ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS		

1.	**Meeting:**	Audit Committee
2.	**Date:**	24th April 2013
3.	**Title:**	KPMG Interim Audit
4.	**Directorate:**	Resources

5. Summary

This report refers to the outcomes from KPMG's 2012/13 interim external audit work.

The outcome of KPMG's interim audit is a **very positive one.**

They have concluded that there are no significant matters to be reported to Audit Committee at this stage, and, as a consequence, do not consider it necessary to issue a formal report. They have instead issued a letter summarising audit progress (attached as Appendix A)

One relatively minor issue has been raised in relation to IT access controls to the General Ledger. This is a known issue which management are aware of and are seeking to address.

6. Recommendation

Audit Committee is asked to note the findings presented in KPMG's interim audit letter

7. Proposals and Details

The scope of KPMG's interim audit work as set out in their 2012/13 External Audit Plan included:

- A review of the Council's overall Control Environment, including its financial management and governance arrangements, and ICT controls;
- Evaluation and testing of controls over the Council's key financial systems;
- A review of the work of the Council's Internal Audit function in relation to these controls to assess whether the work can be relied upon as intended;
- A review of the accounts production process;
- A check on progress on critical accounting matters identified as specific risks in KPMG's External Audit Plan, including the Council's financial resilience in the face of further reductions to local authority funding, and
- Identifying any other audit issues to be considered during the audit.

Attached at **Appendix A** is the letter from KPMG summarising audit progress following completion of their interim audit. The outcome is **very positive** overall and demonstrates the Council's continued commitment to ensuring that it has in place a strong and robust control environment for doing and managing its business in a proper and appropriate way that meets professional standards.

In addition, KPMG have reviewed the Council's approach to implementing changes to the Code of Practice on Local Authority Accounting, addressing the specific risks identified in KPMG's 2012/13 External Audit Plan, and complying with audit expectations in terms of working papers.

KPMG have commented that things have gone smoothly overall in this regard.

KPMG will finalise their work on the Council's 2012/13 Financial Statements when they undertake their final accounts audit, the results of which will be reported to the Committee's September meeting prior to Committee being asked to approve the audited 2012/13 Financial Statements for publication.

In terms of the relatively minor IT issue raised by KPMG in relation to leavers access to the General Ledger:

- Disabling access in a timely manner – the Systems team within Financial Services use a monthly leavers report from HR and conducts a quarterly review of any user that hasn't logged on in the last 90 days to disable user ids. The General Ledger also automatically disables a user that hasn't logged on in 100 days. Access can only be granted thereafter with the permission of the Systems team

- Apparent access after a leaver has left - The General Ledger requires that user ids are active to allow certain processes (such as invoice entry and order closure) to be run to completion. If the user id is disabled under these circumstances, the process fails and the system administrator has to enable the user id for the process to run through. The General Ledger records in the audit log that the user has logged on but in fact, they haven't and there is no current way around this. This gives the impression that a leaver has accessed the General Ledger after they have left. KPMG acknowledge in their Interim Audit letter that this is a known issue and that steps are being taken to improve the audit trail. For example, email requests to re-enable a user id will in the future be logged on the ICT Assyst system and auto emailed to the Systems team for action. Confirmation will be provided to ICT that the user id has been disabled again once the failed process has been completed.

These controls are considered to be sufficiently robust by management.

8. Finance
There are no financial implications arising from this report.

9. Risks and Uncertainties
Failure to maintain robust control over the Council's Control Environment and its fundamental financial systems increases the risk of errors and potential loss and will adversely affect the Council's reputation.

10. Policy and Performance Agenda Implications
Maintenance of sound internal controls contributes to good governance.

11. Background Papers and Consultation

KPMG Interim Audit Letter – Appendix A

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