

**AUDIT COMMITTEE  
25th September, 2013**

Present:- Councillor Sangster (in the Chair); Councillors Gilding, Kaye and Sims.

**P9. MINUTES OF THE PREVIOUS MEETING HELD ON 17TH JULY, 2013**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 17<sup>th</sup> July, 2013.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

**P10. UPDATE ON EXTERNAL INSPECTION RECOMMENDATIONS**

Consideration was given to a report presented by Michelle Hill, Performance and Improvement Officer, which summarised the progress against recommendations from across all key external audits and inspections of Council services.

It was intended that the report would provide a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (March 2013). A summary of these were detailed within the table in Appendix A, but in summary:-

- Since the last report there have been two new inspections resulting in three new recommendations.
- There were currently four action plans relating to Inspection and Audit recommendations which were still “active” in the authority (i.e. contained outstanding recommendations which were still relevant).
- Across these action plans twenty-nine recommendations have been completed and nine remained outstanding.

The Audit Committee also noted the positive report from OFSTED which recognised the Fostering Service as ‘Good’ and highlighted the high quality support which was being provided for children in care and carers across Rotherham. This was the first ‘Good’ the service had received.

The Performance and Quality Team continued to work with services to ensure that the associated outstanding recommendations were completed and ensure services were prepared for new or changing inspection and assessment regimes.

Resolved:- (1) That the progress achieved against outstanding actions be noted.

(2) That any further actions be advised as necessary.

**P11. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR THE FIVE MONTHS ENDING 31ST AUGUST, 2013**

Consideration was given to the report presented by Marc Bicknell, Chief Auditor, which contained a summary of Internal Audit work and performance for the five months ending 31st August 2013. The report showed that the service continued to perform at a high level across all indicators.

Like many services within the Council, Internal Audit was diminishing in size. However, by using a risk based approach to planning and efficient management of resources, it was expected to be able to fulfil its statutory responsibilities to give an opinion on the Council's internal control environment and to complete the work on fundamental accounting systems expected by the External Auditor for the 2013/14 financial year.

Based upon the work undertaken in the period, Internal Audit were able to confirm that the Council's control environment was adequate and was operating satisfactorily.

A summary of the planned audit reports and recommendations and responsive work was provided along with details on some areas that were considered at significant risk.

The Audit Committee noted the strong performance of the Internal Audit Team and from the work undertaken recognised the need for strong contract management and the need for appropriate operational activity and training in some Directorates.

Resolved:- (1) That the performance of the Internal Audit Service during the period be noted.

(2) That the key issues arising from the work done in the period be noted.

(3) That the Internal Audit Team be recognised for their hard work and commitment.

(4) That the Chairman of the Audit Committee send a letter of congratulations to Sarah Bennett from the Internal Audit Team on her recent achievements.

**P12. ANNUAL FRAUD REPORT 2012/13**

Consideration was given to the Annual Fraud Report presented by Colin Earl, Director of Internal Audit and Asset Management, which brought together in one document a summary of the work which had taken place in the period to prevent and detect fraud and corruption.

The Council had a zero-tolerance to fraud and corruption. It was proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

The Audit Committee noted that the incidence of general fraud remained very low in overall terms, taking into account the Council's activities and spending. General fraud cases (excluding benefits) exceeding £10,000 were required to be reported to the Audit Commission and there were none of these in 2012/13.

However, there continued to be a significant amount of attempted and actual Housing and Council Tax Benefits fraud committed against the Council. The Council investigated 1,342 potentially fraudulent cases during 2012/13, obtained 29 prosecutions and issued 165 cautions and penalties.

Priorities for 2013/14 were to:-

- Update our fraud risk assessment to ensure we continue to focus resources on potential vulnerabilities
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for Adult Social Care
- Keep abreast of national developments and ensure the Council continues to comply with current best practice
- Continue to participate in the National Fraud Initiative
- Provide training, advice and guidance
- Publicise the consequences of committing fraud e.g. dismissal, prosecution etc. via suitable media sources.

It was proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

Discussion ensued on the impact of staff reduction and the ability to cope with referrals by the team and whether the personalisation agenda had resulted in claimant's families being involved in fraudulent activity.

Resolved:- (1) That the production of the Annual Fraud Report 2012/13 be approved.

(2) That the appropriate publicity be produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

### **P13. STATEMENT OF ACCOUNTS 2012/13**

Consideration was given to a report presented by Simon Tompkins, Finance Manager, which advised on matters arising from the external audit of the Council's 2012/13 Statement of Accounts as presented in the External Auditor's ISA260 report and, in acknowledging these findings, requested that the Audit Committee approve both the Letter of Management Representations and the audited Statement of Accounts

2012/13.

The unaudited Statement of Accounts had now been subject to audit and any necessary changes discussed and agreed between the Section 151 Officer and the Auditor. The Statement of Accounts, in its revised form, now required approval by Members prior to publication before the end of September, 2013.

The Auditor's ISA 260 report set out in detail the outcomes from the audit including any changes made to the unaudited Statement of Accounts 2012/13.

Overall, the ISA260 report was an extremely positive one and considered the accounts to be of a high quality. Only a few minor presentational changes were identified all of which have been corrected in the final version of the Statement of Accounts.

None of the presentational changes made affect the financial performance or financial position of the Council reported in the unaudited Statement of Accounts.

In addition, the report confirmed that:-

- Controls over key financial systems were sound.
- The audit process was fully supported through good quality working papers and timely responses to audit queries.
- There were no other matters which needed to be reported to Audit Committee.

As a result of these positive assurances, KPMG anticipate being able to give an unqualified opinion by 30th September that the Council's Statement of Accounts provides a true and fair view of its financial position at 31st March, 2013 and its income and expenditure for the year then ended (see page 3 of the report).

These findings demonstrated that the Council had been able to sustain in 2012/13 the high standard of financial reporting that had been achieved in recent years since International Financial Reporting Standards (IFRS) were adopted.

Achieving these excellent outcomes for the Council was testament to the continuing professionalism of all staff engaged in the accounts production process both within Financial Services and other Directorates.

It also reflected the benefit of officers taking a proactive role in identifying potential risks so that a dialogue could take place with the External Auditors at an early stage to discuss and seek agreement on significant/complex accounting issues affecting this year's accounts.

Representatives from KPMG anticipated issuing an unqualified opinion on the accounts by the 30<sup>th</sup> September, 2013 and from the audit identified no audit adjustments. Work had taken place throughout the year with officers to discuss specific risk areas, which had been addressed appropriately.

The critical accounting matters related to Digital Region Limited and Mutual Municipal Insurance. KPMG found that the Council had made appropriate provision in the financial statements for both items.

KMPG were satisfied that the internal audit was compliant with the Code of Practice for Internal Audit in Local Government and concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Nevertheless an inspection by the National Audit Office could not be ruled out.

Discussion ensued on whether the National Audit Office might carry out a review of the Digital Region project and whether the Council had any plans to renegotiate the PFI contracts for schools. The Committee also received an update on the Iceland Banking situation.

Resolved:- (1) That the Auditor's ISA260 report to those charged with governance attached at Appendix 1 be approved.

(2) That the Statement of Accounts 2012/13 attached at Appendix 2 be approved.

(3) That the Letter of Management Representations attached at Appendix 3 be approved.