

AUDIT COMMITTEE

- Date and Time :-** Tuesday 15 March 2022 at 2.00 p.m.
- Venue:-** Rotherham Town Hall, Moorgate Street, Rotherham. S60 2TH.
- Membership:-** Councillor Baker-Rogers (Chair); Councillors Cowen (Vice-Chair), Mills, Wooding and Wyatt
- Mr. J. Barber, Independent Member**

The business which will be discussed are described on the agenda below and there are reports attached which give more details.

Rotherham Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair or Governance Advisor of their intentions prior to the meeting.

AGENDA

- 1. To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972**
- 2. To determine any item(s) which the Chair is of the opinion should be considered later in the agenda as a matter of urgency**
- 3. Apologies for Absence**

To receive the apologies of any Member who is unable to attend the meeting.
- 4. Declarations of Interest**

To receive declarations of interest from Members in respect of items listed on the agenda.
- 5. Questions from Members of the Public or the Press**

To receive questions relating to items of business on the agenda from members of the public or press who are present at the meeting.

6. Minutes of the previous meeting held on 11th January, 2022 (Pages 5 - 11)

To consider and approve the minutes of the previous meeting held on 11th January, 2022, as a true and correct record of the proceedings.

7. Annual Report - Value for Money - Grant Thornton to report

8. 2022 Annual Procurement Update (Pages 12 - 16)

9. Final Accounts Closedown and Accounting Policies (Pages 17 - 45)

10. Closure of the Accounts 2021/22 - Timetable (Pages 46 - 51)

11. Internal Audit Progress Report for the period 1st December 2021 to 28th February 2022 (Pages 52 - 68)

12. Internal Audit Quality Assurance and Improvement Programme (QAIP) and review against Public Sector Internal Audit Standards (PSIAS) (Pages 69 - 87)

13. Internal Audit Plan 2022/23 (Pages 88 - 104)

14. Audit Committee Forward Work Plan (Pages 105 - 113)

15. Exclusion of the Press and Public

To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972.

16. Children and Young People's Services Directorate Risk Register (Pages 114 - 123)

17. Items for Referral for Scrutiny

To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.

18. Urgent Business

To consider any item which the Chair is of the opinion should be considered as a matter of urgency.

19. Date and times of future meetings

Meetings of the Audit Committee will be held in 2022/23 as follows:-

Tuesday, 28th June, 2022,

Thursday, 28th July

Tuesday, 27th September
29th November
10th January, 2023
14th March

all commencing at 2.00 p.m. in Rotherham Town Hall.



SHARON KEMP,
Chief Executive.

KEEP SAFE WHILE VISITING RIVERSIDE HOUSE AND THE TOWN HALL



HOUSE KEEPING TIPS

- Meeting rooms and the Council Chamber will be sanitised before and after every meeting.
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- If you have any **symptoms of COVID-19**, you must self-isolate at home and book a PCR test. **Visit the Council's website for details of how to book a PCR test.**

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www.rotherham.gov.uk/coronavirus

AUDIT COMMITTEE
11th January, 2022

Present:- Councillor Baker-Rogers (in the Chair); Councillors Barley, Browne, Wyatt and John Barber (Independent Person).

Apologies for absence were received from Councillors Hoddinott (maternity leave) and Wilson and Gareth Mills (Grant Thornton).

67. DECLARATIONS OF INTEREST

There were no Declarations of Interest to report.

68. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute No. 77 (Corporate Risk Register Appendix) and Minute No. 78 (Finance and Customer Services Risk Register) as they involve the likely disclosure of exempt information as defined in the Paragraph 3 (financial information) of Part 1 of Schedule 12A to the Local Government Act 1972.

69. MATTERS OF URGENCY

There were no matters of urgency to be considered.

70. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

71. MINUTES OF THE PREVIOUS MEETING HELD ON 30TH NOVEMBER, 2021

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 30th November, 2021.

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

72. UPDATE FROM EXTERNAL AUDITORS

Thilina De Zoysa, Grant Thornton, gave the following verbal update:-

- The Council's final audit opinion had been signed off on 3rd December, 2021. The audit findings report had been updated accordingly
- Work was on track to complete the Value for Money work by February 2022 and would be submitted to the March Audit Committee meeting

- Work was ongoing on the Housing Benefit Grant certification work (deadline 31st January). Discussions were taking place with the Council's Finance Team to deliver by the deadline. An update would be submitted to the March Audit Committee meeting
- 2021/22 audit planning work would commence in February and hoped to be completed before the end of April before work started on the NHS audits. The audit plan for 2021/22 would be presented to the March meeting

Discussion ensued on NHS audits/forthcoming organisational changes and the possible impact of the Clinical Commissioning Groups (CCGs) audits on local government audits. It had been announced late December 2021 that CCGs could possibly continue for 12 months after the 31st March and cease to exist by 30th June, however, audit firms had stated clearly that they had no capacity to carry out part of the CCG audits if that did happen. Grant Thornton's priority would be to carry out the 12 months accounts of CCGs and Acute Trusts (deadline 22nd June for the 2021/22 audits) and then move onto local government audits.

It was also noted that a publication issued prior to Christmas confirmed that the deadline for local government audited accounts to be extended to November 2022 was being considered.

Resolved:- (1) That the update be noted.

(2) That the Chair be kept informed of any changes to account submission deadlines and any possible delays caused by the NHS re-organisational changes.

73. EXTERNAL INSPECTIONS, REVIEWS, AND AUDITS UPDATE

Consideration was given to a report, presented by Simon Dennis, Acting Head of Policy, Performance, and Tanya Lound, Acting Corporate Improvement and Risk Manager, providing details of recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

Since the last report to Committee in July, 2021, 13 external inspections, reviews and audits had taken place resulting in 25 recommendations 18 of which had been implemented, 5 remained ongoing and 2 did not require action. The outcome of one of the external audits conducted was not yet known. In addition, 3 of the ongoing recommendations in relation to external inspections, reviews and audits that took place prior to July 2021, had now been implemented and 11 remained either outstanding or ongoing.

The report included detail of progress being made in respect of the following specific areas and Directorates together with a verbal update on the outstanding recommendations:-

- Children and Young People's Services
- Adult Care and Housing
- Regeneration and Environment Services
- Finance and Customer Services
- Assistant Chief Executive

Nathan Heath, Assistant Director, Education and Inclusion, and Rebecca Wall, Acting Assistant Director of Children's Safeguarding, provided information on their respective Directorates' responses to any recommendations from external audits/inspections.

At the meeting held on 29th July, 2021, it had been requested that the report include details of target and completion dates for the recommendations (Minute No. 27 refers). This had proven to be problematic in that a large proportion of external inspectorates did not operate in the same way as Internal Audit who would agree a deadline with the Department concerned.

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

- That discussions take place with SLT regarding the setting of performance measures for actions set by external audits/inspections that do not state a timeline for completion
- An Education Health and Care Plan was a collective process including Health and Social Care as well as others on which the pandemic had had an impact. However, there were very clear regulations around the timelessness of such Plans and the Authority was benchmarked regionally and nationally. Rotherham's performance had remained consistently strong but there were areas where improvements could be made. The key challenge was making sure communication remained strong with parents and carers through the process and feedback where there were delays
- The Written Statement of Action would be submitted to Ofsted in accordance with their deadline
- Confirmation had been received that Public Services Network Connection Compliance had been achieved

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

(2) That the governance arrangements that were currently in place for monitoring and managing the recommendations from external audits and inspections, as now reported, be noted.

(3) That the Audit Committee continue to receive regular reports in relation to external audit and inspections and the progress made in implementing recommendations.

(4) That discussions take place with SLT regarding the setting of performance measures for actions set by external audits/inspections that did not state a timeline for completion.

74. INTERNAL AUDIT PROGRESS REPORT

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 to 30th November, 2021, and the key issues that had arisen therefrom. The current position of the plan was outlined in Appendix A to the report.

One audit had been finalised since the last Committee meeting which had received Reasonable Substantial Assurance as set out in Appendix B to the report.

Internal Audit also carried out unplanned responsive work and investigations into any allegations of fraud, corruption or other irregularity. There had been no reports of this type since the last meeting.

Internal Audit's performance against a number of indicators was summarised in Appendix C. Target performance for the production and issue of reports were achieved in November, with chargeable time almost reaching the target. However, only one report was finalised during the month.

Appendix D showed the number of outstanding recommendations that had passed their original due date, age rated. There was now only one outstanding action.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st to 30th November, 2021, and the key issues that have arisen from it be noted.

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

75. AUDIT COMMITTEE FORWARD PLAN

Consideration was given to the proposed forward work plan for the Audit Committee covering the period March, 2022 to January, 2023.

Resolved:- That the Audit Committee forward work plan, as now submitted, be approved.

76. CORPORATE STRATEGIC RISK REGISTER

Simon Dennis, Acting Head of Policy, Performance and Improvement, presented the current Strategic Risk Register which summarised the current position of the Register and also provided additional background on the role of risk management in the Council's response to the Covid-19 pandemic.

The Council's ongoing response to the COVID-19 pandemic had seen risk management play a vital role which continued to be the case. The changes required to processes had been reported to the Committee previously but, at the time of writing, the Council's overall corporate risk management arrangements had now broadly returned to normal.

The Council's pattern of reducing assessed risk, in place up until Covid-19 had struck, had recommenced. This also reflected the increasing grasp on the key risks that needed to be managed at a strategic level. This improvement had inevitably slowed during the pandemic but the overall track in the last two years was an improving one. Since July 2021, 60% of risks monitored at a strategic level had reduced or been removed, just over 25% have remained stable and just over 15% had increased or were new to the register.

Since the last update, there had been no additions or removals from the Strategic Risk Register. There remained 13 risks, up from 12 in July 2020.

The risk management process had been subject to an Internal Audit review which had compared arrangements to the requirements of the relevant International Standard ISO31000. The review had included that substantial assurance, the highest assurance level possible, could be derived from the controls that were in place. A further review would be carried out in 2022.

Discussion ensued with the following issues raised/clarified:-

- The Strategic Risk Register would be adapted to align with the new Council Plan
- A refresh of risk management training would be available to Members shortly
- Any audits undertaken by Internal Audit with a partial or no assurance rating were passed to Policy and Performance for the Risk Champions' consideration of inclusion/increased scoring on the Risk Register
- If there was a change in the scoring of one SLT risk, was the possible impact on other risks considered?
- Any reduction in Covid related risks, how did this impact on other risks?

- What challenge was there to those risks that had had the same scoring for a long time?
- The Food Resilience Worker had commenced their employment on 10th January, 2022. Their responsibilities would be around building the Authority's understanding of food provision throughout the Borough and how the extra resources provided had been deployed
- The impact of the Covid pandemic and the provision of food banks

Resolved:- (1) That the update be noted.

(2) That the Acting Head of Policy, Performance and Intelligence, and Head of Internal Audit, meet to discuss the issues raised.

(Appendix 1 was considered in the absence of the press and public in accordance with Paragraph 3 of the Act (Information relating to the financial or business affairs of any particular person (including the authority holding that information/financial information))

77. FINANCE AND CUSTOMER SERVICES DIRECTORATE RISK REGISTER

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

The Directorate level Risk Register currently had 7 risk items listed of which one was included on the Corporate Risk Register:-

- SLT16 (FCS1) – Services failing to deliver services within budget and consequently failing to deliver the savings profiled within 2021/22 budget and MTFS as approved by Council in March 2021.

Risks were regularly discussed and reviewed at the Directorate Leadership Team (DLT) and, where necessary, escalated to the next strategic level for inclusion on the appropriate risk register. Risks were owned and updated by the relevant Assistant Director/M3 Manager.

As part of the ongoing programme to embed Risk Management into the working culture of the Council, all M2 and M3 managers within Finance & Customer Services were encouraged to attend corporate Risk Management training. New and/or redeployed managers were asked to attend future training events.

Discussion ensued with the following issues raised/clarified:-

- Should there be a difference between columns “risk score with existing measures” and “target score with further management actions”

- Consideration should be given to the removal of FCS1 (Delivery of Critical Council Services)
- Council Tax Collection rate
- FCS14 (Cyber Attacks) and the increased home working

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.

(The report was considered in the absence of the press and public in accordance with Paragraph 3 of the Act (Information relating to the financial or business affairs of any particular person (including the authority holding that information/financial information))

78. ITEMS FOR REFERRAL FOR SCRUTINY

Resolved:- That the provision and co-ordination of foodbanks and the Council's involvement therein, be referred to the Overview and Scrutiny Management Board for consideration.

79. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting of the Audit Committee be held on Tuesday, 2nd March, 2022, commencing at 2.00 p.m. in Rotherham Town Hall.

Committee Name and Date of Committee Meeting

Audit Committee – 15 March 2022

Report Title

2022 Annual Procurement Update

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Karen Middlebrook, Head of Procurement

01709 334755 or karen.middlebrook@rotherham.gov.uk**Ward(s) Affected**

Borough-Wide

Report Summary

This report seeks to provide an update to Audit Committee on some of the key activity delivered in the last 12 months by the Procurement team to ensure robust procurement activity is undertaken across the Council.

Recommendations

1. Audit Committee is asked to note the content of the report.

List of Appendices Included

None

Background Papers

1. [Financial & Procurement Procedure Rules](#)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

N/A

Council Approval Required

No

Exempt from the Press and Public

No

2022 Annual Procurement Update

1. Background

- 1.1 The Council procures a wide range of goods, works and services ranging from direct front line services through to back-office support. The Council's annual spend with third parties through procurement and commissioned activity is in excess of £300m.
- 1.2 Given this, it is imperative that the Council has robust procurement practices in place to ensure compliance, that value for money is being achieved, ethical practices are being applied and the contracts entered into are robust, deliver against the Council's key priorities and strategies and minimise risk wherever possible.
- 1.3 On 23 March 2021 an update on procurement activity was presented to Audit Committee. At this meeting, a request was made for an annual update. This report seeks to provide this update highlighting some of the activity delivered in the last 12 months by the Procurement team to ensure robust procurement activity is undertaken.

2. Key Issues

- 2.1 Procurement Procedure Rules provide the corporate framework that sets out the rules and expectations that all Officers must comply with when entering into arrangements with third-party suppliers to provide goods, works and services ranging from simple low value day-to-day commodities through to multi-million-pound construction projects.
- 2.2 In early 2021 work was undertaken to re-draft these Rules with the aim of making them easier to interpret and navigate, whilst embedding key principles around ethical practices and transparency at their core. In addition, the revised rules sought to embed a number of the operational procedures referred to in the last update to Audit Committee such as the requirement for a pre-procurement business case and tender evaluation report.
- 2.3 These revised rules were approved at Council on 29 September 2021 and were implemented with immediate effect.
- 2.4 Since their implementation, the key focus of activity for the Procurement Team has been to ensure Members and Officers within Service Areas are aware of the procedures, understand them and the reasons why the rules apply as well as building confidence and capacity in navigating them.
- 2.5 Since implementation of the FPPRs the Procurement team have been running training sessions of between 2 to 2.5 hours to embed this learning. The first session commenced 3 November 2021 for Members and then has since been followed for officers. As at 4 March 2022, 179 officers have been trained across the organisation, with a further 70 scheduled to receive training before the end March 2022.

- 2.6 It is likely that training will continue into the first quarter of 2022/23 with further refresher sessions to follow throughout the year.
- 2.7 In addition, the Procurement Team have been working with colleagues in HR & OD to raise awareness of procurement and the procedures that apply through new starter e-induction activity. The key message relating to procurement for new starters will be that as it is public money we are spending, irrespective of the amount of money there is a rule to follow and individuals need to ensure they know where to go for help and support.
- 2.8 Following on from the last update to Audit Committee, significant resource is currently being deployed to pull together forward procurement plans for publication on the Council's website to ensure compliance with the [National Procurement Policy Statement \(NPPS\)](#) requirements. At this point, the information being used to inform these plans are being taken from the detail contained on internal category plans.
- 2.9 All the activity referred to above plays an important part in progressing improvements relating to procurement across the Council. This activity also starts to put the organisation in a strong position to respond to and embed the changes brought about by Central Government reform [Transforming Public Procurement](#), which will bring procedural changes to those currently available in law along with further transparency requirements throughout the entire procurement cycle from the identification of need/pre procurement, through the actual procurement phase, and into the management of contractor performance and contract expiry.
- 2.10 Keeping abreast of this changing legislation will be a key focus for procurement over the coming 12 months, as expectations are the legislation will come into force in 2023, however 6 months notice will be granted to ensure authorities have time to amend internal policies, procedures and staff can be appropriately trained.

3. Options considered and recommended proposal

- 3.1 No options have been considered, as this is an update report on activity that has taken place, rather than recommended future proposals.

4. Consultation on proposal

- 4.1 Regular updates on procurement activity are raised and discussed at appropriate DLTs and at least one annual update report into SLT.

5. Timetable and Accountability for Implementing this Decision

- 5.1 This report is for Audit Committee information and noting, therefore it is not anticipated there will be a decision requiring implementation.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

6.1 All associated procurement implications are detailed in the main body of the report.

6.2 There are no direct financial implications arising from this procurement update report. The costs associated with the operational activities of the procurement service are factored into the Councils budget.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

7.1 The work undertaken by the Corporate Procurement Team and the measures implemented as set out in this report, are consistent with relevant procurement Regulations and best practice in relation to procurement. This in turn lessens the likelihood of legal challenge in respect of procurement activity and contract management.

7.2 It will be necessary for the Council to keep abreast of the changes which are made to the Procurement legislation as referred to above, as part of the Government's "Transforming Public Procurement" proposals.

8. Human Resources Advice and Implications

8.1 HR & OD colleagues will continue to work with Procurement to review the staff engagement and learning activity to ensure they are effective in raising awareness.

9. Implications for Children and Young People and Vulnerable Adults

9.1 As an update report there are no direct implications for Children and Young People and Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

10.1 As an update report there are no direct implications aligned to Equalities and Human Rights.

11. Implications for CO₂ Emissions and Climate Change

11.1 As an update report there are no direct implications linked to CO₂ Emissions and Climate Change.

12. Implications for Partners

12.1 As an update report there are no direct implications arising for Partners.

13. Risks and Mitigation

- 13.1 Through the actions implemented as detailed in this report, and through FPPRs risks and appropriate mitigations are continuously considered at a corporate level and at project level.

Accountable Officer(s)

Graham Saxton, Assistant Director; Financial Services
 Karen Middlebrook, Head of Procurement

Approvals obtained on behalf of:-

| | Named Officer | Date |
|---|----------------------|-----------------------------|
| Chief Executive | | Click here to enter a date. |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Rob Mahon | 04/03/22 |
| Assistant Director of Legal Services (Monitoring Officer) | Stuart Fletcher | 04/03/22 |
| Assistant Director of Human Resources (if appropriate) | Lee Mann | 04/03/22 |
| Head of Human Resources (if appropriate) | | Click here to enter a date. |

Report Author: Karen Middlebrook, Head of Procurement
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 This report is published on the Council's [website](#).

Committee Name and Date of Committee Meeting

Audit Committee – 15 March 2022

Report Title

Closure of the Accounts 2021/22

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Ian Bagshaw (Finance Manager – Financial Accounting)
Finance & Customer Services Directorate
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Ward(s) Affected

Borough-Wide or Choose an item.

Choose an item.

Report Summary

The principal objective of the Council's annual financial statements is to make the Council accountable to a range of local and national stakeholders over the stewardship of its resources.

It is therefore important that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts.

This report brings to Members attention the main changes to the local authority accounting framework in 2021/22, including 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 report also reminds Members that the Audit Committee, as the body in the Council charged with governance, will need to formally approve the audited Statement of Accounts. This approval is covered in more detail elsewhere on the agenda and has been revised to the end of September for the current year.

Recommendations

1. Audit Committee is asked to note the key accounting issues and main changes to the accounts in 2021/22 listed in Appendix A;
2. Audit Committee is asked to note the Councils revised Accounting Policies attached at Appendix B.

List of Appendices Included

Appendix A – Key accounting issues and changes to the accounts in 2021/22
Appendix B RMBC Accounting Policies

Background Papers

CIPFA Code of Practice on Local Authority Accounting 2021/22
Accounts and Audit Regulations 2015

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Closure of the Accounts 2021/22

1. Background

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 The introduction of the faster closedown requirements from 2017/18 presented challenges and as part of meeting the challenges CIPFA encourage local authorities to focus on material items only in their financial reporting. Materiality for financial reporting purposes is fundamental. It determines the amount by which items or disclosures within the financial statements would need to be misstated before it would influence the understanding or a decision a reader of the accounts might make. An item is not material if its omission or misstatement would not influence such decisions or understanding. The Council's materiality level for 2021/22 hasn't yet been confirmed by Grant Thornton but for information the overall materiality for the 2020/21 accounts was £8.75 million, with differences of less than £437,500 being considered trivial.

2. Key Issues

Timetable

- 2.1 Although the historic decision to bring forward the timetable for publishing Local Authorities financial statements was a major challenge the Council successfully met the 2018/19 timeframes in closing its accounts. However, members will be aware that due to the unprecedented circumstances due to COVID 19 the closure of accounts deadlines were extended in 2019/20, 2020/21 and 2021/22.
- 2.2 It should also be noted that the volume of audit review, challenge and testing that the external auditors now have to carry out also places additional strain on the Council's resources. The timescales for the publication of the financial statements continue to be extended for the current year as a result of this

additional challenge, which has been discussed in detail at previous Committees.

Accounts and Audit Regulations 2015 – Local elector rights

- 2.3 The Local Audit and Accountability Act 2014 confers on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gives them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they think an item of account may be unlawful.
- 2.4 Under the Accounts and Audit Regulations 2015, local electors can only exercise their rights of inspection and to question the auditor or make formal objections for a single period of 30 working days commencing the day after the unaudited accounts have been published.
- 2.5 As accountability to the local electorate is an important part of the governance of the Council, notice of the inspection period will be advertised on the Council's website in advance of the unaudited financial statements being published.
- 2.6 A further consideration is that in order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) will 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 is therefore being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

Local Authority Accounting Framework

- 2.7 Previously a decision was taken to delay the implementation of IFRS 16 within Local Authorities for a further year to 2021/22. This disclosure, which will see the removal of operational leases, 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 is currently due to be reflected in the accounts for 2021/22. There is a consultation in progress which is considering a further year's delay in the IFRS 16 implementation. The results of this consultation are expected to be published during March 2022.
- 2.8 Major changes to service delivery that have taken place in 2021/22 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies and the impact of Covid 19.

- 2.9 The Council's Statement of Accounting Policies is attached as Appendix B. These policies are reviewed and updated where necessary., and it should be noted that these were amended where appropriate following the "technical review" of the accounts carried out by the external auditors as part of the audit of the 2019/20 audit process.

3. Options considered and recommended proposal

- 3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2021/22 and to note the actions being taken by officers to ensure that they are being implemented.

4. Consultation on proposal

- 4.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) came into force on 31 March 2021 and revised the statutory deadline for publishing the unaudited financial statements to 31st July, followed by the statutory deadline for publishing the audited financial statements by 30 September. These revised deadlines have been in place for the previous and current financial years.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

- 6.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet Grant Thornton's expectations.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

- 7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

8. Human Resources Advice and Implications

8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

10.1 There are no implications arising from this report to Equalities and Human Rights.

11. Implications for Partners

11.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners.

12. Risks and Mitigation

12.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

| | Named Officer | Date |
|--|----------------------|-----------------------------|
| Chief Executive | | Click here to enter a date. |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Graham Saxton | Click here to enter a date. |
| Assistant Director of Legal Services (Monitoring Officer) | Named officer | Click here to enter a date. |
| Assistant Director of Human Resources (if appropriate) | | Click here to enter a date. |
| Head of Human Resources (if appropriate) | | Click here to enter a date. |

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This report is published on the Council's [website](#).

Appendix A

KEY ACCOUNTING ISSUES / CHANGES TO THE ACCOUNTS

| Area of accounts | Issue | Action taken |
|-------------------------------|---|---|
| IFRS 16 Leases | <p>IFRS 16 removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset.</p> <p>As part of the Councils accounts for 2021/22 it must disclose the estimated impact of IFRS 16. There is currently a CIPFA consultation on deferring the implementation of IFRS 16 for a further year.</p> | Initial assessments of any operational leases the Council holds have been carried out, with a view to preparing draft note for the accounts on the impact of the IFRS, further work is being done to ensure the Council is compliant by April 2022. |
| Schools converting to academy | During the course of 2021/22, a further 4 primary schools and 1 secondary school are expected to convert to an academy. The impact on the Council's balance sheet and income and expenditure has yet to be determined but is likely to be material. | The Narrative Report will highlight the impact. |
| Dedicated Schools Grant | A negative reserve on DSG now has to be classified as an unusable reserve. Currently this is classified as an earmarked reserve. | The Head of Finance CYPS is checking to see if there is a negative DFG balance which meets the classification criteria for an unusable reserve. This is determined by new provisions in the Early Years Finance (England) Regulations 2021. |
| Covid 19 Grants | The Council has received a high number of high value government grants throughout the financial year in recognition of the financial consequences of the pandemic. The accounting treatment of these grants will vary | Thorough analysis of each grant and the supporting information to ensure these are |

| | | |
|--|---|---------------------------------------|
| | depending on their purpose. A number of these grants will need to be flagged as exceptional items due to their value as they would otherwise distort the understanding of the accounts. | presented accurately in the accounts. |
|--|---|---------------------------------------|

A STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES**1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"), supported by International Financial Reporting Standards (IFRS).

The objective of the Statement of Accounts is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources.

Fundamental to making this assessment is that information is both relevant and faithfully represented.

A key feature of relevance is materiality. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information presented in the Statement of Accounts. Conversely, there is no need to comply with the accounting principles or disclosure requirements of the Code where information is not material.

Information is faithfully represented if it is complete, unbiased and properly determined using appropriate estimation techniques and judgements.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the Statement of Accounts. The accounting policies and estimation techniques selected are those that best assist users in their understanding of the financial information presented or disclosed in the Statement of Accounts. The expectation is that this will be achieved by selecting accounting policies that are compliant with the Code.

Consistent policies are applied both within the year and between years. Where policies have changed the reason and effect is disclosed.

The underlying assumptions made in preparing the Statement of Accounts are that financial performance is reported on an accruals basis and that the Council is a going concern.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

The CIES is reported using total cost principles under international financial reporting standards not the way in which local government is funded. The income and expenditure reported in the CIES will not therefore correspond to the outturn charged to the General Fund and HRA reported against the Council's budget.

Note 1 in the Notes to the Core Financial Statements, the "Funding and Expenditure Analysis" provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants together with additional disclosure on material reconciling adjustments.

2 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied unless the Code specifies that the change should be applied prospectively.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Any material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

The general principle is that revenue is measured at the fair value of the consideration received which, in most transactions, will be the amount of cash and cash equivalents receivable. This position is in accordance with IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised when Council satisfies a performance obligation by transferring a promised good or service to a service recipient, this can be over a period of time or at a point in time.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council acts as an agent for another party, income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

4 Overheads and Support Services

Support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement. Under the Council's current structure such costs predominantly fall within Assistant Chief Executive's or Finance and Customer Services Directorates.

5 Debtors

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see accounting policy note 21). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

6 Creditors

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see accounting policy note 21). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

7 Tax Income (Council Tax, Residual Community Charge, and National Non-Domestic Rates)

Council Tax

Council Tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council's share of the year's accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New Deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors

8 Inventories

Inventories are measured at the lower of cost and net realisable value except where acquired through a non-exchange transaction when cost is assumed to be equal to fair value at acquisition date.

Inventories are measured at the lower of cost and current replacement cost where held for distribution at no charge or for a nominal charge.

The cost attributed to identify inventory is assigned using the first-in, first-out (FIFO) basis.

Should it become apparent that total costs will exceed total revenue the expected deficit on the contract is immediately expensed.

9 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

10 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised when:

- there is a present obligation (legal/constructive) as a result of a past event,
- it is probable a resource outflow will be required to settle the obligation, and
- a reliable estimate of the amount can be made.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each reporting date and adjusted to reflect current best estimates. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

Contingent Liability

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that a resource outflow will be required for an item previously dealt with as a contingent liability, a provision is recognised.

Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset is not recognised in the financial statements but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. If it has become virtually certain an inflow will arise and the asset's value can be measured reliably, a debtor and related revenue are recognised.

11 Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the sections relating to the relevant policies.

Covid-19: The total cost to the Council of addressing the financial impact of Covid-19 in terms of expenditure, lost income and unachieved savings was mitigated in 2021/22 through the provision of Government support grants without an unplanned call on any reserves. However it is not possible to determine whether an additional call on the Council's reserves will be necessary in 2022/23.

12 Government and Non-Government Grants

Government grants and third-party contributions, including donated assets are recognised as due when there is reasonable assurance that;

- the Council will comply with the conditions attached to them, and
- the grants and contributions will be received.

Where conditions of grant remain outstanding which could give rise to grant being repaid, grant is carried in the balance sheet as grant received in advance.

Conditions are stipulations that give the grant funder or donor the right to the return of their monies if it is not used for the purpose specified.

Covid-19: A Review of 2021/22 grants has been undertaken to confirm that the impact of the pandemic has not prevented the Council meeting the grant terms and conditions. Some Covid-19 grants have been accounted for as 'agent' as the Council's role was to simply passport the grant from Government to a business, supplier or individual, with no decision making process required.

Revenue grants or contributions are credited to the relevant service line within net cost of services if specific or to Taxation and Non-Specific Grant Income if general or non ring-fenced.

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

13 Non-current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and
- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs.

Borrowing Costs - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.

- **Qualifying Assets** – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- **Borrowing costs** – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets – depreciated historical cost,

- property, plant and equipment and intangible assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.
- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as a Asset Held for Sale, it will be measure at fair value less cost to sell.

Depreciated historical cost is used as a proxy for current value for relatively short life assets such as vehicles, plant and equipment.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum they are revalued every five years. In support of this the Council carries out an annual review of its assets for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless they reverse a previous revaluation or impairment loss in which case they are credited to the relevant service line within net cost of services.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment of Assets

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

The carrying amount of an item is derecognised:

- on disposal through, for example, sale, donation, granting of a finance lease or transfer, or
- when no future economic benefits or service potential are expected from its use or disposal as a result, for example, of it being abandoned, scrapped or decommissioned.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value is the price that would be received from the selling the asset in an orderly transaction between market participants under the conditions prevailing at the end of the reporting period. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value. Depreciation is not charged on Assets Held for Sale.

Assets held solely for capital appreciation purposes are classified as investment properties.

Non-operational property, plant and equipment which do not meet the criteria for reclassification as either Assets Held for Sale or investment properties are held within property, plant and equipment as Surplus Assets. Surplus Assets are carried in the balance sheet at their existing use value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council’s valuer (Council dwellings over 30 Years or by using notional Major Repairs Allowance (MRA) if notional MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non-operational properties up to 100 years)
- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation will take place as assets are acquired, enhanced, replaced or revalued.

Revaluation gains/losses are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

14 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible Non-Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP) and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. However, the Council took advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance (MRA) included within the HRA Business Plan for that year. From 2017/18, depreciation, revaluation and impairment losses are determined in accordance with the new “Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

Minimum Revenue Provision (MRP)

Prudent provision (MRP) is made annually for the repayment of debt relating to capital expenditure financed by borrowing or credit arrangements. The amount charged is

determined having regard to the relevant statutory requirements and related guidance on MRP issued by MHCLG.

15 Leases and Lease-Type Arrangements

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council will recognise a lease where the contract for individual asset exceeds £25k.

(a) Finance Leases – Council as Lessee

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The apportionment is done in such a way as to produce a constant rate of interest on the outstanding liability in each period over the lease term

An asset recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses arising on leased assets. Instead, a Minimum Revenue Provision is made towards the deemed capital investment in accordance with statutory requirements and the Council's policy for determining MRP. Depreciation, revaluation and impairment losses are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

(b) Operating Leases – Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

(a) Finance Leases – Council as Lessor

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the

Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated from the Capital Adjustment Account to the General Fund Balance in the Movement in Reserves Statement.

(b) Operating Leases – Council as Lessor

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16 PFI and PPP Arrangements

Private Finance Initiative (PFI) and similar contracts fall within scope of IFRIC 12 and are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The only exception to this is where PFI assets are transferred to academies under 125 year lease arrangements, at the point of transfer the assets are removed from the Council's balance sheet.

PFI assets are initially recognised at their fair value when they are first made available for use balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment (this is normally based on the relevant elements of capital cost in the operator's financial model). Initial direct costs to the Council are added to the carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows

to the Council at that time, similar to an asset that a Council constructs or develops for its own use.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

each year are analysed into five elements: -

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease),
- lifecycle replacement costs – Recognised as additions to Property, Plant and Equipment in the Balance Sheet as the scheduled works are carried out and the expenditure is incurred.
- lifecycle replacement costs – are accounted for as they are incurred. Where the profile of lifecycle expenditure actually incurred by the PFI operator differs significantly from the projected profile included within the PFI model adjustments are made to account for the difference. A prepayment is recognised where planned expenditure paid for through the unitary payment exceeds the actual amount incurred by the PFI operator. An additional liability is recognised where planned expenditure is less than that actually incurred. The prepayment / additional liability is carried forward in the balance sheet until the expenditure is actually incurred / settled, or , in the case of a prepayment when there is no longer an expectation that it will eventually be incurred by the PFI operator at which point it is charged to revenue. Lifecycle replacement costs which represent the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 13.

17 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at Fair Value being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

18 **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

19 **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

20 **Heritage Assets**

Heritage assets' principal purpose is to contribute to knowledge and culture and are assets which are preserved in trust for future generations for their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, e.g., insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).

Operational heritage assets (i.e. those that are being held for their heritage characteristics, but are also used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

21 Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost,
 - fair value through profit or loss (FVPL), and
 - fair value through other comprehensive income (FVOCI).
- **Treasury Investments:**
Those valued at **Amortised Cost** – assets that have fixed or determinable payments but are not quoted in an active market. These assets are Solely for Principal and Interest (SPPI), and they are part of the Council's Business Model. Whist Money Market Funds (MMF) behave as Amortised Cost, strictly they are FVPL, but there is little material difference in accounting, as such the Council will treat them as Amortised Cost.
 - **Non-Treasury Investments:**
These are assets that have may have a quoted market price and/or do not have fixed or determinable payments, although where, for instance a loan is provided to a third party (SPPI), and is for a policy reason, then it would be at Amortised cost too. Where it is not Amortised cost, this classification has two further sub sets for valuation:
 - **Fair Value through Comprehensive Income (FVCI)**, policy driven investments (not solely for profit), activity, which would normally simply be equity stakes in joint companies etc.
 - **Fair Value through Profit and Loss (FVPL)**, assets held purely for commercial investment (primarily for profit, firstly to raise monies/profit, that will be used to support the execution of normal service functions.

(a) Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net

gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

(b) Fair Value Through Profit or Loss (FVPL) and Fair Value through Comprehensive Income (FVCI)

These are assets that have a quoted market price and/or do not have fixed or determinable payments. Of this classification those assets that are policy driven investments, not used to solely generate profit, but to actively support the execution of normal service functions are to be valued at Fair Value through Comprehensive Income (FVCI). They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. Where the asset has fixed or determinable payments, then this would be Amortised Cost (as above) with annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. In practice FVCI is likely to contain only service equity investments,

Assets are maintained in the Balance Sheet at fair value. Fair value is measured by reference to prevailing interest or market rates using an appropriate valuation technique.

Changes in fair value posted to Other Comprehensive Income and Expenditure. Movements in impairment loss allowances debited/ credited to Surplus or Deficit on the Provision of Services (with a compensating credit/debit not against the carrying amount of the asset but to Other Comprehensive Income and Expenditure to offset movements against gains/losses on fair value). Cumulative gains/losses on fair value are posted to the Surplus or Deficit on the Provision of Services on derecognition.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

(c) Fair Value Through Other Comprehensive Income (FVOCI)

These are assets held purely for commercial investment (primarily for profit). All gains and losses posted to Surplus or Deficit on the Provision of Services as they arise.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month (i.e. the normal expectation of loss for this category of investment, no event occurring) or lifetime basis (whereby the initial assessment of risk has changed significantly by an event occurring). The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The authority holds loans with three local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value this being the price that would be paid in an orderly transaction between market participants on the date on which the liability is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan received. Thereafter they are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The amount of interest charged to the HRA is determined on a fair and equitable share basis by reference to the HRA's Capital Financing Requirement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

22 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis at the earlier of when the

Council can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring.

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Pension strain costs are charged to Non Distributed Costs in accordance with statutory provisions which require that the General Fund be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The National Health Service Pension Scheme, administered by the NHS Business Services Authority (NHSBSA).
- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme (LGPS), administered by South Yorkshire Pensions Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for both the National Health Service and Teachers' schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health and Children's and Education Service line in the Comprehensive Income and Expenditure Statements are charged with the employer's contributions payable to the National Health Service and Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into the following components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- re-measurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

23 Value Added Tax (VAT)

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

24 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the audited Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Strategic Director - Finance and Customer Services authorises the audited Accounts for issue are not reflected in the Statement of Accounts.

Covid-19: Although as at 31 March 2022 some of the potential financial impacts of the Covid-19 pandemic were known and to a degree mitigated through Government emergency grant, there is potential for the financial implications of Covid-19 to impact the Council over the medium to longer term. It is recognised that the pandemic is potentially an Adjusting Balance Sheet Event in the context of the 2021/22 Financial Statements, however there is still considerable uncertainty with respect to the longer term impact of the pandemic even though restrictions have been removed due to the unknown pace of local and national recovery. Detailed notes are included where appropriate within the statements identifying the impact of Covid-19 in 2021/22.

25 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

26 Interests in Companies and Other Entities

Where the Council exercises control, shares control or exerts a significant influence over another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. The Council's interest in another entity can be contractual or non-contractual and may be evidenced by, but is not limited to, the holding of equity or debt instruments in the entity as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Council has control over another entity, where it is able to direct the activities of that entity such that it is has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

Shared control with another party or parties in a joint venture arises where decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control including the Council.

The Council can exert a significant influence over an associate where the Council has the power to participate in the financial and operating policy decisions of an entity which fall short of control or joint control.

The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local Council maintained schools within the control of the Council.

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non-Current Assets of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

Interests in companies and other entities are recorded in the Council's balance sheet as financial assets at cost, less any provision for losses.

27 Acquisitions and discontinued operations

Transfers of functions to or from other public sector bodies are accounted for with effect from the date of transfer. Assets and liabilities are transferred at their carrying value at the date of

transfer unless otherwise agreed and the balance sheet restated to reflect the value of assets brought onto or removed from the balance sheet. The financial effect of functions transferred, to or from the Council are disclosed separately in the current year as “transferred in” or “transferred out” operations. The financial effect of functions transferred to another public sector body are disclosed separately in the comparative year to enable the performance of continuing operations to be compared on a like for like basis.

A function in this context is an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Discontinued operations are activities that cease completely. Income and expenditure relating to discontinued operations are presented separately on the face of the Comprehensive Income and Expenditure Statement.

Committee Name and Date of Committee Meeting

Audit Committee – 15 March 2022

Report Title

Closure of the Accounts 2021/22 – Timetable

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Ian Bagshaw (Finance Manager – Financial Accounting)
Finance & Customer Services Directorate
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Ward(s) Affected

Borough-Wide or Choose an item.

Choose an item.

Report Summary

The principal objective of the Council's annual financial statements is to make the Council accountable to a range of local and national stakeholders over the stewardship of its resources.

It is therefore important that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts.

This report brings to Members attention the Council's timetable for the production of the financial statements, that Members of the Audit Committee, as the body in the Council charged with governance, will need to formally approve the audited Statement of Accounts by the 30th September, based on the revised regulations which were implemented for two years (2020/21 and 2021/22).

Recommendations

1. Audit Committee is asked to note the timetable for the production of the Council's financial statements.

List of Appendices Included

Background Papers

CIPFA Code of Practice on Local Authority Accounting 2021/22
Accounts and Audit Regulations 2015

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Closure of the Accounts 2021/22

1. Background

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 Members will recall that following the Covid 19 outbreak March 2020 that the requirement for the production of the Statement of Accounts was delayed initially for 2019/210 and then for the financial years 2020/21 and 2021/22. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) came into force on 31st March 2021 and extended the publication of the Statement of Accounts for the two financial years (2020/21 and 2021/22). These amended regulations require draft accounts to be published by the 31st July and final audited accounts by the 30th September. These regulations also require Authorities to publish a notice on their website if they fail to publish their draft accounts by 1st August.
- 1.4 In the production of the Councils accounts for 2020/21, the Council met the requirements of both these deadlines, having a draft set of accounts published by the end of July and a final set of accounts published by the end of September. However, the Councils external auditor Grant Thornton, who had expressed throughout that they would not be able to meet the audited accounts deadline, missed the deadline of the end of September. The Councils final audited accounts were presented to audit committee for approval on the 30th November 2021.

2. Key Issues

Timetable

- 2.1 Based on the amended deadlines, the key dates on the timetable for the production of the accounts 2021/22 are as shown below.

Statement of Accounts Timetable - Amended Dates

| Action | Amended Date |
|---|----------------------------|
| Interim audit of the Councils accounts | TBC by Grant Thornton |
| Unaudited accounts, Narrative Report & Annual Governance Statement presented to Audit Committee and then published by: (Will be presented to Audit Committee on 28 July 2022) | 31 July 2022 |
| Public Inspection of Draft Accounts | 1 August to 10 August 2022 |
| External Audit of the Councils Accounts | August & September 2022 |
| Audited accounts, Narrative Report & Annual Governance Statement presented to Audit Committee and then published by: (Will be presented to Audit Committee on 27 September 2022) | 30 September 2022 |
| Councils Value for Money audit completed by: | TBC by Grant Thornton |

2.2 At present the Council's external auditor Grant Thornton has not confirmed their audit plan for the Councils 2021/22 accounts. However, they did indicate as part of the review process for the 2020/21 accounts that they expected to be able to meet the statutory deadlines in auditing the Councils accounts for 2021/22.

3. Options considered and recommended proposal

3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the timetable for the production of the accounts in 2021/22.

4. Consultation on proposal

4.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

5. Timetable and Accountability for Implementing this Decision

5.1 The statutory deadline for publishing the unaudited financial statements is 31st July, with the statutory deadline for publishing the audited financial statements of 30th September.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

6.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet Grant Thornton's expectations.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015 and the revised Regulations that come into force on the 31st March 2021.

8. Human Resources Advice and Implications

8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

10.1 There are no implications arising from this report to Equalities and Human Rights.

11. Implications for Partners

11.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners.

12. Risks and Mitigation

12.1 Robust project management arrangements have been put in place to ensure that the timetable is adhered to and quality standards met.

13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

| | Named Officer | Date |
|--|----------------------|-----------------------------|
| Chief Executive | | Click here to enter a date. |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Graham Saxton | Click here to enter a date. |
| Assistant Director of Legal Services (Monitoring Officer) | Named officer | Click here to enter a date. |
| Assistant Director of Human Resources (if appropriate) | | Click here to enter a date. |
| Head of Human Resources (if appropriate) | | Click here to enter a date. |

*Report Author: Ian Bagshaw (Finance Manager – Financial Accounting)
Finance & Customer Services Directorate
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Council Report

Audit Committee Meeting – 15th March 2022.

Title

Internal Audit Progress Report for the period 1st December 2021 to 28th February 2022.

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

David Webster, Head of Internal Audit

Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

This Progress Report provides the committee with an up to date position on the Internal Audit Plan, a summary of Internal Audit work completed during the period 1st December 2021 to 28th February 2022 and the key issues that have arisen from it, and the status of actions arising from audits. It also provides information regarding the performance of the Internal Audit function during the period.

Recommendations

The Audit Committee is asked to:

- 1) Note the Internal Audit work undertaken since the last Audit Committee, 1st December 2021 to 28th February 2022, and the key issues that have arisen from it.
- 2) Note the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of their performance.

List of Appendices Included

Appendix A – Internal Audit Plan 2021/22

Appendix B – Summary of work completed since the last meeting

Appendix C – Responsive Audit Work

Appendix D – Internal Audit Performance Indicators

Background Papers

Public Sector Internal Audit Standards and Associated Local Government Application Note.

Accounts and Audit (England) Regulations 2015.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No.

Exempt from the Press and Public
Yes – partially exempt.

An exemption is sought for Appendix C under Paragraph 7 (Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

Internal Audit Progress Report for the period 1st December 2021 to 28th February 2022

1. Background

- 1.1 CIPFA guidance for Audit Committees in Local Authorities gives the Audit Committee a clear role in supporting the effectiveness of the internal audit process. This role is reflected in the Terms of Reference of the committee. To fulfil this role the committee receives updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. In addition, it receives information on performance relative to the audit plan.
- 1.2 Public Sector Internal Audit Standards require that the Head of Internal Audit reports periodically to the Audit Committee. This is reflected in the Audit Charter which provides for Progress Reports to be presented to the Audit Committee regarding the audit plan and progress against it; resource requirements; the results of audit activities; the tracking of audit recommendations; and the performance of the audit team.
- 1.3 This report includes the position up to the end of February on the completion of the annual plan for 2021/22, the reports finalised in December, January and February, performance indicators for the team and the current outstanding actions from audit reports.

2. Key Issues

2.1 Internal Audit Annual Plan

Internal Audit produced a risk based Annual Audit Plan for 2021/22 and presented it to the Audit Committee at its meeting on 23rd March 2021. Work is continuing on this plan. The current position with regards to the plan is given in **Appendix A**. In the year to date the department has delivered 911 days of productive work, showing it is on target for the year as a whole.

2.2 Audit Work Undertaken During the Period

Internal Audit provides an opinion on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall annual opinion on the Council's control environment. There are four possible levels of assurance for any area under examination, these being "Substantial Assurance", "Reasonable Assurance" "Partial Assurance" and "No Assurance". Audit opinions and a brief summary of all audit work concluded since the last Audit Committee are set out in **Appendix B**. Eleven audits have been finalised since the last Audit Committee, including one with partial Assurance – Leavers.

- 2.3 In addition to the planned audit assurance work, Internal Audit also carries out unplanned responsive work and investigations into any allegations of fraud, corruption or other irregularity. One investigation report has been issued, and is summarised in **Appendix C**.

2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. Target Performance for the completion of audits within planned time and feedback from audit clients were achieved, and targets for the issue of reports and for chargeable time were almost achieved in December - February. As part of the process for producing a Service Plan, targets are being re-examined for the new financial year. The appendix also includes comments received from audit clients during the last three months.

2.5 Management Response to Audit Reports

Following the completion of audit work, draft reports are sent to or discussed with the responsible managers to obtain their agreement to the report and commitment to the implementation of recommendations. This results in the production of agreed action plans, containing details of implementation dates and the officers responsible for delivery. Draft reports are copied to the relevant Head of Service and Assistant Director and final reports are also sent to the Strategic Director.

Confirmation of implementation of audit recommendations is sought from service managers when the implementation date is reached. This is automated, with alerts being sent out a week before the due date to the Responsible Manager and Head of Service, and overdue alerts sent out weekly, copied into the Assistant and Strategic Director. Managers should enter the system and provide an update on the action – either implemented or deferred.

Summary reports of outstanding actions are produced monthly and distributed to Strategic Directors. There are now no overdue outstanding actions.

3. Options considered and recommended proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit. It provides a summary of Internal Audit work completed and the key issues arising from it for the period from 1st December 2021 to 28th February 2022 and information about the performance of the Internal Audit function during this period.

4. Consultation on proposal

- 4.1 The Internal Audit plan was produced after consultation with management teams. All Internal Audit reports referred to in this report have been discussed and agreed with management in the respective service areas.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 15th March 2022 meeting.

6. Financial and Procurement Advice and Implications

- 6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 This document includes a report of progress against delivery of the Internal Audit Plan. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for CO2 Emissions and Climate Change

- 11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

- 12.1 Internal Audit is an integral part of the Council’s Governance Framework, which is wholly related to the achievement of the Council’s objectives, including those set out in the Council Plan.

13. Risks and Mitigation

- 13.1 An effective Internal Audit Department helps to minimise the Council’s exposure to risk.

14. Accountable Officer

David Webster, Head of Internal Audit.
Tel 01709 823282 E mail david.webster@rotherham.gov.uk

Internal Audit Plan 2021-22

| ASSISTANT CHIEF EXECUTIVE | | | | | |
|---|---------------------------------|-----------------------------|--|-----------------------|------------------------|
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
| Payroll | Directorate Risk ACX20 | Fundamental System | Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention. | 35 | WIP |
| Risk Management | | Risk Based | Review of the effectiveness of risk management. | 10 | 4 |
| HR Policies | | Risk Based | Review of policies and procedures to provide assurances that they are fit for purpose. | 10 | WIP |
| Performance Management | | Risk Based | Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported. | 15 | DEF |
| Members Allowances | | Risk Based | Review of allowances paid to members following May 21 Borough Elections, including a follow-up of 2020/21 audit actions. | 10 | FINAL |
| Establishment Control | | Risk Based | Follow-up of 19/20 Audit | 5 | FINAL |
| Give As You Earn Payroll Deductions | | System Based | Review of processes for staff donations to charities made by deductions from Payroll | 10 | FINAL |
| Total Planned Days – Assistant Chief Executive | | | | 95 | |

ADULT CARE HOUSING AND PUBLIC HEALTH

| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
|---|----------------------------------|----------------------|---|----------------|-----------------|
| Liberty Protection Safeguards | Strategic Risk SLT22 ACS22 | Risk Based | Review of compliance with new legislative changes and requirements. Detailed scope to be agreed in Q3 / Q4 after new procedures have been embedded. | 10 | DRAFT |
| Public Health | | Risk Based | Scope to be agreed for a review of elements from the What Good Looks Like (WGLL) Programme. | 10 | DRAFT |
| Homecare and Support Delivery Model | Directorate Risk PH16 | Risk Based | Review new delivery model to ensure services are being delivered to vulnerable people on date of contract implementation. | 15 | FINAL |
| Direct Payments | | Risk Based | Review the updated policies and procedures and ensure that all previous Internal Audit recommendations, covering this service, have been addressed and incorporated into these policies and procedures. | 5 | FINAL |
| Repairs & Maintenance Contract | Housing Services Risk No.8 | Risk Based | Review and provide assurance on the new repairs and maintenance contract; and ensure that previous Internal Audit recommendations have been addressed within the new contract. | 20 | FINAL |
| Housing Rents | | System Based | Audit examines key areas within the system on a cyclical basis. | 10 | WIP |
| Rothercare Service | | Risk Based | Support Housing's internal review of systems and operations of Rothercare and Assistive Technology | 20 | WIP |
| Homelessness | Housing Options Risk 18 | Risk Based | Review of findings from Housing's internal review of processes. | 10 | FINAL |
| Transition from Children's Care to Adult Care | | Follow up | Follow up of review in 2020/21 | 5 | DEF |
| Learning Disabilities | | Risk Based | Review the changes to the service to provide assurance that they have | 15 | FINAL |

| | | | | | |
|--|--|--|---|------------|--|
| | | | achieved the stated objectives in the realignment of services across day centres. | | |
| Total Planned Days – Adult Care and Housing | | | | 120 | |

| CHILDREN AND YOUNG PEOPLES SERVICE | | | | | |
|--|---------------------------------|-----------------------------|--|-----------------------|------------------------|
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
| Early Years Education | ES6 | Risk Based | Review of policies and procedures to ensure compliance with statutory duties. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit. | 20 | FINAL |
| School Exclusions | | Risk Based | Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements | 15 | 4 |
| Schools CRSA and Themed Audits | | Risk Based | Reviews based on the results of the schools' Control and Risk Self-Assessment. Includes School Visits. | 30 | FINAL |
| Special Education Needs and Disability | CYPS03 | Risk Based | Review of the management of SEND requirements. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit. | 20 | 4 |
| LAC Sufficiency (Children's Homes) | CPQ42 | Risk Based | To provide an independent risk based review on progress with the LAC Sufficiency Strategy. This review can be used to support any further project changes and provide independent assurance on any changes in delivery post Covid. | 15 | 4 |
| Rating of Schools | ES2 / ES14 | Risk Based | Review of the arrangements to ensure maintained schools are rated highly. | 10 | WIP |
| Fostering and Adoption Allowances | | Follow up | Follow up of review in 2020/21 | 5 | FINAL |
| Payments and Allowances | | Risk Based | Review the processes and procedures for payments to providers of services to looked after children. | 10 | FINAL |
| Total planned days - Children and Young People's Services | | | | 125 | |

| <u>FINANCE AND CUSTOMER SERVICES</u> | | | | | |
|---|---------------------------------|-----------------------------|---|-----------------------|------------------------|
| <u>Finance</u> | | | | | |
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
| Annual Governance Statement | | Risk Based | Review of the process for the production of the AGS. | 10 | 4 |
| NNDR | | Systems Based | Fundamental system. Previously no concerns, audit resources to examine changes to the system. | 10 | WIP |
| Debtors | | Systems Based | Assess the degree of compliance with Finance Procedures by Directorates. | 15 | FINAL |
| Capital Procedures | | Risk Based | Review the updated capital procedures and provide assurance that they are being complied with and that expenditure is appropriately approved, controlled and monitored. | 15 | WIP |
| Social Values | | Risk Based | Review of compliance with Social Value policy requirements for procurement and provide assurances that controls are in place to ensure the policy is embedded. | 15 | FINAL |
| Procurement Governance | Operational Risk | Risk Based | Review procurement procedures and assess Directorate adherence to them. | 20 | DEF |
| IR35 Anti-Avoidance Tax Legislation | | Risk Based | Review procedures and provide an assurance on compliance with IR35 legislation | 15 | FINAL |
| <u>Customer Information & Digital Services</u> | | | | | |
| Cyber Attacks | Directorate Risk FCS14 | Risk Based | Provide assurance on how the Council manages the risk of threats from cyber-attack in terms of preventative & reactive measures. | 10 | WIP |
| Physical Security of servers / data | | Risk Based | Provide assurance that the Councils server / data areas are secure and resilient to withstand physical & environmental attack. | 10 | FINAL |
| Hardware Asset Management | | Risk Based | Confirm the adequacy of arrangements for managing the issue of new IT equipment (laptops) and any items that are returned and overall stock | 15 | FINAL |

| | | | | | |
|---|--|------------|--|------------|-------|
| | | | management. | | |
| Vulnerability Management (Salford) | | Risk Based | Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner. | 10 | WIP |
| Network Management (Salford) | | Risk Based | Provide assurance that the Council's IT infrastructure (network, server and storage) is robust, fit for purpose, secure & resilient. | 10 | DRAFT |
| Customer Services & Efficiency Programme Board | | Advisory | Audit contribution to projects designed to increase efficiency. | 30 | WIP |
| <u>Legal Services</u> | | | | | |
| Adult Care Protection Legal Support | | Risk Based | Provision of effective Adult Care Protection legal support to Adult Care, Housing and Public Health Services. | 10 | DEF |
| Whistleblowing | | Risk Based | Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings. | 15 | FINAL |
| Contract Sealing | | Risk Based | Partial Assurance level reported in 2021 audit review, follow up audit to ensure agreed actions are in the process of, or have been, implemented. | 5 | FINAL |
| Right to Buy | | Risk Based | Review of Right to Buy procedures from receiving instructions to completion of sales to highlight any delays in the processes and reduce risk of complaints. | 10 | WIP |
| Total Planned Days – Finance and Customer Services | | | | 205 | |

REGENERATION AND ENVIRONMENT

| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
|--|--|----------------------|---|----------------|-----------------|
| Property Estate Management | Strategic Risk SLT27 / Directorate Risk R&E13 | Risk Based | Review Health & Safety arrangements in management of property estate & follow-up previous audit actions from 20/21 audit. | 10 | DRAFT |
| Enforcement | Directorate Risk R&E2 | Risk Based | Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements. | 10 | WIP |
| Historic Sites | Directorate Risk R&E8 / Operational Risk CST15 | Risk Based | Review the adequacy of arrangements for the management of the health & safety programme for maintenance of the Council's historic sites. | 10 | FINAL |
| Building Security | Directorate Risk R&E26 /Operational Risk PRT39 | Risk Based | Ensure adequate building security arrangements are in place across the property estate. To include follow-up of agreed actions relating to security at Hellaby Depot. | 15 | WIP |
| Private Rented Housing | | Risk Based | Review policies & procedures and gain assurance that the Council is compliant with regulations surrounding selective licensing and administration of the scheme | 10 | WIP |
| Household Waste Recycling Centres | | Risk Based | Seek assurance adequate contract management arrangements are in place & operating effectively. | 10 | WIP |
| Catering / Cleaning (Facilities Services) | | Risk Based | Review adequacy of health & safety arrangements around catering & cleaning and that appropriate PAT testing is in place. | 15 | WIP |
| Home to School Transport | | Follow up | Follow up of review in 2020/21 | 5 | FINAL |
| S106 & Community Infrastructure Levy | | Follow-up | Follow-up of review in 2020/21 | 5 | FINAL |
| Total Planned Days – Regeneration and Environment | | | | 90 | |

| <u>OTHER</u> | Provision | Days Used |
|------------------------------|------------------|------------------|
| Follow Up reviews | 20 | 20 |
| Grants | 50 | 57 |
| Provision for investigations | 100 | 128 |
| Pro-active fraud | 30 | 24 |
| Contingency | 90 | 56 |
| Covid – grant work | 75 | 22 |
| | | |
| Other Work Total | 365 | 307 |
| | | |
| Overall Plan Total | 1000 | |

Summary of Audit Work Completed since the last meeting

Note:- Internal Audit uses an Executive Summary and reporting structure which gives four levels of overall assurance for areas under examination. Within each area audited an overall assurance opinion is assessed as being either “Substantial Assurance”, Reasonable Assurance”, “Partial Assurance” or “No Assurance”, taking into account the results of all the risks assessed.

| Audit Area | Assurance Objective | Final Report to man't | Overall Audit Opinion | Summary of Significant Issues |
|--|---|-----------------------|-----------------------|--|
| Assistant Chief Executive | | | | |
| Leavers | To review the adequacy of the controls around leavers and confirm that procedures are complied with. | 11.1.22 | Partial Assurance | Controls needed to be improved to ensure the return of IT and other equipment and ID badges when people leave. Exit interviews were not always recorded. |
| Adult Care, Housing and Public Health | | | | |
| Direct Payments Follow Up | To provide assurance that the actions from the previous audit had been implemented. | 5.1.22 | Substantial Assurance | All actions had been completed, one minor recommendation was made. |
| Learning Disabilities | To review the realignment of the service across day centres | 1.2.22 | Substantial Assurance | The changes had been made successfully. |
| Homelessness | To review compliance with the requirements of the Homeless Reduction Act 2017. | 3.2.22 | Substantial Assurance | The Council's Homeless Reduction strategy and procedures were found to comply with the Act. |
| Home Care and Support Services Model | To review the Home Care and Support Services Model to ensure services are being delivered to vulnerable people. | 17.2.22 | Reasonable Assurance | Recommendations were made to improve performance monitoring of the new processes. |
| Children and Young People's Services | | | | |
| Payments and | To review the processes and | 3.12.21 | Reasonable | Recommendations were made to reduce overpayments |

| Audit Area | Assurance Objective | Final Report to man't | Overall Audit Opinion | Summary of Significant Issues |
|--------------------------------------|---|-----------------------|-----------------------|---|
| Allowances | procedures for payments to providers of services for looked after children, specifically overpayments and their recovery. | | Assurance | and improve the processes for recovery and the reporting of write-offs. |
| Finance and Customer Services | | | | |
| Restart Grants | To confirm that the grant conditions of the Restart Grant Scheme had been complied with. | 17.12.21 | Substantial Assurance | The review found that the processes for grant payments were well controlled. |
| IR35 Anti-Avoidance Tax Legislation | To review the adequacy of arrangements to comply with HMRC IR35 Regulations | 21.12.21 | Reasonable Assurance | Recommendations were made to make managers aware of the requirements and ensure assessments are documented. |
| Whistleblowing | To provide assurance that whistleblowing arrangements are effective and reported cases are investigated thoroughly. | 17.2.22 | Substantial Assurance | The arrangements were effective. Minor recommendations were made to improve procedures. |
| Regeneration and Environment | | | | |
| Historic Sites | To review the management of the health and safety programme for maintenance of the Council's historic sites. | 31.1.22 | Reasonable Assurance | Recommendations were made to improve the recording of site visits and restoration work. |
| Home to School Transport Follow Up | To provide assurance that the actions from the previous audit had been implemented. | 5.1.22 | Reasonable Assurance | All actions had been completed, recommendations were made to further improve controls. |

Definitions

| Rating | Definition |
|-----------------------|--|
| Substantial Assurance | <p>Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk.</p> <p>The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.</p> |
| Reasonable Assurance | <p>Reasonable assurance that the system of internal control is designed to achieve the service's objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk.</p> <p>There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.</p> |
| Partial Assurance | <p>Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.</p> |
| No Assurance | <p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse. Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p> |

Appendix D

Internal Audit Performance Indicators

| Performance Indicator | Target | Mar 2021 | Apr to May 2021 | Jun to Aug 2021 | Sep to Oct 2021 | Nov 2021 | Dec to Feb 2022 |
|--|--------|----------|-----------------|-----------------|-----------------|----------|-----------------|
| Draft reports issued within 15 working days of field work being completed. | 90% | 86% | 100% | 83% | 83% | 100% | 82% |
| Chargeable Time / Available Time. | 80% | 75% | 80% | 84% | 78% | 78% | 78% |
| Audits completed within planned time | 90% | 86% | 100% | 92% | 100% | 100% | 100% |
| Client Satisfaction Survey. | 100% | 100% | 100% | 100% | 100% | n/a | 100% |

Comments received in the Client Satisfaction Surveys

I can use the recommendations to hold officers to account, I was able to provide feedback on the findings, I was able to agree/disagree with the recommendations.

The audit report is a useful marker to formally close down the project activity related to this piece of transformation. The discussion point raised within the report further strengthens improvement activity already in process - so again reassuring to have an impartial view on this from the audit process.

Excellent two way communication to understand the context and landscape resulting from the pandemic and the impact on the progress against the ambitions contained within the Home Care and Support Service specification.

Done Professionally.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Committee Name and Date of Committee Meeting

Audit Committee – 15th March 2022.

Report Title

Internal Audit Quality Assurance and Improvement Programme (QAIP) and review against Public Sector Internal Audit Standards (PSIAS).

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author

David Webster, Head of Internal Audit

Tel: 01709 823282

Email: david.webster@rotherham.gov.uk

Ward(s) Affected

Borough-Wide.

Report Summary

Internal Audit is a major source of assurance to the Council on the framework of control, risk management and governance. All Internal Audit departments in Local Government must comply with PSIAS. The standards include the need for a QAIP to provide continual improvement, based on ongoing quality assurance and an annual self-assessment, with an external assessment at least every five years.

An external assessment was completed in November 2020 which showed general conformance with those standards and was presented to the Audit Committee in January 2021. The QAIP was updated to address the areas where further improvement could be made, based on the suggested actions to consider in the report.

The Improvement Programme has continued to be implemented since then. The latest annual self-assessment has now been completed, still showing general conformance with the standards. However, there are still actions that can be taken to maintain and improve performance. This paper shows the status of actions in last year's QAIP and the actions to be taken over the coming year.

Recommendations

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

List of Appendices Included

Appendix A Quality Assurance and Improvement Plan

Background Papers

Public Sector Internal Audit Standards.
Accounts and Audit (England) Regulations 2015.
Audit Committee Paper March 2021.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Internal Audit Quality Assurance and Improvement Programme.

1. Background

- 1.1 Internal Audit is required to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). Those standards require the existence of a Quality Assurance and Improvement Plan.
- 1.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. The periodic reviews normally comprise annual self-assessments, but external verification of that assessment must be obtained at least every five years. An external assessment was completed in November 2020 and the results reported to the Audit Committee in March 2021. Where suggestions for improvement were made actions were generated which in total comprised the Improvement Action Plan for 2021, together with four actions carried forward from the previous year.
- 1.3 A further self-assessment has now been completed, using a checklist developed by the Chartered Institute of Public Finance and Accountancy. This covered all standards and included evaluating the ongoing procedures and progress against the Improvement Plan.

2. Key Issues

- 2.1 RMBC Audit were found to conform overall with PSIAS, with conformance with all standards, the Code of Ethics, Core Principles, Definition and Mission Statement. All individual tests showed conformance except for one relating to the use of computer aided audit techniques. Nine of the eleven actions from the external assessment had been implemented, along with three of the four actions from the previous year.
- 2.2 The current QAIP and the position against the 2021 Improvement Plan is given in Appendix A. The outstanding actions relate to the use of Computer Aided Audit Techniques and the development of further performance targets within the team. They will be completed in 2022/23. They do not affect the standard of work carried out by the team.
- 2.3 The Action Plan will continue to be implemented during 2022.

3. Options considered and recommended proposal

- 3.1 There is no discretion on whether to comply with the PSIAS. The purpose of the report is to inform the Audit Committee of the QAIP that has been put in place and is being implemented.

4. Consultation on Proposal

- 4.1 None.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 15th March 2022 meeting.

6. Financial and Procurement Advice and Implications

- 6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 There are no direct implications for Children and Young People.

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for CO2 Emissions and Climate Change

- 11.1 There are no direct CO2 and Climate Change implications arising from this report.

12. Implications for Partners

- 12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Council Plan.

13. Risks and Mitigation

- 13.1 The following risk has been identified.

| Risk | Impact | Likelihood | Mitigation |
|--|--------|------------|--|
| Failure to meet the requirements of the standards set down in the UK Public Sector Internal Audit Standards (PSIAS). | Low | Low | External and internal assessment show general conformance with PSIAS. Maintain quality assurance and produce and implement improvement plan. |

14. Accountable Officer

David Webster, Head of Internal Audit.

*Report author David Webster, Head of Internal Audit
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Rotherham Metropolitan Borough Council

Internal Audit Quality Assurance and Improvement Plan 2022

1 Introduction and Background

- 1.1 The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.
- 1.2 The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.3 The QAIP must include both internal and external assessments.
- 1.4 Internal assessments must include:
 - Ongoing monitoring of the performance of the Internal Audit activity. This is an integral part of the day-to-day supervision, review and measurement of internal audit. Ongoing monitoring is incorporated into the routine policies and practices used to manage internal audit and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, Code of Ethics and Standards; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices, to evaluate conformance.
- 1.5 External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.
- 1.6 Within RMBC the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit assignment level as well as at a broader level covering the entire internal audit department.
- 1.7 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.8 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of RMBC that it:
 - Performs its work in accordance with its Charter, which is consistent with the PSIAS
 - Operates in an efficient and effective manner
 - Is adding value and continually improving its operations

2 External Assessment

- 2.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 2.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.
- 2.3 At the end of 2020 an external assessment of Internal Audit was completed by the Head of Internal Audit of Calderdale Council. The results showed General Conformance with PSIAS and were reported to the Audit Committee in January 2021. Eleven suggested actions for consideration were made to further develop the service. These actions plus four carried forward from the previous year became the QAIP for 2021.

3 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

- 3.1 Ongoing quality assurance arrangements
 - 3.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS. They include:
 - 3.1.2 At assignment level
 - The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
 - The objectives, scope and expected timescales for each audit assignment are subject to agreement with the client before detailed work commences
 - The results of all audit testing documented using standard working papers
 - Documented review of file and working papers by a Principal Auditor to ensure that:
 - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
 - Audit files are complete and properly structured;
 - The objectives of the audit have been achieved;
 - Appropriate levels of testing have been carried out;
 - The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence

- The audit report is complete, accurate, objective, clear, concise, constructive and timely
- Supervision of audit assignments
- Regular monitoring of progress of audit assignments
- Draft reports and recommendations are reviewed and approved by the Head of Internal Audit.
- Client View Questionnaires are issued with each draft report to obtain feedback on the performance of the auditor and on how the audit was received.

3.1.3 At Internal Audit department level

- The Internal Audit annual plan is produced using a risk-based approach
- The audit procedures manual provides a detailed description of the work of the department and the way in which the work should be carried out. This is a point of reference for staff and guides them through the relevant procedures followed within the department
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility for Internal Audit
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including
 - Job descriptions for each post
 - Annual performance appraisals, to include assessment against audit competencies
 - Individual development plans based on the results of the appraisals
 - Training plans and qualifications for individuals within the team
- Performance against agreed quality targets reported to the Audit Committee at each meeting

3.1.4 Integrated Audit Software

The department uses integrated audit software supplied by Pentana (previously Morgan Kai). This enhances and enforces quality assurance at both assignment and departmental level.

3.1.5 Reporting to the Audit Committee

At each meeting Internal Audit provides the Audit Committee with a Progress Report summarising the audit activity undertaken since the previous meeting. This includes the following:

- Progress against the annual plan
- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations
- Performance Indicators for the department

3.2 Periodic Reviews

- 3.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS completed by the Head of Internal Audit. A checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) is used.
- 3.2.2 The results of the self-assessment are used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.
- 3.2.3 Results are also used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the Audit Committee.
- 3.2.4 Another self-assessment has now taken place which included an evaluation of progress against the previous actions, using the CIPFA checklist. The results are shown below. Where an action has been identified against a standard the whole of that standard and the current actions are shown to give context, even if the new suggested action only relates to part of the standard.
- 3.2.6 The actions will be progressed throughout the year and the results reported back to the committee.

Quality Assurance and Improvement Plan – 2021 and 2022

Actions from assessment November 2020

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|------|---|--|--|--|
| 1200 | <p>Standards require that engagements are performed with proficiency and due professional care having regards to skills and qualifications.</p> <p>The self-assessment identified that there is a short-fall in IT audit knowledge and the use of computer assisted audit techniques (CAATs), although actions have been identified to manage this, such as buying a service from Salford Internal Audit. No reference is made to these arrangements in the Audit Manual or Internal Audit Charter.</p> | <p>Arrangements for IT audits and CAATs should be appropriately documented in the Audit Manual and Internal Audit Charter.</p> <p>Action should continue to be taken to address this gap in knowledge to ensure audits are performed in compliance with required standards</p> | <p>Agreed.</p> <p>Salford Internal Audit Services have produced an Audit Needs Assessment. This will be incorporated into the Audit Plan for 2021/22.</p> <p>The use of Computer Aided Audit Techniques is being explored and they will be used during 2021/22.</p> <p>The Audit Manual and Charter will be updated to reflect this.</p> | <p>Partially Completed.</p> <p>IT audits completed by Salford IAS.</p> <p>Audit Manual and Charter updated to reflect that.</p> <p>CAATs being introduced.</p> |
| 1200 | <p>Verbal assurance was provided as part of the review that all auditors take part in PDR's. Although from discussion it was clear that the majority of auditors have undertaken regular training and development some auditors could not recall any recent training or development opportunities.</p> | <p>Reviews should be undertaken of all auditors PDRs to ensure that all have participated in a programme of continuing professional development in order to ensure that standards continue to be met.</p> | <p>Agreed.</p> <p>Professional Standards will be included in the next round of PDRs, due in May 2021.</p> | <p>Completed.</p> <p>Professional Standards included in PDRs.</p> |
| 1300 | <p>Standards require that internal assessments are required in the form of ongoing monitoring and reporting on</p> | <p>In order to provided Members of the Audit Committee with further assurance as to the</p> | <p>Agreed.</p> <p>Further information from the Post Audit Questionnaires will</p> | <p>Completed.</p> <p>Questionnaires reviewed and updated.</p> |

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|-----|---|---|---|---|
| | <p>the performance of internal audit activity against set performance targets. It is noted that the following performance targets are reported to the Audit Committee:</p> <ul style="list-style-type: none"> a) draft reports issued within 15 working days of field work being completed; b) Chargeable time/available time; c) Audit completed within planned time; d) Client satisfaction survey. <p>From discussion as part of the assessment and a review of the Audit Manual it was established that other qualitative monitoring processes are included within Pentana and questions asked on the client post assurance questionnaire, but they are not reported to Audit Committee.</p> <p>Standards require the quality of communications to be generally accurate, objective, clear, concise, constructive, complete and timely. Although no issues were identified as part of the external review and it was noted that client post audit questionnaires consider some of these quality issues, they do not consider them all, nor are they communicated to</p> | <p>effectiveness of the Internal Audit activity consideration should be given to extending the reporting of performance targets from the information contained within the Pentana and client post audit questionnaires.</p> <p>In order to demonstrate the quality of communications, consideration should be given to reviewing the questions on the client post audit questionnaires and communicating the full results to the Audit Committee.</p> | <p>be provided to the Committee.</p> <p>The questions will be reviewed to ensure they provide sufficient information.</p> | <p>Improved reporting to Audit Committee.</p> |

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|------|--|--|--|-----------------------------|
| | the Audit Committee. Although a judgement has been made as part of the external assessment, that on the whole the Core Principle 'Demonstrates quality and continuous improvement' has been met, consideration should be given to enhancing the communication of quality standards. | | | |
| | As part of discussions with auditors and principal auditors it was established that they were unsure whether post audit questionnaires were being sent to clients and they were not being made aware of the results if they were. It is noted however, that this requirement is included within the Audit Manual. | Once revised, auditors should be reminded of the process for post audit questionnaires. In addition, as part of continuous improvement the results of questionnaires should be reviewed and communicated to auditors as appropriate. | Agreed. | Completed. |
| 1300 | As part of the external review progress reports presented to each meeting of the Audit Committee were reviewed. It was noted that a number of audits showed the status 'WIP' (work in progress) for several meetings. From discussion with the Head of Internal Audit it was identified that there would be reasons for this, although the potential for "drift" is currently not being monitored. | In order to ensure efficiency, and that reports are reported in a timely manner, consideration should be given to introducing targets and monitoring the manage the risk of "drift" i.e. starting audits and not completing them in a timely manner. | Agreed. Targets for the timely completion of audits will be introduced. | To be completed in 2022/23. |

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|------|--|---|---|---|
| 2000 | <p>The self-assessment identified that reliance has not been placed on other sources of assurance and that work on assurance mapping had commenced but was not complete. It is noted however, that some consideration is given to this as part of scoping individual audits.</p> | <p>In order to make best use of Internal Audit resources action should be taken to ensure reliance is placed on other sources of assurance where available.</p> | <p>Agreed.</p> <p>A Research Document was introduced after the self-assessment, to be used prior to scoping audits. This will be further developed to ensure reliance can be placed on other sources of assurance where possible.</p> | <p>Completed.</p> <p>Research Document developed. Reliance placed on other sources of assurance where applicable.</p> |
| 2300 | <p>Standards require that auditors should remain alert to the possibility of the following when performing their individual audits:</p> <ul style="list-style-type: none"> • Intentional wrongdoing; • Errors and emissions; • Poor value for money; • Failure to comply with management policy; • Conflicts of interest. <p>As part of the self-assessment it was confirmed that this requirement is being met through training, experience and audit methodology. Although this is acknowledged and no impairment was observed as part of the external review through discussion with auditors, and reviews of individual audit reports, the standard requires that this is documented.</p> | <p>Consideration should be given to documenting the requirement to be alert to the potential issues as part of all engagements. Although not exhaustive this could be achieved in a number of ways such as reference in the Audit Manual, part of annual declarations or a regular documented training or items at teams meetings for all auditors.</p> | <p>Agreed.</p> <p>This will be referenced in the Audit Manual and included in team meetings.</p> | <p>Completed.</p> <p>Manual updated.</p> |

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|------|---|--|--|---|
| 2400 | <p>Standards require that internal auditors must communicate the results of engagements. The standards state that internal Auditors may report that engagements are “conducted in conformance with the PSIAS” only if the results of the QAIP support such a statement.</p> <p>It was noted as part of the external assessment that this is not included in the current report format. The reason given for this as part of the self-assessment was that this is not used as the last external assessment did not have that result.</p> | <p>Given the outcome of this external review, consideration should be given to including within the standard report format that engagements are conducted in conformance with PSIAS.</p> | <p>Agreed.</p> <p>This will be added to all reports.</p> | <p>Completed.</p> <p>Added to all Audit scopes and reports.</p> |
| 2400 | <p>As required by the standards it was identified from the external assessment that an overall annual audit opinion was provided which was supported by work undertaken by internal audit. However, as part of discussions and a review of the report it was identified that this could be improved by providing a high-level summary showing the overall picture for the year.</p> | <p>Consideration should be given to providing a high-level summary of the position for the year as part of the annual opinion.</p> | <p>Agreed.</p> <p>A high-level summary will be included in the Internal Audit Annual Report.</p> | <p>Completed.</p> <p>Annual Report for 2020/21 included a high-level summary for the year.</p> |
| 2400 | <p>In local government, internal auditors operate in the public domain. There will be a variety of external interests in their work, including the organisation’s</p> | <p>In order to improve transparency and reporting to all stakeholders, consideration should be given to all Internal Audit Progress Reports being reported in public.</p> | <p>Agreed.</p> <p>Internal Audit Progress Reports will be included in the public sessions of the Audit</p> | <p>Completed.</p> <p>Internal Audit Progress Reports included in public session of Audit Committee.</p> |

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|------|--|--|---|---|
| | <p>partners in the voluntary sector and other parts of the public sector, the general public, and 'armchair auditors' and other stakeholders who the government expects to scrutinise local authority activities. The Freedom of Information Act 2000, or equivalent, obliges internal auditors to manage their activities in the expectation that their work will become public knowledge and could be scrutinised by anyone with an interest in doing so.</p> <p>It is noted however, that Internal Audit Progress Reports are presented to Audit Committee in private. Although reasons were given as to why this decision was made, such confidentiality on sensitive issues with fraud investigations for example, it is considered that on the whole Internal Audit Progress Reports to the Audit Committee should be presented in public.</p> | | Committee, with any confidential information being included in the private session. | |
| 2500 | Standards require that a process should be in place to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action and that a revised opinion should be considered. | The Audit Manual should be reviewed to ensure that the process for following up on recommendations and follow-up audits is clear. Consideration should be given to reviewing the opportunities within the Pentana system to automate the process | <p>Agreed.</p> <p>The process for tracking and following up audit actions and completing follow-up audits will be reviewed and made clearer and communicated to all auditors.</p> | <p>Completed.</p> <p>Manual updated and audit team briefed.</p> |

| Ref | Observations | Actions to Consider | Management Response/Action | Current Position |
|-----|--|---|----------------------------|------------------|
| | <p>It was noted as part of the review that recent action had been taken to address the issue of recommendations not being implemented and that this is being tracked by Pentana.</p> <p>As part of the review it was established that such a process is in place and that it is documented as part of the Audit Manual. It was found however through discussion with auditors that they were not clear when a follow-up audit should be done as they stated that it was determined by the Head of Internal Audit. It was noted that there were many follow-up audits on the Audit Plan but auditors were not always clear why the follow-up audit was required. It was also established that a different approach was being taken by different auditors when accepting that audit recommendations had been implemented, with some asking that evidence be provided, and others accepting the response from management.</p> | <p>for not only following up on recommendations but also for follow-up audits.</p> <p>Once reviewed the documented procedure should be communicated to all auditors as a reminder of the process.</p> | | |

Actions from assessment February 2020

| Ref | Standard | Assessment | Planned Action | Current Position |
|------|---|---|--|--|
| 1210 | Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques? | CAAT's not used. | CAATs to be introduced | CAATs being introduced. |
| 1310 | <p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? <p>Does ongoing performance monitoring include obtaining stakeholder feedback?</p> | <p>Targets in place for time taken to produce reports, productive time, client satisfaction surveys, time taken to complete audits. Agreed with AC and SD and included in Service Plan. Monitored and reported to AC.</p> | <p>Stakeholder feedback on performance to be obtained.</p> | <p>Completed.</p> <p>Client questionnaires updated to obtain feedback from managers.</p> |

| Ref | Standard | Assessment | Planned Action | Current Position |
|------|--|--|--|---|
| 2110 | <p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? <p>Coordinating the activities of and communicating information among the board, external and internal auditors and management?</p> | <p>Governance processes included in all audits. Review of sub-scheme of delegation completed in the year.</p> <p>Risk Management included in all audits, and specific review in 2019.</p> <p>IA produces and administers the Anti-Fraud and Corruption Strategy and Policy. The HIA is one of the whistleblowing officers,</p> <p>Performance management included in audits, specific review in 2019.</p> <p>Communication not reviewed.</p> | <p>Audit plan to include review of Risk Management</p> | <p>Completed.</p> <p>Risk Management review completed for 2020/21, planned for 2021/22.</p> |
| 2410 | <p>When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?</p> | <p>Academies only, for use within the Academy.</p> | <p>Report to include standard paragraph</p> | <p>Completed.</p> <p>Standard paragraph used in all Academy reports.</p> |

Council Report

Audit Committee Meeting – 15th March 2022.

Title

Internal Audit Plan 2022/23.

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

David Webster, Head of Internal Audit
Internal Audit, Finance and Customer Services
Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

This report refers to the Internal Audit Plan for 2022/23. The report explains Internal Audit's approach to the development of the plan, as well as detailing the specific activities we plan to review during the year. The plan reflects a comprehensive risk assessment process, which has also included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage. It is designed to enable the Head of Internal Audit to give his annual opinion at the end of the year on the adequacy and effectiveness of governance, risk management and the control framework. The plan will remain flexible and will be reviewed during the year to ensure it remains relevant.

Recommendations

1. The Audit Committee is asked to consider the Internal Audit Plan and to comment on its content with regards to the areas covered and the level of audit resources.
2. The Audit Committee is requested to approve the Internal Audit Plan for 2022/23.

List of Appendices Included

Appendix 1: Internal Audit Plan 2022/23.

Background Papers

Public Sector Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No

Internal Audit Plan 2022/23.

1. Background

- 1.1 Internal Audit is required to comply with Public Sector Internal Audit Standards (PSIAS). The Standards require Internal Audit's plans to be risk based and to take into account the need to produce an annual internal audit opinion. It needs to be flexible to reflect changing risks and priorities of the organisation.

2. Key Issues

- 2.1 The plan has been prepared after a full refresh of the 'audit universe' (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of the Council's risk registers. It has also taken into account:

- Council Plan and Year Ahead Delivery Plan
- Reports by management to the Audit Committee on the management of risks.
- Cumulative audit knowledge and experience of previous work undertaken.
- Discussions with Strategic Directors and Assistant Directors.
- Knowledge of existing management and control environments.
- Professional judgement on the risk of fraud or error.
- Examination of Corporate Plans.
- Review of external inspection reports.

- 2.2 As well as identifying all of the proposed pieces of work to be carried out during the year, the plan:

- Explains the statutory requirements for Internal Audit
- Describes the approach and methodology adopted in producing the plan
- Shows the level of resources available to deliver the plan is 1000 days
- Includes a contingency for responsive work

- 2.3 In line with auditing standards, the plan does not become fixed when it is approved. It remains flexible and will be revised to take into account any significant emerging risks facing the Authority. It will be subject to a half year review in consultation with Strategic Directors and Assistant Directors.

3. Options Considered and Recommended Proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit, in particular to review and approve the risk-based plan.

- 3.2 The Audit Committee is asked to support the Internal Audit Strategic Annual Plan for 2022/23.

4. Consultation on Proposal

- 4.1 As part of the process for producing this Audit Plan, the Head of Internal Audit has held discussions with the Council's Strategic Directors and their teams to obtain their views of key risks and areas for audit coverage.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its 15th March 2022 meeting.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. This states:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

7.2 PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.”

7.3 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 This document constitutes a report of the Internal Audit Plan for 2022/23. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for CO2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risks have been identified.

| Risk | Impact | Probability | Mitigation |
|--|--------|-------------|---|
| Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work). Insufficient resources to complete work to support the annual opinion. | Low | Low | Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. Half-yearly meetings with all Directorate Leadership Teams to ensure plan is up to date. Progress reports provided to Audit Committee. |

14. Accountable Officer

David Webster, Head of Internal Audit.
Tel 01709 823282. E mail david.webster@rotherham.gov.uk



Rotherham Metropolitan Borough Council

Internal Audit Plan 2022/23

1. Introduction

This document provides a summary of the Internal Audit Plan for 2022/23.

Definition of Internal Audit

The UK Public Sector Internal Audit Standards defines Internal Audit as follows:-

“Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (England) Regulations 2015:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.”

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

S.151 Officer responsibility

Internal Audit also has an important role to support the Strategic Director of Finance & Customer Services in discharging her statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

Development of Internal Audit Plan

The plan has been prepared after a full refresh of the ‘audit universe’ (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of Council risk registers. It has also taken into account the views of Directors and Assistant Directors as to where audit resource is most needed, however the plan and its contents are entirely the responsibility of Internal Audit.

In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment.

Ongoing Revision of Internal Audit Plan

It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary. It is also intended to undertake a half year review. Any significant changes to it will be reported to the Audit Committee for consideration and approval.

2. Approach

The internal audit function will be delivered in accordance with the Internal Audit Charter, as presented to the Audit Committee in September 2021. The Charter defines the role, scope, independence, authority and responsibility of the internal audit department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Service Plan.

3. Methodology

A summary of our approach to the development of the Audit Plan for 2021/22 is set out below. The Plan is driven by the Council's organisational objectives and priorities and the risks that may prevent the Council from meeting these objectives.



Step 1 – Review objectives and risks

We have examined all the Council's Strategic and Directorate risk registers. We have also reviewed the Council Plan and Year Ahead Delivery Plan to identify objectives and priorities. We have reviewed the discussions for previous year's plans and looked at the reviews carried out this year, and also those deferred. In this way we have sought to ensure that risks are addressed over successive annual audit cycles. We have reviewed the findings from recent external reviews and have also used sector knowledge to gain a wider understanding and perspective on risk. We have considered the previous year's plans from other Councils to ensure wider issues were picked up.

Step 2 – Define the audit universe

Using that information we have updated the 'audit universe', the possible areas for audit within the Council based on the risk registers, Council plans objectives and priorities, Performance Management framework and our accumulated knowledge and experience.

Step 3 – Assess the risk of each auditable area

This is a function of the estimated impact and likelihood of risk occurring for each auditable unit within the audit universe. It also takes into account our understanding of the strength of the control environment of each area. Where the auditable area is included in a risk register, the risk rating was used. Where the auditable area was not in a risk register the risk was assessed in terms of:

- The importance of the auditable area
- The level of risk of the auditable area

Step 4 – Include other auditable areas

In addition to the audit work identified through the risk assessment process, we also work on fundamental financial systems to assist the Responsible Finance Officer to meet her statutory responsibilities under s.151 of the Local Government Act 1972. We are required to provide certification of a small number of grant claims. We include an allowance for pro-active fraud prevention work and the investigation of suspected fraud and irregularity, and a contingency for management requests and emerging issues. Finally, we have committed to provide an internal audit service to a small number of academy schools in the Rotherham area, from which we generate a small income stream.

Step 5 – Derive the Audit Plan.

From the above a 'long-list' of potential areas for audit was produced. Discussions were then held with all Strategic Directors and their teams. The plan was then derived to account for competing priorities, the need to provide an opinion at the end of the year and the resources available. It was presented to the Senior Leadership Team for information and any comment.

4. Basis of our annual audit opinion for 2022/23

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN). The department was externally assessed in early 2021 as Generally Conforming with PSIAS.

Our annual internal audit opinion will be based on the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. Progress against our Plan will be reported to the Audit Committee during the year.

In producing this Plan, we have considered carefully the level of audit coverage required to be able to form an evidenced annual internal audit opinion. Despite the impact of Covid-19 there is still sufficient resource available throughout the year to support an opinion. There are a number of risks to the delivery of this Plan:

- The plan includes a realistic provision for investigations. However, there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.
- The team is now at full capacity, but the plan could be affected by staff vacancies or sickness during the year.

Audits covered within the plan

Outline scopes for each review are given in the attached table. The following types of audit work will be completed.

1. Risk based work

This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls to mitigate those risks.

2. System based work

Predominantly of key financial systems to give assurance that they are operating effectively. Reviews will take place each year but will look at specific controls on a rolling basis.

3. Follow up audits

Specific follow up audits will be completed where there has been a partial or no assurance audit opinion.

4. Advisory work

Audit time to take part in specific projects or developments, as already requested / agreed with management.

5. Grant claims

Time has been assigned to carry out reviews of grant claims.

6. Schools

During 2022/23 we will again use Control and Risk Self-Assessment for all maintained schools. This is designed to provide a level of assurance about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits. We will use the results to complete themed school-based reviews on risks identified from the self-assessment. A sample of

schools will be visited to assess the identified risks.

7. IT Audit

The Internal Audit team completes audits of the IT section but does not have the expertise to carry out technical audits of IT systems. Salford City Council Internal Audit Services specialise in this area and provide audit services to councils in Greater Manchester, the north-west and north-east of England and north Wales. These are also shown in the Plan although they will be completed by the Salford team.

8. Counter Fraud work

We will continue to conduct investigations in fraud and irregularity during the year. In addition, we will continue to participate in the National Fraud Initiative. This matches data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions.

Resources

The audit plan will be delivered by the in-house team with the exception of some specialised IT audits completed by Salford City Council Internal Audit, and has been based on the current complement of the team.

There is a contingency of 50 days for further audits of risks as they arise, or for requests from management for advisory work.

Not shown within the plan is a small allocation of days for the provision of an audit service to a number of academy schools in the Rotherham area, from which we generate a small income stream.

The level of available resources for the Internal Audit function for 1st April 2022 to 31st March 2023 is 1000 days and is based on an establishment structure of 8 FTE. This is sufficient to allow the Head of Internal Audit to give his annual opinion at the end of the year. However, a greater resource would enable the team to provide a better service and greater assurance to the Council. The plan depends on maintaining the current level of resource.

5. Internal Audit Plan 2022/23

The internal audit plan has been derived as shown below to reflect the core areas of our Internal Audit programme determined by our risk assessment and consultation process.

Internal Audit Plan 2022-2023

| Assistant Chief Executive | | | | | |
|---|---------------------------------|-----------------------------|--|-----------------------|------------------------|
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
| Payroll | ACX20 | Systems Based | Provide assurance on key processes for carrying out reconciliations and error resolution and prevention. | 20 | |
| Big Hearts Big Changes (BHBC) | ACX23 | Risk Based | Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme. | 15 | |
| Year Ahead Plan | ACX27 | Risk Based | Provide assurance on the governance arrangements and that performance measures are being accurately reported. | 20 | |
| Agency Staff / Relief Workers | | Risk Based | Provide assurance on the effectiveness of governance arrangements to ensure agency/relief staff are being sourced in accordance with approved contract(s). | 15 | |
| Use of Volunteers | | Risk Based | Review the process for evaluating volunteers is robust and the collection and use of personal data is GDPR compliant. | 10 | |
| Declarations of Interest | | Risk Based | Provide assurance on the effectiveness of policies & procedures and ownership and accountability for the process. | 10 | |
| Leavers | | Follow-up | Carry out a Follow-up of the Jan 2022 Audit (partial assurance) | 5 | Q1/2 |
| Total planned days – Assistant Chief Executive | | | | 95 | |

ADULT CARE HOUSING AND PUBLIC HEALTH

| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
|---|---------------------------------|-----------------------------|---|-----------------------|------------------------|
| Liberty Protection Safeguards. | ACHPH R3 (ACI R5) | Risk Based | Provide an assurance on the Council's readiness to transfer to the new Liberty Protection Safeguards regulations. | 15 | 4 |
| Public Health | ACHPH R7 (PH R5) | Risk Based | Management request for a further review of additional Elements of the What Good Looks Like (WGLL) programme. | 10 | 2 / 3 |
| Health & Safety Legislation and Corporate Responsibilities for Council Homes. | ACHPH R9 Housing RR No.1 | Risk Based. | Management request for a review to be carried out when changes to Social Housing Regulations framework have been finalised. The audit will revisit the Council's compliance with Health and Safety regulations. | 10 | 3 |
| Assistive Technology | ACHPH R11 & 12) | Risk Based | Review of Assistive Technology procedures; including approval pathway for purchasing new equipment; decision making for specialist equipment and compliance with contractual / procurement processes. | 15 | |
| Health Funded Clients | ACI R1 | Risk Based | Review the Council's use of the RAFT tool in determining client's assessment of their level of health need, and subsequent level of health funding for their needs. | 10 | |
| Housing Disrepair Claims | Operational Risk | Risk Based | Provide assurance on the controls in place to reduce the number of Disrepair claims logged with the Council and deal with those received. | 10 | |
| Housing Management System | | Risk Based | Review and provide assurance on the adequacy of the new housing management system. | 15 | 3 / 4 |
| Care Provision Deferred Payment Agreements & Unpaid Debt. | | Risk Based | Review of compliance with procedures for deferring payment for care provision and recovery of unpaid debt. | 10 | |
| Transition from Children's Care to Adult Care | | Follow Up | Follow up of 2020-2021 audit review. Audit deferred from 2021-2022 plan. | 5 | |
| Rothercare | | Follow Up | Follow up of 2021-2022 audit review reporting a partial assurance level. | 5 | Q3 |

| | |
|--|------------|
| Total Planned Days – Adult Care and Housing | 105 |
|--|------------|

| CHILDREN AND YOUNG PEOPLES SERVICE | | | | | |
|--|---------------------------------|-----------------------------|--|-----------------------|------------------------|
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
| Commissioning Services | CPQ43 | Risk Based | Review of commissioning policies in place to support safeguarding of children and young people; health and safety and Governance, which need to be in place by all contract holders. Assurance would assist Commissioning develop their quality assurance framework. | 10 | |
| Direct Payments | CPQ44 | Risk Based | Review the procedures for making direct payments to personal budget holders and provide an assurance on the quality of annual audits carried out on individual client's accounts. | 15 | |
| Safeguarding | SCF4 | Risk Based | Review the processes for maintaining robust safeguarding arrangements – detailed scope to be agreed. | 20 | |
| Schools CRSA | | Risk Based | Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits. | 10 | 3 / 4 |
| Schools Themed Audits | | Risk Based | Sample visits to schools, based on the results of the self-assessment. | 20 | 3 / 4 |
| Joint Funding of Care Packages | | Risk Based | Review of the new Joint Funding strategy and provide a level of assurance on compliance with the new strategy. | 15 | 3 / 4 |
| Commissioning | | Follow Up | Follow up audit of commissioning of emergency provision supplier. | 5 | 2 |
| Special Education Needs and Disability (SEND). | CYPS03 ES16 | Risk Based | Review progress in implementing the Ofsted action plan and provide an assurance on the processes taken to address the weaknesses highlighted within the action plan. | 15 | |
| Total Planned Days - Children and Young People's Services | | | | 110 | |

| FINANCE AND CUSTOMER SERVICES | | | | | |
|--------------------------------------|---------------------------------|-----------------------------|-----------------------|-----------------------|------------------------|
| Finance | | | | | |
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |

| | | | | | |
|--|-------------------------|---------------|---|----|------|
| NNDR | FCS2 | Systems Based | Fundamental System. Review of new processes in respect of NNDR reliefs to provide a level of assurance of compliance with these. | 10 | |
| Council Tax Support | FCS10 | Systems Based | Review of changes in Council Tax Support System and provide a level of assurance of compliance with these. | 10 | |
| Procurement Governance | Operational Risk. | Risk Based | Review procurement procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures. | 30 | |
| Social Values | Operational Risk | Risk Based | Review of compliance with Social Value policy requirements for procurement and provide assurances that controls are in place to ensure the policy is embedded by contract managers. | 15 | |
| Debtors | | Systems Based | Review debtors procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures. | 30 | |
| Treasury Management | | Risk Based | Review of Treasury Management Strategy to ensure compliance with recent changes. | 10 | Q3 |
| Covid Grants | | Risk Based | Further reviews of new Covid Grant Schemes, including the Council's use of the Spotlight tool. | 15 | |
| Customer Information & Digital Services | | | | | |
| Hosted & Cloud-based systems | Operational Risk | Risk Based | Provide assurance on the IG policies & procedures for cloud-based storage platforms, including recovery, protection & security arrangements. | 10 | |
| 3 rd Party Supplier Access Management | Salford risk assessment | Risk Based | Provide assurance on the effectiveness of policies & procedures to allow/remove access for 3rd parties. | 10 | |
| Back-up Management | Salford risk assessment | Risk Based | Provide assurance that IT 'back-up' arrangements are operating effectively, e.g. servers, 365. | 10 | |
| Blue Badge Scheme | | Risk Based | Provide assurance on effectiveness and application of policy and procedures. | 10 | |
| Hardware Asset Management | | Follow-up | Follow-up of 21/22 Audit (partial assurance) | 5 | Q1/2 |
| Customer Digital Programme | | Advisory | Audit contribution to projects designed to increase efficiency. | 30 | |
| Technical IT Audits | Salford risk assessment | Risk Based | Provide assurance on the management and effectiveness of key technical IT systems and processes. | | |

| Legal Services | | | | | |
|---|--|------------|--|------------|---------|
| Electoral Services | | Risk Based | Review the processes used as part of the Mayoral Election to provide assurances that processes are efficient and fit for future elections. | 10 | Q2 |
| Adult Care Protection Legal Support | | Risk Based | Provision of effective Adult Care Protection legal support to Adult Care, Housing & Public Health | 10 | Q3 / Q4 |
| Housing Disrepair | | Risk Based | Review of procedures for handling claims in respect of Housing Disrepair within Legal Services. | 10 | |
| Registrars | | Risk Based | Provide an assurance on the performance of the Council's contract with Dignity Crematoria Ltd. | 15 | Q3 / Q4 |
| Total Planned Days – Finance and Customer Services | | | | 240 | |

| Regeneration and Environment | | | | | |
|-------------------------------------|--------------------------|----------------------|--|----------------|-----------------|
| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
| Licensing | R&E1 (CSS8) | Risk Based | Review and provide assurance on the implementation of actions arising from the Local Government Association's review of Licensing. | 15 | |
| Waste | CSS13 | Risk Based | Scope to be confirmed / agreed. | 20 | |
| Health & Safety Policy | CSS24 | Risk Based | Review of policies / procedures in place to ensure compliance with statutory requirements / Health and Safety at Work Act. | 10 | |
| Drainage | CSS35 / 36 | Risk Based | Provide assurance on the arrangements in place to maintain the safety of the highway network from surface water & flooding. | 10 | |
| Museum Collections | CST11 | Risk Based | Review arrangements for the control, management and security of valuable collections to protect them from loss or damage. | 10 | |

| | | | | | |
|--|------|------------|---|------------|--|
| Planning Decisions & Complaints | PRT4 | Risk Based | Provide assurance on timeliness of planning decisions performance and review the arrangements for determining planning complaints & objections. | 15 | |
| Cash collection and income | | Risk Based | Review the arrangements for the collection, monitoring, reconciliation of cash and other forms of income from various establishments. | 20 | |
| Estate Management | | Risk Based | Review Health & Safety arrangements in management of the property estate relating to LEA Schools and Neighbourhoods properties. | 15 | |
| S278 Agreements | | Risk Based | Provide assurance on the proper execution of Section 278 Agreements. | 10 | |
| Total Planned Days – Regeneration and Environment | | | | 125 | |

| <u>OTHER</u> | Provision |
|------------------------------|------------------|
| Follow Up reviews | 20 |
| Grants | 50 |
| Provision for investigations | 150 |
| Pro-active fraud | 25 |
| Contingency | 50 |
| Software development | 30 |
| | |
| Other Work Total | 325 |
| | |
| Overall Plan Total | 1000 |

Committee Name and Date of Committee Meeting:

Audit Committee – 15th March 2022

Report Title:

Audit Committee Forward Work Plan

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report:

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s):

David Webster (Head of Internal Audit).

Tel: 01709 823282 Email david.webster@rotherham.gov.uk

Ward(s) Affected:

Borough-Wide.

Executive Summary:

The report presents to the Audit Committee a forward work plan covering the next year. The plan shows how the agenda items relate to the objectives of the Committee. It is presented for review and amendment as necessary.

Recommendation:

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

List of Appendices Included

Audit Committee Forward Work Plan.

Background Papers

Audit Committee Terms of Reference – Constitution, Appendix 9 Responsibilities and Functions, Section 5 Terms of Reference for Committees, Boards and Panels.

Consideration by any other Council Committee, Scrutiny or Advisory Panel:

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Audit Committee Forward Work Plan

1. Background

- 1.1 The Audit Committee's Terms of Reference are published in the Constitution. The attached Forward Work Plan details how the committee meets those Terms of Reference.

2. Key Issues

- 2.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The Terms of Reference for the Audit Committee are designed to ensure the Committee meets the CIPFA standards.
- 2.2 The forward work plan is designed to ensure that the key Audit Committee responsibilities are fulfilled.

3. Options considered and recommended proposal

- 3.1 The work plan for the Audit Committee is a helpful guiding document for the Committee itself and other stakeholders with an interest in the Committee's activities. The work plan for the coming year by date is presented to each committee meeting for review and amendment.

4. Consultation on Proposal

- 4.1 Relevant officers and the Audit Committee were consulted in producing the work plan.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Forward Plan comprises a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement).

6. Financial and Procurement Advice and Implications

- 6.1 There are no financial or procurement issues arising from this report.

7. Legal Advice and Implications

- 7.1 There are no direct legal implications associated with this report.

8. Human Resources Advice and Implications

- 8.1 There are no Human Resources implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The Audit Committee reviews the management of risks across the Council including those relating to Children's and Adult Services. Review of the management of risks helps to ensure the risks are mitigated.

10. Equalities and Human Rights Advice and Implications

10.1 There are no direct Equalities or Human Rights implications arising from this report.

11. Implications for CO2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

12.1 Partners will be able to take assurance on the Control's application of governance controls and management of risks from the work of the Audit Committee.

13. Risks and Mitigation

13.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a work plan is consistent with the CIPFA standards. The production of a work plan also helps the Audit Committee to ensure it achieves its terms of reference.

14. Accountable Officer:

David Webster, Head of Internal Audit
01709 823282 – david.webster@rotherham.gov.uk

Audit Committee Forward Work Plan

| Meeting Date | Key Responsibility | Agenda Item | Author |
|--------------|--|---|----------------------------|
| June 2022 | External Audit | Training External Audit Progress Update | Grant Thornton / Rob Mahon |
| | Governance Risk and Control | Review of Surveillance and use of Regulation of Investigatory Powers | Bal Nahal |
| | Governance Risk and Control | Dedicated Schools Grant | Neil Hardwick |
| | Governance Risk and Control | Risk Management Annual Report | Simon Dennis |
| | Internal Audit / Governance Risk and Control | IA Progress Report | David Webster |
| | Internal Audit / Governance Risk and Control | Internal Audit Annual Report | David Webster |
| | Governance Risk and Control | Audit Committee Annual Report | David Webster |
| | Governance Risk and Control | Risk Management Directorate Presentation – Adult Care Housing and Public Health | Ian Spicer |
| | Audit Committee Accountability | Audit Committee Forward Plan | David Webster |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|--------------|--------------------------------|--|-------------------------------|
| July 2022 | | Training – Statement of Accounts | |
| | Financial Reporting | Draft Statement of Accounts | Rob Mahon |
| | Governance Risk and Control | Draft Annual Governance Statement | Judith Badger |
| | Governance Risk and Control | External Audit Progress Update | Grant Thornton / Rob Mahon |
| | Treasury Management | Annual Treasury Management | Rob Mahon |
| | Governance Risk and Control | Strategic Risk Register | Simon Dennis |
| | Governance Risk and Control | External Audit and Inspection Recommendations | Simon Dennis |
| | Audit Committee Accountability | Audit Committee Forward Work Plan | David Webster |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|--------------------------------|--|--|----------------------------|
| September 2022 | | Training | |
| | Financial Reporting | Final Statement of Accounts | Rob Mahon |
| | Governance Risk and Control | Final AGS | Judith Badger |
| | External Audit | External Audit Findings (ISA 260) | Grant Thornton / Rob Mahon |
| | Internal Audit | IA Charter review and update | David Webster |
| | Internal Audit / Governance Risk and Control | IA Progress Report | David Webster |
| | Governance Risk and Control | Information Governance Annual Report | Paul Vessey |
| | Governance Risk and Control | Risk Management Directorate Presentation – Assistant Chief Executive | Jo Brown |
| | Governance Risk and Control | Anti-Fraud and Corruption Policy and Strategy review and update | David Webster |
| Audit Committee Accountability | Audit Committee Forward Work Plan | David Webster | |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|--------------------------------|--|---|----------------------------|
| November 2022 | | Training | |
| | External Audit | External Audit Annual Report | Grant Thornton / Rob Mahon |
| | Treasury Management | Mid-Year Report on Treasury Management | Rob Mahon |
| | Governance Risk and Control | Code of Corporate Governance | Simon Dennis |
| | Governance Risk and Control | Risk Management Strategy and Policy | Simon Dennis |
| | Governance Risk and Control | Risk Management Directorate Presentation – Regeneration and Environment | Paul Woodcock |
| | Internal Audit / Governance Risk and Control | IA Progress Report | David Webster |
| Audit Committee Accountability | Audit Committee Forward Work Plan | David Webster | |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|--------------------------------|--|--|----------------------------|
| January 2023 | | Training | |
| | Financial Reporting | Final Accounts closedown and accounting policies | Rob Mahon |
| | External Audit | External Audit Update | Grant Thornton / Rob Mahon |
| | Governance Risk and Control | External Audit and Inspection recommendations | Simon Dennis |
| | Governance Risk and Control | Strategic Risk Register | Simon Dennis |
| | Governance, Risk and Control | Risk Management Directorate Presentation – Finance and Customer Services | Judith Badger |
| | Internal Audit / Governance Risk and Control | IA Progress Report | David Webster |
| Audit Committee Accountability | Audit Committee Forward Work Plan | David Webster | |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|---------------------|--|--|----------------------------|
| March 2023 | | Training | |
| | Internal Audit | IA Annual Plan | David Webster |
| | Internal Audit / Governance Risk and Control | IA Progress Report | David Webster |
| | External Audit | Annual Report (VFM) | Grant Thornton / Rob Mahon |
| | Financial Reporting | Final Accounts closedown and accounting policies | Rob Mahon |
| | Governance Risk and Control | Procurement Update | Karen Middlebrook |
| | Governance Risk and Control | Dedicated Schools Grant | Neil Hardwick |
| | Governance Risk and Control | Risk Management Directorate Presentation – Children and Young People’s Service | Suzanne Joyner |
| | Internal Audit | Public Sector Internal Audit Standards | David Webster |
| | Internal Audit | Internal Audit Quality Assurance and Improvement Plan | David Webster |
| | Audit Committee Accountability | Audit Committee Forward Work Plan | David Webster |

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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