

**AUDIT COMMITTEE  
4th February, 2020**

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

Gareth Mills, Grant Thornton (External Auditor) was also in attendance.

An apology for absence was received from Councillor Cowles.

**57. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**58. BERNARD COLEMAN, INDEPENDENT PERSON**

The Chair reported that it was Bernard's last meeting of the Audit Committee as the Independent Person.

Bernard was thanked for his attendance and his contributions to the work of the Committee.

It was hoped that the new Independent Person would be appointed as a matter of urgency.

Resolved:- That the Head of Democratic Services ensure that the appointment process for the new Independent Person be undertaken and completed as soon as possible.

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

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

**60. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH NOVEMBER, 2019**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26<sup>th</sup> November, 2019.

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

**61. GRANT THORNTON EXTERNAL AUDIT PLAN 2019/20**

Consideration was given to a report, presented by Gareth Mills describing Grant Thornton's External Audit Plan in respect of the 2019/20 financial year.

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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  
Implementation of a new payroll system

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

Financial standing – delivery of 2019/20 budget, savings plan and other budgetary measures whilst managing cost and demand pressures within Children's Services, Adult Social Care and other vital services for the local population  
Dedicated School Grant deficit position and recovery plan

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

The Financial Reporting Council (FRC) had set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. The FRC had now assumed responsibility for the inspection of local government audit and the regulator required that all audits achieved a 2A (few improvements needed) rating. Accordingly, the planned audit fee was increased to reflect the additional work required during the financial year.

Discussion ensued with the following issues raised/clarified:-

- The accompanying pressure of bringing forward the closure of accounts
- Staffing implications for the external auditor
- Constant monitoring of progress

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

(2) That Grant Thornton's External Audit Plan for the 2019/20 financial year, as now submitted, be approved and the proposed areas of audit identified be noted.

**62. CLOSURE OF THE ACCOUNTS 2019/20**

Rob Mahon, Finance Manager (Financial Accounting), presented a report outlining the main changes to the local authority accounting framework in 2019/20 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. It had resulted in a need to adopt radically different approaches to ensure that the tighter deadlines were achieved.

Rotherham had successfully met the 2018/19 timeframes in closing its accounts. It had continued to review internal procedures from lessons learnt 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.

This financial year, the Council must disclose the expected balance sheet impact of the new IFRS 16 leases that would see the removal of operation leases from April 2020 with lessees expected to recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. Further details of the Council's work to prepare for IFRS 16 were detailed in Appendix A.

Resolved:- That the key accounting issues and main changes to the accounts in 2019/20, as set out in Appendix A of the report submitted, be noted.

**63. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period March, 2020 to January, 2021.

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

**64. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

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

Resolved:- That, under Section 100(A) 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(1) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relating to business and financial affairs).

**66. FINANCE AND CUSTOMER SERVICES DIRECTORATE RISK REGISTER**

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 5 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.

**67. 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 reviewed and refreshed by the work of the Risk Champions Group and by the Strategic Leadership Team (SLT). Each individual risk score was reviewed by Directorate Leadership Teams and Strategic Directors at their regular meetings and had been changed where a change was justified.

The current Register had been constructed from updates provided by risk owners. There were currently 12 risks included on the Strategic Risk Register, one less than when the Register was previously considered in July 2019. A risk relating to the UK leaving the EU without a deal had been added after July 2019 and then subsequently removed.

Discussion ensued with the following issues raised/highlighted:-

- Influenza Pandemic/Emergency Planning
- Issues relating to the recent flooding incident

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

**68. INTERNAL AUDIT PROGRESS REPORT - 1ST NOVEMBER - 31ST DECEMBER, 2019**

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> November to 31<sup>st</sup> December, 2019, and the key issues that had arisen therefrom.

The completion of the audit plan had been impacted by a member of the Audit Team being on sick leave during the period under consideration and in fact was still off work sick. This would mean adjustments to the plan towards the end of the year.

The current position with regards to the plan was given in Appendix A with 11 reviews having been deleted from the current year's plan and additional days being allocated to 2 reviews.

A brief summary of all audit work concluded since the last Audit Committee were set out in Appendix B. 3 audits had been finalised one of which had Partial Assurance.

A summary of the Control and Risk Self-Assessments issued to all maintained schools was set out in Appendix C. 18 replies from schools had been received.

Appendix D set out Internal Audit's performance against a number of indicators. Target performance had not been achieved for the indicator on productive time. This was affected by sickness during the 2 month period.

Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. 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 with the following issues clarified:-

- The client satisfaction survey had been refreshed with consideration now being given to an online form for ease of completion and reporting
- Reduction in the agreed action due dates
- Change in working practice with reminders being sent to officers and Assistant Directors on a countdown from 4 weeks with the hope of increasing the due date actions
- Preparation of next year's plan was underway with attendance at every Directorate Leadership Team seeking their views on what should be included

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> November to 31<sup>st</sup> December, 2019, 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.

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

Resolved:- That a further meeting be held on Tuesday, 24<sup>th</sup> March, 2020, commencing at 2.00 p.m.