

**AUDIT COMMITTEE  
14th March, 2023**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Ball, Browne and Wyatt together with Mr. J. Barber (Independent Person).

Gareth Mills and Thilina De Zoysa (Grant Thornton External Auditor) were also in attendance.

An apology for absence was received from Councillor Mills.

**74. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**75. COUNCILLORS BALL AND BROWNE**

The Chair welcomed Councillor Ball to his first meeting of the Audit Committee and Councillor Browne who had re-joined the Committee as Vice-Chair.

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

There were no members of the public or press present at the meeting nor had any questions being received in advance of the meeting.

**77. 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. 79 (Children and Young People's Services Directorate Risk Register – Appendix 1) as it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

**78. MINUTES OF THE PREVIOUS MEETING HELD ON 10TH JANUARY, 2023**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 10<sup>th</sup> January, 2023.

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

**79. RISK MANAGEMENT DIRECTORATE - CHILDREN AND YOUNG PEOPLE'S SERVICES**

Nathan Heath, Acting Strategic Director Children and Young People's Services, presented a report providing details of the Risk Register and risk management activity within the Children and Young People's Services Directorate.

The Directorate level Risk Register currently had 5 risks items listed of which 2 were also included on the Corporate Risk Register:-

- CYPS01 (SLT01) - Keeping Children, Young People and Families safe from harm
- CYPS02 (SLT04) – Maintaining sustainable improvement in Children and Young People's Services with a challenging budget position

CYPS risks were discussed and reviewed at the CYPS Assurance Board meeting on a quarterly basis with escalations reviewed as exception outside of the reporting cycle. Each Assistant Director was accountable for managing a Service Risk Register which was formally monitored and reviewed with their senior managers on a monthly basis. Discussions with regard to risk were held every week in management meetings.

Following the retirement of the previous CYPS Directorate Risk Champion, the Department Business Services Manager was to be appointed as the new Directorate Risk Champion. A development plan had been created for the new Risk Champion including accredited Institute of Risk Management training at the end of March 2023 and would also form part of a corporate network alongside other officers responsible for risk management across the Council.

Discussion ensued with the following issues raised/clarified:-

- There were a number of areas of external scrutiny within CYPS including Ofsted
- Close working relationship with the Youth Justice Board
- In an attempt to mitigate the risk of high budget deficit in SEND funding, arrangement with the DfE to develop provision in Rotherham and increase the number of mainstream resource places. Number of ongoing projects including the rebuilding of Newman Lower School
- Progress made on the oversight of the Written Statement of Action (WSOA) to move to a piece of work with the DfE and the National Health Service England Improvement later in the year to understand what the legacy looked like in terms of the new SEND inspection regime next year

- Some of the actions in the WSOA had been completed/would be within the timescale set
- Given the challenges both regionally and nationally with regard to SEND, it would be an area of ongoing review
- By nature there were CYPS risks every day and managing vulnerabilities in a defined way. Wider oversight mechanisms gave assurance at another level. There was a strong culture of practice learning embedded and audit used to cross check Service records as well as assurance days/performance clinics
- Through the statutory partnerships, external organisations were held to account
- Although no specific risk included on the register for Looked After Children, they were at the core of all the risks
- Appropriate benchmarking took place with other Directorates to ensure risks were appropriately scored

Resolved:- (1) That the progress and current position in relation to risk management activity in the Children and Young People's Services Directorate, as detailed in the report now submitted, be noted.

(2) That consideration be given by the Directorate to the inclusion of a risk for Looked After Children and that a view be taken from the Corporate Parenting Panel on this possible addition to the register.

(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))

## **80. VALUE FOR MONEY OPINION 2021-22**

Gareth Mills, Grant Thornton, presented the external auditor's 2021-22 annual report for Value for Money (VFM). Under the National Audit Office Code of Practice, external auditors were now required to consider whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors now reported in more detail on the Authority's overall arrangements as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Grant Thornton had identified risks in respect of:-

### **Financial Sustainability**

- No significant weaknesses in arrangements identified but an improvement recommendation made
- The Authority had maintained a steady financial position which had improved in the past 2 years.

#### **Conclusion**

- Overall satisfaction that the Council had appropriate arrangements in place to ensure it managed risks to its financial sustainability
- No risks of significant weaknesses identified
- One improvement recommendation in respect of refining arrangements for monitoring of the Capital Programme to ensure the spend profile and timing of capital expenditure remained accurate and supported delivery of the Programme and Council Plan

### **Governance**

- No significant weaknesses in arrangements identified but an improvement recommendation made

#### **Conclusion**

- No significant weaknesses identified in respect of the Council's governance arrangements
- Overall satisfaction that the Council had appropriate arrangements in place including for budget setting and risk management
- One improvement recommendation to draw out in the Corporate Risk Register and associated published risk management reporting, the degree of risk appetite and the possible upside of taking on a degree of managed risk

### **Improving economy, efficiency and effectiveness**

- The ongoing significant weaknesses in arrangements as at 31<sup>st</sup> March, 2022, regarding the SEND report

#### **Conclusion**

- Overall satisfaction that there were appropriate arrangements in place in relation to improving economy, efficiency and effectiveness except for arrangements in implementing Special Educational Needs and/or Disabilities (SEND) Reforms as set out in the Children's and Families Act 2014
- Under the terms of the NAO's VFM guidance, Grant Thornton considered it appropriate to still report that the SEND system in Rotherham as a significant weakness in the Council's arrangements as at 31<sup>st</sup> March, 2022. The resultant key recommendation made in 2020-21 remained relevant to the 2021-22 VFM work, however, the actions taken by the Council during 2022-23 would be considered as part of the 2022-23 VFM work later in the year

- As at December 2022, the Health and Safety Executive had not formally reported any decisions/conclusions relating to their investigation of November 2021. The Council had taken pro-active improvement action to address the informal feedback received from the HSE. No further work would be performed until the investigation was completed and the HSE published a final report
- The Council was named the 'most improved Council in the country' at the Local Government Chronicle Awards in 2022
- One improvement recommendation that consideration should be given as to whether the KPI performance report could be streamlined to provide more summarised and integrated performance, finance and risk reporting. Consideration should also be given to reducing the volume of KPIs and targets to a more manageable level to assist clearer reporting of actions for any KPIs/targets not delivering

The report also included an update on the progress made to date with regard to previous recommendations.

This report concluded the 2021/22 audit work and would expect to issue the audit certificate at some point during the month.

The Chair thanked all who had been involved in the production of the Value for Money report.

Discussion ensued with the following issues raised/clarified:-

- Levels of useable reserves – Rotherham was compared to other metropolitan councils in England (32) of which it was at the lower end. It was recommended that reserves be at 5-10%; there would be concern is the level was below 5% of the Authority's General Fund balance
- The recommendation made regarding the reporting of Capital Projects was not unique to Rotherham. However, work was being undertaken to change the reporting to be by themes rather than by Directorates

Resolved:- That the update be noted.

## **81. CLOSURE OF ACCOUNTS 2022-23**

Consideration was given to a report presented by Rob Mahon, Head of Service, on the closure of the accounts 2022/23.

The Council had successfully met the 2018/19 timeframes in closing its accounts after the decision to bring forward the timetable for the publication of local authorities' financial statements. However, due to the unprecedented circumstances, the closure of accounts deadlines had been extended for 2019/20, 2020/21 and 2021/22.

The Accounts and Audit (Amendment Regulations 2022) came into force on 22<sup>nd</sup> July, 2022 and extended the deadline for the publication of final audited accounts to 30<sup>th</sup> November for 2021/22 accounts and then 30<sup>th</sup> September for 2022/23 accounts and the following 5 years. Therefore, the deadline for publishing unaudited accounts had reverted back to the 31<sup>st</sup> May for the 2022/23 accounts.

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 gave 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 thought an item of account may be unlawful. Under the Accounts and Audit Regulations 2015, local electors could 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 had been published. In order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) would need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report was, therefore, being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

A decision had been made to further delay the implementation of IFRS16 within Local Authorities until 2024/25. This disclosure would 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. Although implementation of the standard has been delayed until 2024/25, there would be the need for an assessment of the impact of the new standard as part of the 2023/24 accounting process.

Major changes to service delivery that had taken place in 2022/23 would also have a bearing on the financial statements including the continuing effect of schools converting to academies.

The Council's Statement of Accounting Policies (Appendix B) was reviewed and updated where necessary.

There was a national issue with Local Authority treatment for infrastructure assets. This related to the way components of infrastructure expenditure were derecognised when new expenditure was incurred. A statutory override had come into effect in December, 2022, allowing local authorities to assume that the carrying amount to derecognise was zero enabling external auditors to give an unqualified audit opinion on the Council's accounts. This override was in force until 31<sup>st</sup> March, 2025 and the Council would utilise this override again for the 2022/23 accounts. The Council was working to assess the processes that needed to be put

in place to ensure the treatment of infrastructure assets was compliant when the statutory override expired.

Gareth Mills, Grant Thornton, informed the Committee that a guarantee could not be provided that the external audit work would start by the end of September as a result of the issues previously raised in the external audit market in the public sector. A significant number of 2021-22 local government audits were still ongoing. This had been impacted by the decision to continue the Clinical Commissioning Groups until 30<sup>th</sup> June, 2023, resulting in approximately 100 part-year accounts for the NHS and 42 part-year accounts for Integrated Care Boards needing to be undertaken by the same auditors who carried out local government audits.

He would be confident of concluding Rotherham's external audit work by the end of November as had happened in the previous 3 years. There were discussions ongoing nationally around how achievable the 30<sup>th</sup> September date was for 2023 and could possibly be some movement on the date.

There should be no significant impact on the Council by this delay. If the September deadline remained, the Account and Audit Regulations required the Council to post on its website proof of the accounts with a statement to the effect that the audit was ongoing and expected to conclude by the end of November due to resource expectations of the external auditor.

Resolved:- (1) That the key accounting issues and main changes to the accounts in 2022/23, as listed in Appendix A submitted, be noted.

(2) That the Council's revised Account Policies, attached at Appendix B submitted, be noted.

(3) That Grant Thornton submit a progress report to the next meeting of this Committee setting out the planned timetable from June to November, 2023.

## **82. CLOSURE OF THE ACCOUNTS 2022/23 - TIMETABLE**

Consideration was given to a report presented by Rob Mahon, Head of Service, setting out the timetable for the production of the financial statements which had to be approved by the Audit Committee by 30<sup>th</sup> September, 2023, based on the revised Regulations to be implemented for 6 years (2022-23 and 2027-28).

The amended Regulations required:-

## AUDIT COMMITTEE - 14/03/23

- Interim audit of the Council's accounts – to be confirmed by Grant Thornton
- Unaudited accounts, Narrative Report and Annual Governance Statement to be submitted to Audit Committee on 7<sup>th</sup> June, 2023
- Public Inspection of Draft Accounts – 1st-10<sup>th</sup> June, 2023
- External Audit of the Council's Accounts – June to September, 2023
- Audit Accounts, Narrative Report and Annual Governance Statement submitted to Audit Committee on 26<sup>th</sup> September and published by 30<sup>th</sup> September, 2023
- Council's Value for Money Audit completed – to be confirmed by Grant Thornton

Further to Minute No. 81 above, Gareth Mills, Grant Thornton, informed the Committee that it had been anticipated that the statutory date would slip back to November but had not as yet. The continuation of the Clinical Commissioning Groups' audits for a 3 month period had had a significant impact on public sector external auditors' ability to deliver the 2021-22 audit work. The number of local authority audits across the country still continuing was a lot higher than had been expected with some of the local team in Yorkshire helping to conclude audits outside of the Yorkshire region when they would have been progressing the planning of the 2022-23 audits.

Accordingly, the timetable set out above was amended as follows:-

- External Audit of the Council's Accounts – ~~June to September, 2023~~ – July to November, 2023
- Final Accounts, Narrative Report and Annual Governance Statement – expected to be signed off 30<sup>th</sup> November, 2023
- Council's Value for Money Audit completed – January 2024 Audit Committee

Resolved:- That, as amended at the meeting and set out above, the timetable for the production of the Council's financial statements be noted.

## 83. 2023 ANNUAL PROCUREMENT UPDATE

Karen Middlebrook, Head of Procurement, presented an update on some of the key activity delivered in the last 12 months by the Procurement Team to ensure robust procurement activity was undertaken across the Council. The report highlighted:-

- The Team had continued to provide professional support to Services to procure their contractual requirements in a manner compliant with the legislation and/or the Council's Financial and Procurement Procedure Rules whilst ensuring social value commitments were secured and value for money achieved



- Supporting the major regeneration capital procurement projects and likely to continue for the forthcoming 12 months. The increased regeneration programme had created additional resource pressure on the Procurement Service with options being considered as to how best manage that pressure whilst still delivering a high quality service
- Analysis pre-procurement undertaken of the current supply market given the challenging and changing economic landscape with high inflation, shortages of supply and labour within the supply chain and the risk of financial collapse of suppliers within some industries

It was noted that the Procurement Team was closely monitoring the progress of the Procurement Bill. Since the previous update, the Bill had moved from the House of Lords and was in the Report Stage of the House of Commons for further debate and amendments with Royal Assent anticipated in late spring. It was complex legislation with much of the detail surrounding the new regime sitting within secondary legislation, statutory and non-statutory guidance which was not yet drafted and would be the subject of further consultation. The Cabinet Office had committed to providing a 6 month lead-in period before the new regime took effect which would commence after the final version of the secondary legislation was laid in Parliament. Therefore, it was anticipated that the 'go live' of the new Regulations would come into effect Spring 2024 at the earliest.

Discussion ensued with the following issues clarified:-

- Following the decision of YPO to withdraw from food procurement, work had taken place with Facilities Services and alternative procurement arranged. A single contract had been awarded which would come into effect from the beginning of April so there should be no disruption to service provision
- Consultation had taken place on the Procurement Bill. There was a regional Strategic Procurement Group that had been invaluable. There was regular attendance by the Cabinet Office who provided an update. This had given a real insight into what some of the training offer may be
- As part of pre-procurement activity the Team worked with the respective Service to get an understanding of the contract and the best way to award the contract to achieve the best outcomes. It could also lead to achieving an increased service offer following early market engagement and being clear with the market what the expectations were prior to the issuing of a tender

Resolved:- That the update be noted.

**84. AUDIT COMMITTEE TERMS OF REFERENCE**

Further to Minute No. 48 of 29<sup>th</sup> November, 2022, David Webster, Head of Internal Audit, submitted a report detailing a proposed update to the Committee's Terms of Reference in light of recent Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

Published in October, 2022, CIPA published 'Audit Committees' Practical Guidance for Local Authorities and Police', an update of 2018 guidance, in 2 parts. The first was written for Audit Committee Members with the second being a supplement aimed at officers responsible for guiding the Audit Committee.

Following the guidance was not a statutory requirement but was regarded to be good practice. The key issues were as follows:-

- The guidance recommended that the use of substitutes be avoided as they were less likely to have received relevant training. However, in Rotherham it was felt that allowing substitutes would ensure Members were fully involved in the work of the Committee, spreading knowledge of its work and broaden the number of Councillors trained in its work. Only those Members that had been trained would be able to act as substitutes
- Many of the proposed changes to the Terms of Reference formalised current practice at the Council. However, it proposed:-
  - increasing the number of independent members from one to 2
  - inclusion of reviews of risk registers to bring into line with current practice
  - review of compliance with CIPFA's Financial Management Code
  - to deal with any matters referred to Committee by the Statutory Officers
  - more indepth review of the Annual Governance Statement
  - monitoring of the arrangements/preparations for financial reporting
  - receive reports on progress in implementing actions from external inspections and audits
  - provision of free and unfettered access for the external auditors to the audit Committee Chair and the opportunity to meet privately with the Committee
- Proposal to maintain the current arrangements of the Committee approving the final Statement of Accounts

The proposal of an additional Independent Member and use of trained substitutes was supported.

Resolved:- (1) That the updated Terms of References for the Audit Committee be noted.

(2) That an invitation be extended to the Monitoring Officer to attend meetings of the Audit Committee and that the Chief Executive continue the current practice of her annual presentation on Governance, Audit and Risk.

(3) That the updated Terms of Reference for the Audit Committee be referred to the Constitution Review Working Group for consideration and in turn Annual Council for adoption.

## **85. 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 December, 2022 to 31<sup>st</sup> January, 2023, and the key issues that had arisen therefrom.

The current position with regard to the revised plan was outlined in Appendix A to the report. In the last month 5 audits had been added to the plan as a result of planning meetings with Directorate Leadership Teams (this was amended to 4 at the meeting). In the year to date, the Department had delivered 802 days of productive work showing as on target for the year as a whole.

8 audits had been finalised since the last Committee meeting 4 of which had received Reasonable Assurance and 4 receiving Substantial Assurance as set out in Appendix C to the report.

Internal Audit's performance against a number of indicators was summarised in Appendix D. All targets had been met apart.

It was noted that there were presently 7 actions that had been deferred from their original due dates. The position would be monitored and any issues reported.

It was suggested that there should be an audit of Looked After Children given that there were audits for SEND and Youth Offending.

Resolved:- (1) That the Internal Audit work undertaken between 1<sup>st</sup> December, 2022 to 31<sup>st</sup> January, 2023, and the issues that had arisen therefrom, 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.

(3) That discussions take place with the Acting Strategic Director of Children and Young People's Services regarding the possible inclusion of a Looked After Children audit in the Internal Audit Work Plan.

**86. INTERNAL AUDIT ANNUAL PLAN 2023-24**

Consideration was given to the Internal Audit Plan for 2023-24 presented by David Webster, Head of Internal Audit. The report explained Internal Audit's approach to the development of the Plan, as well as detailing the specific activities Internal Audit planned to review during the year. It reflected a comprehensive risk assessment process including discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

It was 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 would remain flexible and reviewed during the year to ensure it remained relevant.

The Plan had been prepared after a full refresh of the 'audit universe' and a thorough review of the Council's risk register as well as taking into account:-

- The Council's Plan and Year Ahead Delivery Plan
- Reports by management to the Audit Committee on the management of risk
- 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 report

The Plan remained flexible and would be revised to take into account any significant emerging risks facing the authority and would be subject to 6 monthly reviews in consultation with Strategic and Assistant Directors.

It was noted that, as in previous years, the technical audits of IT systems would be conducted by Salford City Internal Audit Services who specialised in this field of work.

It was clarified that it had been some time since there had been an audit conducted of Cemeteries and Crematorium Services. It had been discussed at the respective Directorate Leadership Team and not considered for inclusion in the Audit Plan.

Resolved:- (1) That the Internal Audit Plan for 2023/24 be approved.

(2) That further discussions take place as to the possible inclusion of a Cemeteries and Crematorium Services audit in the 2023/24 Internal Audit Plan.

**87. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PLAN AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which detailed how Internal Audit was a major source of assurance to the Council on the framework of control, risk management and governance. It was, therefore, important that it operated in conformance with Public Sector Internal Audit Standards.

An external assessment was completed in November 2020 and self-assessments completed in 2022 and 2023 using a checklist developed by the Chartered Institute of Public Finance and Accountancy.

In 2022 the Council's Audit Service was 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. 9 of the 11 actions from the external assessment had been implemented along with 3 of the 4 actions from the previous year.

The position against the 2022 Improvement Plan and current plan were attached at Appendix A of the report submitted. The actions were to enhance performance and guard against a loss of capability and capacity if staff members left. They did not affect the standard of work carried out by the team.

The action plan would continue to be implemented during 2023-24.

It was noted that action 1300 was only partially completed. This was due to the timescale allocated to an audit that sometimes overran for reasons not always within the control of Internal Audit. It was hoped that this would be tightened up in the future.

Resolved:- The production and ongoing implementation of the QAIP based on the internal self-assessment be noted.

**88. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period June, 2023 to March, 2024.

Following the discussion at Minute No. 81 above with regard to Grant Thornton unable to meet the September deadline, the Plan would be amended to read "November" for the submission of the audited final statement of accounts and External Audit findings (ISA260)

Resolved: That the Audit Committee forward work plan, as amended above, be approved.

**89. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

**90. URGENT BUSINESS**

There was no urgent business to report.

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

Resolved:- That a further meeting be held on Wednesday, 7<sup>th</sup> June, 2023, commencing at 2.00 p.m. in Rotherham Town Hall.