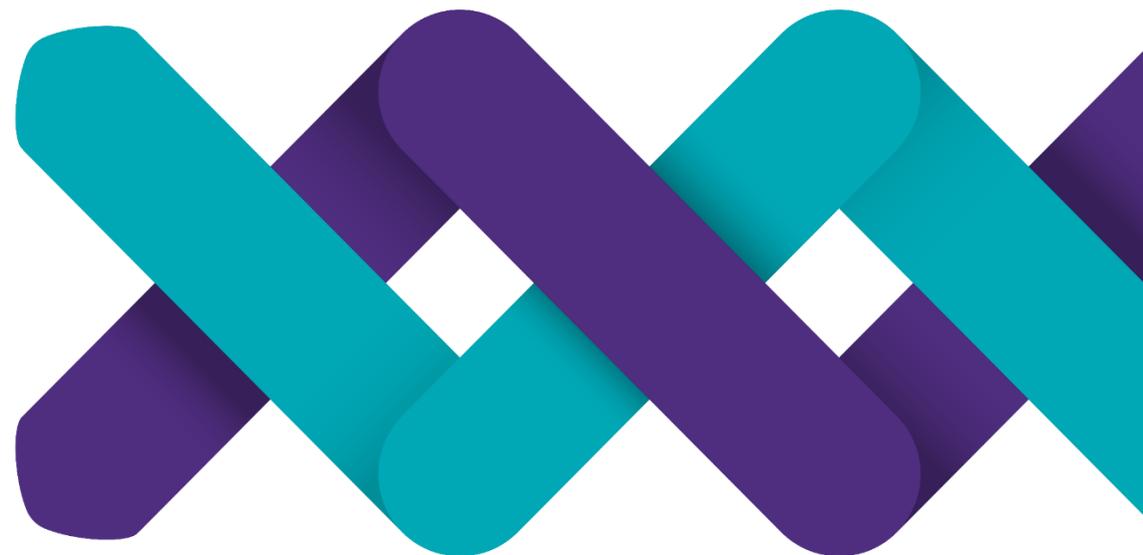


Audit Progress Report

Rotherham Metropolitan Borough Council

Year ending 31 March 2019

14 March 2019



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Gareth or Thilina.

Progress as at 14 March 2019

Financial Statements Audit

We have started planning for the 2018-19 financial statements audit and have issued a detailed Audit Plan which was presented to the January Audit Committee. The Audit Plan sets out our proposed approach to the audit of the Council's 2018-19 financial statements.

Our interim audit visit commenced on 18 February and continues into March. Our interim fieldwork visit included:

- Reviewing the Council's control environment
- Documenting our understanding of key financial systems
- Reviewing Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing.

The main work completed and findings up to 14 March are set out on pages 6 and 7.

The statutory deadline for the issue of the 2018-19 opinion is 31 July 2019. The final accounts audit is due to begin early June with findings reported to you in the Audit Findings (ISA260) Report by the deadline of 31 July 2019.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan presented to the Audit Committee in January 2019.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

Our next quarterly meeting with the Chief Executive and the s151 officer is scheduled for 9 April. We continue to meet with the senior officers of the Council as part of our regular liaison meetings.

We also continue our discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for officers and members in addition to publications to support the Council. Council's key finance staff attended our annual accounts workshop on 5 February.

On 26 February, the Chair of the Audit Committee attended a workshop on the roles and responsibilities of audit committees including governance issues, accounting developments and value for money arrangements. We would like to thank the Chair for his attendance and contribution to the day.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018-19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018-19.	April 2018	Complete. This was presented to the Audit Committee in September 2018.
Accounts Audit Plan We are required to issue a detailed accounts Audit Plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete. This was presented to the Audit Committee on 29 January 2019.
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Our findings to date are set out on pages 6 and 7.
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Results of Interim Audit Work

The findings of our interim audit work completed to date, and the impact of our findings on the accounts audit approach, are summarised in the table below:

Audit area	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's findings to date on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we considered the work of internal audit to date, to help inform our understanding of the Council's control environment and inform our audit strategy for our accounts and value for money work.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements, including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Review of information technology controls	<p>Our information systems specialist team performed a high level review of the general IT control environment, as part of the overall review of the internal controls system at the Council.</p> <p>Our work confirmed that IT (information technology) controls were implemented in accordance with our documented understanding. However, there was one issue arising from our IT review.</p> <p>We identified, user accounts and associated permissions within the Civica Housing Rents System were not formally and proactively reviewed for appropriateness.</p> <p>These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements and one recommendation to enhance the existing controls.</p> <p>The recommendation below has been discussed and agreed with senior IT management at the Council.</p> <p>Recommendation :</p> <p>To establish a process for management to perform periodic, formal reviews of all user accounts and permissions within the Civica Housing Rents System.</p> <p>Management Response:</p> <p>The Housing ICT Systems team receives notifications of users who are due to leave/have left the authority and disable accounts across all managed systems to ensure they are not utilised by other users. If a user moves into another role, a request is submitted to amend their access level as applicable to their new role. This request comes through a change control process and is authorised by their manager.</p> <p>The Housing ICT Systems team is in the process of implementing an annual review of access levels of all users within the system to ensure appropriateness and validity of access.</p>

Results of Interim Audit Work (continued)

Audit area	Work performed	Conclusions and recommendations
<p>Walkthrough testing</p>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This includes Property, Plant and Equipment (PPE) and Pensions valuations processes.</p> <p>In addition, we have held discussions with members of staff to obtain an understanding of the business processes and transactions that are significant for your financial statements. These included incomes & receivables, PFI, non pay expenditure, payroll, treasury management, cash and cash equivalents, collection fund and non-domestic rates revenues, HRA rental revenues, grant revenues and housing benefit expenditure.</p>	<p>Our work to date has not identified any weaknesses to date which impact on our audit approach.</p> <p>Internal controls have been implemented by the Council in accordance with our documented understanding.</p>
<p>Journal entry controls</p>	<p>Our interim audit work on journals is now complete.</p> <p>We tested relevant journal controls that would reduce the risk of material errors in the financial statements.</p> <p>Our work did not identify material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Our work to date has not identified any weaknesses which impact on our audit approach.</p> <p>We will perform further detail procedures on journals during our final audit visit in June/July 2019.</p>
<p>Early substantive testing</p>	<p>As part of our interim audit visit in February/March 2019, we selected samples for testing up to month 9 (December 2018) on following audit areas:</p> <ul style="list-style-type: none"> - payroll substantive analytical procedures including starters and leavers testing - operating expenditure (other than payroll costs) - income 	<p>Our work to date has not identified any weaknesses which impact on our audit approach.</p> <p>We will perform testing on the remaining three months (months 10-12) on these areas during our final audit visit in June/July 2019.</p>

