arising actioned in due course.

72. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral to Scrutiny.

73. 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).

74. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST NOVEMBER TO 31ST DECEMBER, 2018

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st November to 31st December, 2018, and the key issues that had arisen therefrom.

The completion of the audit plan had been impacted by 2 staff vacancies within the Audit Team. Replacement staff had been appointed and commenced work in January 2019.

Performance against key indicators had been maintained apart from productive time which was affected by sickness and annual leave over the Christmas period.

The updated plan was given in Appendix A. There had been no changes to the plan since the half year update reported to the last Committee (Appendix B).

5 audits had been finalised since the last Audit Committee meeting all with Reasonable Assurance (Appendix C).

Appendix D set out details of the unplanned responsive work completed since the last Audit Committee with Appendix E summarising Internal Audit's performance against a number of Indicators.

Appendix F showed the number of outstanding recommendations that had passed their original due date, age rated. For those over 120 days old the detail was then given, where they had been deferred the comment received from the Manager was given and where there was no change to the due date or comment, the Manager had not updated the system.

Discussion ensued on various matters contained within the agreed actions section of the report which included:-

- Unrealistic implementation dates originally set causing them not to be met
- Recruitment of staff at Hellaby Depot
- Adult Social Care Direct Payments
- Revised procedure of now issuing audit reports to the relevant Strategic Director, Assistant Director and Head of Service to ensure the appropriate level of seniority/ownership

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1st November to 31st December, 2018, and the key issues arising therefrom be noted.

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

75. RISK REGISTER - FINANCE AND CUSTOMER SERVICES

Consideration was given to a report, presented by Judith Badger, Strategic Director, Finance and Customer Services, providing details of the Risk Register and risk management activity within the Finance and Customer Services' Directorate.

The Committee sought reassurance on the Risk Register and risk management activity in particular highlighting:-

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

A detailed breakdown was given of the 4 red rated risks included within the Register.

Resolved:- That the progress and current position in relation to risk management activity in the Finance and Customer Services Directorate, as detailed in the report now submitted, be noted.

76. CORPORATE 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 reviewed six weekly by the Strategic Leadership Team (SLT) and the relevant risks by individual Directorates as well as being reported quarterly to the Committee.

The current Register had been constructed from updates provided by risk owners. There were currently 15 risks included on the Strategic Risk Register, one less than when the Register was previously considered and no new risks added.

Discussion ensued with the following issues raised/highlighted:-

- Reduced risk profile during the last 12 months
- Brexit risk/Emergency Planning
- SLT consideration of the Corporate Risk Register

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

77. GRANT THORNTON

Gareth Mills, Engagement Lead, Grant Thornton, reminded Members of the Committee of the event to be held on 26th February at their Leeds office.

The subject was to be Local Government Audit Committees with a variety of sessions being held during the morning on:-

Role of an Audit Committee
Work of External Audit and Internal Audit
Key Accounts Risks
Value for Money

Places were still available for the event.

78. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 26th March, 2019, commencing at 2.00 p.m.