

## AUDIT COMMITTEE

**Date and Time :-** **Tuesday 14 March 2023 at 2.00 p.m.**

**Venue:-** **Rotherham Town Hall, Moorgate Street, Rotherham. S60 2TH.**

**Membership:-** **Councillor Baker-Rogers (Chair); Councillors Browne (Vice-Chair), Ball, Mills 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.

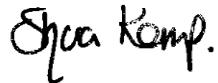
Rotherham Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair or Governance Advisor of their intentions prior to the meeting.

## AGENDA

- 1. Apologies for Absence**  
To receive the apologies of any Member who is unable to attend the meeting.
- 2. Declarations of Interest**  
To receive declarations of interest from Members in respect of items listed on the agenda.
- 3. 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.
- 4. 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.
- 5. Minutes of the previous meeting held on 10th January, 2023 (Pages 3 - 9)**  
To consider and approve the minutes of the previous meeting as a true and correct record of the proceedings.
- 6. Risk Management Directorate Presentation - Children and Young People's Services (Pages 11 - 20)**
- 7. Value for Money Opinion (Pages 21 - 55)**
- 8. Closure of Accounts 2022-23 (Pages 57 - 83)**

9. **Closure of the Accounts 2022/23 - Timetable (Pages 85 - 89)**
10. **2023 Annual Procurement Update (Pages 91 - 94)**
11. **Audit Committee Terms of Reference (Pages 95 - 108)**
12. **Internal Audit Progress Report (Pages 109 - 125)**
13. **Internal Audit Annual Plan 2023/24 (Pages 127 - 143)**
14. **Internal Audit Quality Assurance and Improvement Plan and Public Sector Internal Audit Standards (Pages 145 - 157)**
15. **Audit Committee Forward Work Plan (Pages 159 - 167)**
16. **Items for Referral for Scrutiny**  
To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.
17. **Urgent Business**  
To consider any item which the Chair is of the opinion should be considered as a matter of urgency.
18. **Date and time of next meeting**

The next meeting of the Audit Committee will be held on **Wednesday, 7<sup>th</sup> June 2023**, commencing at 2.00 p.m. in Rotherham Town Hall.



SHARON KEMP,  
**Chief Executive.**

**AUDIT COMMITTEE**  
**10th January, 2023**

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

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

An apology for absence was received from Councillor Cowen.

**61. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**62. 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.

**63. 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 Nos. 70 (Corporate Risk and Register) and 71 (Finance and Corporate 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.

**64. MINUTES OF THE PREVIOUS MEETING HELD ON 29TH NOVEMBER, 2022**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 29<sup>th</sup> November, 2022.

Arising from Minute No. 48 (Governance Audit and Risk), it was noted that a report was to be submitted to the March meeting of the Audit Committee for consultation on any possible changes to the Committee in light of the recently issued CIPFA rules/practice guide. It would then be considered by the Constitution Working Group with any changes submitted to the Annual Council meeting in May.

Arising from Minute No. 49 (Audited Statement of Accounts 2021/22), it was reported that the Statutory Instrument had gone live on 25<sup>th</sup> December, 2022. It was expected that an opinion on the accounts would be issued as planned during January and the ISA260 re-issued at the point of sign-off. There had been no material issues arising on the Rotherham account since those reported to the November meeting. The Chair of the Audit Committee would be included in the notification of sign-off.

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

**65. VALUE FOR MONEY OPINION**

Gareth Mills, External Auditor, gave a verbal update on the Value for Money work taking place.

The audit was progressing well and was on track for completion within the next couple of weeks. It was hoped to send the draft report to Finance officers by the end of the month, finalised in February and submitted to the March Audit Committee meeting.

**66. EXTERNAL INSPECTIONS, REVIEWS, AND AUDITS UPDATE**

Consideration was given to a report, presented by Tanya Lound, Corporate Improvement and Risk Officer, providing details of recent external inspections, reviews and audits as well as a summary of progress against the recommendations from all external inspections, reviews and audits setting out details of arrangements for ensuring the accountability and governance around their implementation.

Since the last report to Committee in July, 2022, 8 external inspections, reviews and audits had taken place resulting in 26 recommendations/areas for improvement 3 of which were complete, 7 in progress and 16 not yet started (at planning stage). The outcome was not yet known for 3 of the audit reviews conducted.

In addition, 33 of the ongoing recommendations relating to external inspections, reviews and audits that took place prior to July 2022 were now completed, 17 were in progress and 35 had not yet started. 22 of those not yet started were currently being embedded within the Council's Equalities Framework Action Plan.

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, Housing and Public Health
- Regeneration and Environment Services
- Finance and Customer Services
- Assistant Chief Executive

Helen Sweaton (Joint Assistant Director, Commission, Quality and Performance, CYPS), Nathan Heath (Assistant Director, Education and Inclusion) and Luke Sayers (Assistant Director, Customer Information and Digital Services), were also in attendance to answer any specific questions relating to their areas of responsibility.

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

- An internal Strategic Customer Experience Board had been established to monitor the actions arising from the Customer Services Peer Review. A report was to be submitted to Scrutiny shortly
- The internal monitoring arrangements had been strengthened. As well as the 6 monthly report to the Audit Committee, a quarterly report was presented to the Strategic Leadership Team (SLT) and Assistant Directors. A new Assistant Directors Group had been established; part of its role was to ensure actions had been progressed
- The possibility was being explored as to whether the Internal Audit system could be used for monitoring the implementation of recommendations arising from external inspections/audits
- Suggested colour coding in the “Status” box to illustrate which recommendations had overrun their agreed timeline
- All the recommendations relating to CYPS were prioritised for completion with not one taking precedence over another
- Quarterly meetings took place between CYPS, DfE and the National Health Service Improvement which oversaw both the implementation and impact of actions as well as rag rating them
- Within CYPS no action could be signed off without consideration by the Challenge Panel
- Ensuring a consistent corporate approach to customer access and services across the Council

Resolved:- (1) That, the recent external inspections, reviews and audits which have taken place and the progress made relating to ongoing recommendations, be noted.

(2) That the governance arrangements in place for monitoring and managing the recommendations be noted.

(3) That regular reports continue to be submitted to the Audit Committee.

(4) That the Committee be provided with further information on the Customer Service Experience Board.

## **67. 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, 2022, 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 2 audits had been deferred to next year owing to a review of policy for the area concerned. In the year to date, the Department had delivered 692 days of productive work showing as on target for the year as a whole.

4 audits had been finalised since the last Committee meeting 2 of which had received Reasonable Assurance, one had received Partial Assurance and one had received Substantial Assurance as set out in Appendix B to the report.

Internal Audit's performance against a number of indicators was summarised in Appendix C. Targets were met apart from the issuing of reports in the planned time which had been affected by annual leave.

Discussion ensued with the following issues raised/clarified:-

- Possibility that the plan may be delayed a little by the end of the year dependent upon the resources available, however, there would be sufficient work completed to enable an opinion to be given
- The consultation process had commenced with Strategic Directors regarding the 2023/24 plan

Resolved:- (1) That the Internal Audit work undertaken between 1<sup>st</sup> November to 30<sup>th</sup> November, 2022, 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.

## **68. AUDIT COMMITTEE FORWARD WORK PLAN**

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

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

## **69. CORPORATE STRATEGIC RISK REGISTER**

Simon Dennis, Corporate Improvement and Risk Manager, presented the current Corporate Strategic Risk Register (CSRR) which had recently been considered by the Council's Strategic Leadership Team.

The CSRR had been completed following reviews of individual risks by Directorate Leadership Teams with every risk on the register owned by a member of SLT and appeared on their Directorate's risk register. It had been formally reviewed both at SLT meetings every quarter and most recently in December.

The long term pattern of the assessed risk level reducing had broadly continued over the last 2 years. This reflected the increasing grasp on the key risks that needed to be managed at a strategic level as well as the continued improvement following the reduction in impact of the pandemic.

Since July 2021, over 42% of risks monitored at a strategic level had reduced in assessed level, 42% remained stable and 12% had increased or were new to the register.

Since the last full update in July, 2022, there had been no new risks added to the CSRR and no risks removed or de-escalated. In total there remained 14 risks, the same number as reported in July 2022.

The risk management process was reviewed by Internal Audit during early 2022 comparing arrangements to the requirements of the relevant International Standard ISO31000. The review again concluded that substantial assurance could be derived from the controls that were in place. This was the highest assurance level possible. A further review would take place in 2023.

Discussion ensued with the following issues raised/clarified:-

- Further work would take place with the Design Team to provide illustration of the risks that had moved since the previous report as previously requested by the Committee
- The degree of change in the risk scores and the risks contained on the register compared to last time had only changed by 2 compared to 8 on the last report. More work was to take place to ensure risk scores were appropriately reviewed
- Both SLT and the Assistant Chief Executive had looked very closely at SLT03 (delivery of the Council's corporate priorities in the context of the cost of living crisis) on several occasions. The current indications were that the delivery plan was very much on target for delivery
- The war in Ukraine would not feature as a specific risk on the corporate risk register but various elements featured on Directorate risks e.g. Homes for Ukraine Scheme on the Assistant Chief Executive's risk register. However, it was felt that it should be recognised at the highest level that the Council was taking account of the impact of the war

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

(2) That future reports highlight the risks that were impacted by the war in Ukraine.

(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)

**70. 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 8 risk items listed of which one was included on the Corporate Risk Register:-

- SLT16 (FCS1) – Directorates failing to deliver services within budget. Financial settlements from Government being inadequate to meet service costs and demand increases. Economic factors impacting negatively on Business Rates and Council Tax income

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:-

- Discussion would take place as to whether customer experience, particularly with regard to the “front door” should be included within FCS15 (To provide an efficient and effective Customer Information and Digital Services to enable the provision of Council services to the public)
- Currently no reduction had been seen in Council Tax collection rates

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.

(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)

**71. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

**72. URGENT BUSINESS**

There was no urgent business to report.

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

Resolved:- That a further meeting be held on Tuesday, 14<sup>th</sup> March, 2023, commencing at 2.00 p.m. in Rotherham Town Hall.

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Public Report with Exempt Appendices  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 14 March 2023

**Report Title**

Children and Young People's Services Directorate Risk Register Report

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

No

**Strategic Director Approving Submission of the Report**

Nathan Heath, Acting Strategic Director of Children and Young People's Services

**Report Author(s)**

Rob Savage, Departmental Business Services Manager and CYPS Risk Champion

[Robert.savage@rotherham.gov.uk](mailto:Robert.savage@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide

**Report Summary**

This report provides an update to the Audit Committee in relation to the current position of the Children and Young People's Services Directorate Risk Register and risk management activity.

**Recommendations**

The Audit Committee is asked to note the progress and current position in relation to risk management activity in the Children and Young People's Services Directorate.

**List of Appendices Included**

Appendix 1 Children and Young People's Services Directorate Risk Register

**Background Papers**

Children and Young People's Services Risk Register report to Audit Committee in March 2022.

Corporate Strategic Risk Register report to Audit Committee in July 2022.

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

Yes.

*An exemption is sought for Appendix 1 under Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains information that refers to the affairs of third parties.*

*It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information because failure to do so may result in disclosure of information about the financial or business affairs of Council suppliers and partners.*

## **Children and Young People's Services Directorate Risk Register Report**

### **1. Background**

- 1.1 The Children and Young People's Services (CYPS) Directorate Risk Register was last presented to Audit Committee in March 2022
- 1.2 The CYPS Directorate Risk Register as at 28 February 2023 has five risk items listed (Appendix 1)
- 1.3 Two of the CYPS directorate risks also feature on the Council's Strategic Risk Register, these are referenced below:

#### **CYPS-01 & SLT-01 - Keeping Children, Young People and families safe from harm.**

**Risk Detail:** Failure to keep children and young people safe e.g. Children and Young People at risk of Child Sexual Exploitation and other forms of abuse, neglect and Criminal Exploitation.

#### **CYPS-02 and SLT-04 - Maintaining sustainable improvement in Children and Young People's Services with a challenging budget position.**

**Risk Detail:** Failure to maintain improvement in Children and Young People's services following the Ofsted Inspection 2022 which rated children's services as good.

### **2. Key Issues**

- 2.1 CYPS is made up of four key service areas, each with an Assistant Director lead reporting into the Strategic Director (DCS), these are;

- Childrens Social Care;
- Early Help, Family Engagement and Business Services;
- Education and Inclusion;
- Commissioning, Performance and Quality.

The composite of DCS and Assistant Directors make up the Directorate Leadership Team (DLT), along with key officers from Finance and Human Resources.

- 2.2 In December 2022, the incumbent CYPS Directorate Risk Champion retired from the authority.

A decision has been reached within the directorate to appoint the Departmental Business Services Manager as the new Directorate Risk Champion.

To ensure the directorate continues to manage risk effectively a development plan has been created for the new Risk Champion, this will include accredited Institute of Risk Management training at the end of March 2023.

In addition, the new Risk Champion will form part of a corporate network alongside other officers' responsible for risk management across the Council, this will allow for good practice to be shared and co-working on key strategic risks to be facilitated.

- 2.3 CYPS directorate risks are discussed and reviewed at the CYPS Assurance Board Meeting, which is scheduled on a quarterly basis, with escalations reviewed as exception outside of this reporting cycle by CYPS DLT.
- 2.4 Each Assistant Director within CYPS is accountable for managing a Service Risk Register which is formally monitored and reviewed with their Senior Managers on a monthly basis, discussions about risk are held every week in management meetings.

Each Service Risk Register is derived from key risks within operational areas following escalation from a Service Manager / Team Manager, these could be linked to a number of service delivery objectives such as transformation projects, service plans or outcomes from external inspections.

Escalations are made from Service level to the Directorate level at the discretion of a CYPS Assistant Director.

In the event a risk reviewed by CYPS Assurance Board (Directorate level) needs escalating this will be progressed by the DCS to the Strategic Leadership Team (SLT) for consideration.

The infographic below illustrates the four distinct levels of risk management within the CYPS directorate, this working model allows for escalation and de-escalation of risk as required. In addition to the movement and management of risk within CYPS, there may be occasions where the responsibility for managing a risk is with another directorate, any movement will be negotiated between either directorate Risk Champions or Assistant Directors.



This report and appended risk register is in respect of the CYPS Directorate Risk Register.

- 2.6 As part of the corporate programme to embed risk management into the culture of the Council, all managers from CYPS are required to attend the mandatory 'Risk Management Training for Managers' workshops. New managers are invited to attend workshops as soon as possible after commencement in role.
- 2.7 The CYPS Risk Register, dated 28 February 2023 is aligned to the Council Plan 2022-25 and Year Ahead Delivery Plan 2022.
- 2.8 A full review of risks associated with the Year Ahead Delivery Plan 2023 will be undertaken in the new financial year.
- 2.9 CYPS Risk items which have changed since the last review of the CYPS Directorate Risk Register, completed in December 2022 include;

Risk No.	Business Objective	Risk Detail	Change Since last report
<b>CYPS 03</b>	Ensure the Local Authority is able to fulfil its statutory duty in relation to meeting the needs of Children and Young People with Special Educational Needs and Disability (SEND)	Failure to meet the statutory duty to meet the needs of Children and Young People with Special Educational Needs and Disability (SEND) caused by insufficient SEND provision	Deescalated to Service Level
<b>CYPS 04</b>	Ensure robust and appropriate challenge to Schools and Academies to ensure Children and young people benefit from high quality education.	Risk to the impact on pupil outcomes. Rising exclusion rates. Rising EHE cohort number. Impact on LAC outcomes (Virtual School). Financial implications for the LA in relation to academies converting in special measures with a deficit budget. Risk of reduced data quality with regard to Capita One / SIMS issues around Business to Business (B2B) creating inaccurate and untimely transfer of data	Deescalated to Service Level

**3. Options considered and recommended proposal**

3.1 All CYPS Operational and Service Risk Register entries are closely linked to the directorate service plans, team plans, improvement plans and recommendations from any external inspection.

**4. Consultation on proposal**

4.1 The Corporate Strategic Risk Register is reviewed quarterly by SLT, with the CYPS Directorate Risk Register also being reviewed quarterly at CYPS Assurance Board meetings.

A strategic Risk Champions Forum is in place, with representation from the Departmental Business Services Manager in capacity of CYPS Risk Champion.

**5. Timetable and Accountability for Implementing this Decision**

5.1 Not applicable

**6. Financial and Procurement Advice and Implications**

6.1 There are no direct financial or procurement implications arising from this report.

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any financial and/or procurement implications

**7. Legal Advice and Implications**

There are no direct legal implications arising from this report.

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any legal implications

**8. Human Resources Advice and Implications**

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

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any Human Resources implications

**9. Implications for Children and Young People and Vulnerable Adults**

9.1 The CYPS risk register is focussed on managing risks to improve outcomes for Children and Young People and promoting every child is able to fulfil their potential, working with Rotherham's children, young people and families to be resilient, successful and safe.

**10. Equalities and Human Rights Advice and Implications**

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

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any Equalities and Human Rights Advice implications

**11. Implications for CO<sub>2</sub> Emissions and Climate Change**

11.1 There are no direct CO<sub>2</sub> Emissions and Climate Change implications arising from this report.

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any CO<sub>2</sub> Emissions and Climate Change implications

**12. Implications for Partners**

12.1 There are no direct implication for Partners arising from this report.

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any Partner implications

**13. Risks and Mitigation**

13.1 The CYPS Risk Register (Appendix 1) details the directorate level risks and mitigations.

**14. Accountable Officer(s)**

*Report author*

Rob Savage, Departmental Business Services Manager

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

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# **Auditor's Annual Report on Rotherham Metropolitan Borough Council**

## **2021-22 VFM arrangements**

6 March 2023



# Contents

 <p>We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.</p> <p>We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.</p>
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## Appendices

- A – An explanatory note on recommendations
- B – Use of formal auditor's powers
- C – The responsibilities of the Council

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 1. Executive summary

## Overall commentary

We have noted the improvement journey the Council has been on and this continued in 2021-22 – with a notable success of winning the ‘most improved council of the year’ at the Local Government Chronicle Awards in July 2022. The Council’s financial position is strengthening, albeit the level of useable reserves in proportion to the Council’s spend is lower than most of its peer authorities. The announcement that the Council was awarded £20.5m in ‘safety valve’ funding to deal with its significant deficit on the Dedicated Schools Grant reserve was a good outcome for the Council and a reflection of the DfE’s assessment in the Council’s arrangements. Governance arrangements continue to be appropriate and the only significant weakness we have identified is in relation to the findings of the Ofsted/CQC inspection on Special Educational Needs and/or Disabilities (SEND) from 2021 – which we reported in our 2020-21 Auditor’s Annual Report in March 2022 and remains relevant to this review of the Council’s arrangements to 31 March 2022.

We have identified a small number of improvement recommendations to further improve the Council’s finance, governance and performance arrangements and also documented our follow up of the recommendations raised in the prior year within Section Eight of this report.

## Financial sustainability

As with all local authorities, the Council was operating in an increasingly uncertain financial environment for the 2021-22 financial year, the Council will need to continue to plan with little certainty over funding in the medium term. Despite this uncertainty, and the ongoing challenges posed by Covid-19, the Council is building an improved financial position. The Council has put forward a series of proposals which originally forecast a balanced budget for the 2022-23 financial year. As of September 2022, the Council estimated an overspend of £18.2m for the financial year 2022-23, including a core directorates forecast year-end overspend of £8.1m on the General Fund and £10.1m of estimated unbudgeted cost resulting from the wider financial impact of the war in Ukraine, inflation, energy price increases and the impact of the 2022-23 pay award.

In addition, as at 31 March 2022, the Council held general revenue reserves of £65.8m (2020-21 £53.9m). This places the Council in an improving financial position, although one that will have to deal with an overspend at the year-end. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some further improvements to strengthen the Medium Term Financial Plan and monitoring of the delivery of capital plan. We note the Council’s latest forecast position is an overspend of £8.4m, an improvement of nearly £10m from the September forecast position. This is a result of savings across a range of areas, including vacancy controls, a review of grants, treasury management and corporate budgets, and improvements noted within the Children’s placement budget.

Further details can be seen on pages 8 to 14 of this report.

## Governance

Our work on business as usual governance has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to governance. We have identified opportunities to further enhance the Council’s governance arrangements with regard to risk monitoring and by identifying the benefits and upside of risk management.

Further details can be seen on pages 15 to 19 of this report

## Improving economy, efficiency and effectiveness

The Council has demonstrated an appropriate understanding of its role in securing economy, efficiency and effectiveness in use of resources. Our work has included the significant weakness from our prior year work in relation to the regulatory inspection of SEND as noted above. We note the actions taken in relation to the findings from the SEND review and will continue to monitor this matter as part of our 2022-23 VFM work. We have not identified other any significant weaknesses in arrangements or need for key recommendations in relation to delivering economy efficiency and effectiveness.

We have proposed an improvement recommendation to streamline and further enhance the Council’s arrangements with regard to performance reporting.

Further details can be seen on pages 20 to 24 of this report.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusions are summarised in the table below.

Criteria	Risk assessment 2021-22	2020-21 Auditor Judgment	2021-22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but improvement recommendations made.	A No significant weaknesses in arrangements identified, but an improvement recommendation made.	↔
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but improvement recommendation made.	A No significant weaknesses in arrangements identified, but an improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	A possible ongoing significant weakness identified in relation to the Ofsted/CQC report on SEND.	R Significant weaknesses in arrangements identified and key recommendation made in relation to the findings from Ofsted/CQC on SEND.	R The ongoing significant weaknesses in arrangements as at 31 March 2022 regarding the SEND report, and an improvement recommendation made.	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

## 2. Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.

Our work has not identified any new significant weaknesses in arrangements and therefore we have not made any new key recommendations. However, as noted previously, the significant weakness and associated key recommendation on SEND, raised in our 2020-21 auditor's annual report in March 2022, remains relevant in our review of the Council's arrangements to 31 March 2022.

Appendix B outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

We have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2021-22 audit year.

The range of recommendations that external auditors can make is explained at Appendix A.



# 3. Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified audit opinion on the Council's financial statements on 16 January 2023, following the publication of the Statutory Instrument on infrastructure accounting. Our audit work was completed by the end of November 2022, with the exception of the national issue on infrastructure.

## Other key findings

We have not identified any significant findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

## Audit Findings (ISA260) Report

More detailed findings can be found in our ISA260 Report, which was reported to the Council's Audit Committee on 29 November 2022.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it. The Council's finance team demonstrated a good level of engagement in the 2021-22 audit process and throughout the year. This helped to ensure the audit process progressed smoothly.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The WGA audit guidance for 2021-22 has recently been issued and, as in the prior year, the Council falls below the threshold for detailed audit procedures. We will complete the high-level assurance statement on the WGA consolidation pack in line with the national guidance. We expect to complete this work in March 2023.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# 4. Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out at Appendix C.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



**Financial sustainability**

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



**Governance**

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



**Improving economy, efficiency and effectiveness**

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas is set out on pages 8 to 24. Further detail on how we approached our work is included at Appendix B.



# 5. Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Identifies all the significant financial pressures it is facing and builds these into its plans

The Council set a balanced budget for 2021-22, which included the use of £7.5m from the Budget Strategy Reserve. The Council carried forward Covid-19 emergency support funding from 2020-21 to support ongoing service Covid costs and income losses.

In addition, further emergency support funding was received during 2021-22 and the Government confirmed the co-payment mechanism for irrecoverable sales, fees and charges income continued into Quarter 1 in 2022-23. The Council has monitored and managed this Covid funding carefully to ensure there was sufficient resources available to manage the financial implications of the continuing impact on services throughout the pandemic. The Council incurred significant direct additional costs and income losses over the financial year 2021-22 and diverted resources to different priorities to support activity in relation to the pandemic.

The updated position on delivery of savings was presented to Cabinet in December 2021, as part of the Medium Term Financial Strategy (MTFS) update, this outlined £11.5m of agreed savings to be delivered over the MTFS period. These savings are listed by Directorate below:

- Adult Social Care £2.8m
- Children's Social Care £7.4m
- Regen & Environment – savings on operational budgets £0.8m
- Regeneration & Environment (R&E) Customer Services & Digital Programme efficiencies £0.5m

Our work highlighted this package of savings from a combination of Directorates is considered to be appropriate, is deliverable over the medium term and supports the forecasted balanced position shown in the Budget and MTFS over the next three financial years.

The Council's 2021-22 outturn position (reported in July 2022) highlighted a final position of a £2.4m underspend, this was achieved by the Council being able to apply more Government funding to the outturn position than had originally been planned.

The MTFS set out the range of key assumptions that the Council has made in developing its medium term financial plans which included inflationary assumptions, independent sector care bandings, changes to existing MTFS savings and delivery of savings and sources of income (e.g. precepts and levies, draft grant settlements and fees and charges income).

The Council has updated its financial plans for inflation associated costs and sources of funding (some grants received are linked to indexation) as part of the 2023-24 budget setting process. The 2023-24 budget was approved by Cabinet in February and Full Council on 1 March 2023. The November 2022 MTFS update highlighted the MTFS included resource forecasts based on estimated increases to core funding streams that are inflated annually by CPI. These resource assumptions were reviewed again as part of the assessment of the Provisional Local Finance Settlement 2023-24.

# Financial sustainability (cont.)

## Identifies all the significant financial pressures it is facing and builds these into its plans (cont.)

No changes were made to the in year (2021-22) budget, with expenditure overspends offset by expenditure underspends, reserves and contingency built into the budget. However, given current levels of inflation are significantly higher than the assumed levels set out in the MTFS, a formal mid-year review of MTFS, including assumptions, assisted the accuracy of forecasts.

We are satisfied that the Council has appropriate financial planning arrangements in place, and there is evidence of it being well scrutinised at Cabinet, Full Council and Audit Committee. Financial risks are being managed and the Council identifies the strategic risks in the delivery of the MTFS, which includes quantification and detailed explanation of the risks.

There is no evidence that the Council is using capital resources to relieve short term pressures. The Council does not rely significantly on income from commercial activities or its investment portfolio.

## Financial Planning

The Budget and Council Tax Report 2022-23, presented to Cabinet in February 2022, highlighted the Council Tax calculation for 2022-23 and over the MTFS period. Successful delivery of the MTFS assumptions is predicated on Directorates progressing all necessary activity to ensure spend is delivered in line with budgets during 2022-23, including delivery of the agreed savings and cost reductions, in particular:

- Reducing the number of exceptionally high cost placements and also reducing the unit cost of placements, within Children's Social Care. Also significantly increasing the number of foster care placements in line with budgeted plans.
- Successful management of the demand, market and provider pressures in Adult Social Care within the budget allocated, ensuring appropriate care and support is in place in accordance with the service development programme.
- A successful resolution to the remaining budget pressures within the Regeneration and Environment Directorate which require the Directorate to identify actions to ensure that services can be provided within the available funding envelope.

The report also highlighted the revised Reserves Strategy detailing the General Reserves Minimum Balance remains at £25m over the MTFS period. The report clearly identified a strategy of building up the Council's reserves to support uncertainty in the short and medium term.

As already noted, the Council has updated inflation associated costs and sources of funding as part of the 2022-23 budget setting process. The budget is developed each year considering cost pressures and priorities affecting services, including children's and adult social care services.

As of September 2022, the Council estimated an overspend of £18.2m for the financial year 2022-23. Whilst the core directorates services have a forecast year end overspend of £8.1m on the General Fund, there is also £10.1m estimated overspend in relation to the wider financial impact of the war in Ukraine on inflation, energy price increases and national pay award.

These financial challenges are being considered as part of the Council's ongoing Medium Term Financial Planning. Whilst the Council's MTFS did have inflationary impacts and estimated pay award at the time of setting the 2022-23 Budget, the current rises are far above what the Council could have anticipated. An update on the Council's MTFS was provided within the November Cabinet agenda.

Along with most Councils across the UK, the Council assumed a 2% pay award for 2022-23 in the budget. However, the national local government pay settlement provided a pay award well in excess of the 2% modelled within the Council's MTFS. It is not expected that the Council will be provided with additional funding for 2022-23 or within the financial settlement for 2023-24, in order to support the application of this pay award. The financial impact of this pay award is £6.1m greater than the budget assumed within the Council's MTFS.

The Council manages its cashflow on a daily basis to take account of income received from grants, fees and charges, local taxation and borrowing alongside its outgoings due to the expenditure the Council incurs, such as salaries and supplier payments. The Council has been able to manage cashflow levels without significant difficulty.

The greater pressure from a cashflow perspective has been how to invest additional cash balances for a reasonable investment return when interest rates have been low. The Council has held additional cash, as a result of taking out £227m of Public Works Loan Board (PWLB) borrowing over a 48-50 year period in 2021-22 to take advantage of low interest rates to replace short term borrowing and reduce the Council's interest rate risk. In addition, Government has also provided significant grants for the management of Covid-19 and support to businesses which has also resulted in temporary additional cash balances.

Overall income and expenditure is totalled for each month to present a grand total (net cash flow position). This is used to forecast an opening and closing cash balance for each month (adjusted closing balance).

The cash flow forecasts indicate that the Council's cash balance will remain positive throughout the MTFS period and no cash flow difficulties are identified. It is important to note that the Council has not been required to take out significant levels of borrowing at a time when rates have been increasing for local authorities.

Figure 1

### Plans to bridge its funding gaps and identify achievable savings

The Budget and Council Tax Report 2021-22, agreed at Full Council in March 2021, noted that £16m (of the total £34m of agreed budget savings and cost reductions in the MTFS) had been delivered at that point and that the remaining £18m savings were profiled across the medium term.

There were £2m savings delivered in 2021-22 and a savings target of £11.5m is profiled from 2022-23 in the updated MTFS period. The November 2022 update report to Cabinet highlighted that of the planned savings to be delivered over the medium term (to 2024-25) of £11.5m over a third (£4.2m) had been delivered by September 2022. The MTFS shows a total of £29.5m savings from the original £34m package will have been delivered by 2024-25. The remaining balance is covered by additional corporate income from Treasury Management. This is a reasonable target based on previous performance (detailed in 2021-22 Treasury Outturn report) where the Council's strategy, with the use of short term borrowing has generated significant short term savings for the Council's budget allowing the Council to transfer £5.6m of treasury savings into the Treasury Management reserve.

Since the Council's 2022-23 Budget was approved, there have been significant changes that could not have been anticipated at the time of budget setting. An update provided to Cabinet in November 2022 highlighted the revised in-year funding gap for 2022-23 to be £18m. The Council forecast that the overspend of expenditure would be funded using £17.8m Budget & Financial strategy reserve.

The forecast budget gap for the MTFS period details further budget deficits of 2023-24 of £9.7m, 2024-25 - £9.4m and 2025-26 - £12.9m.

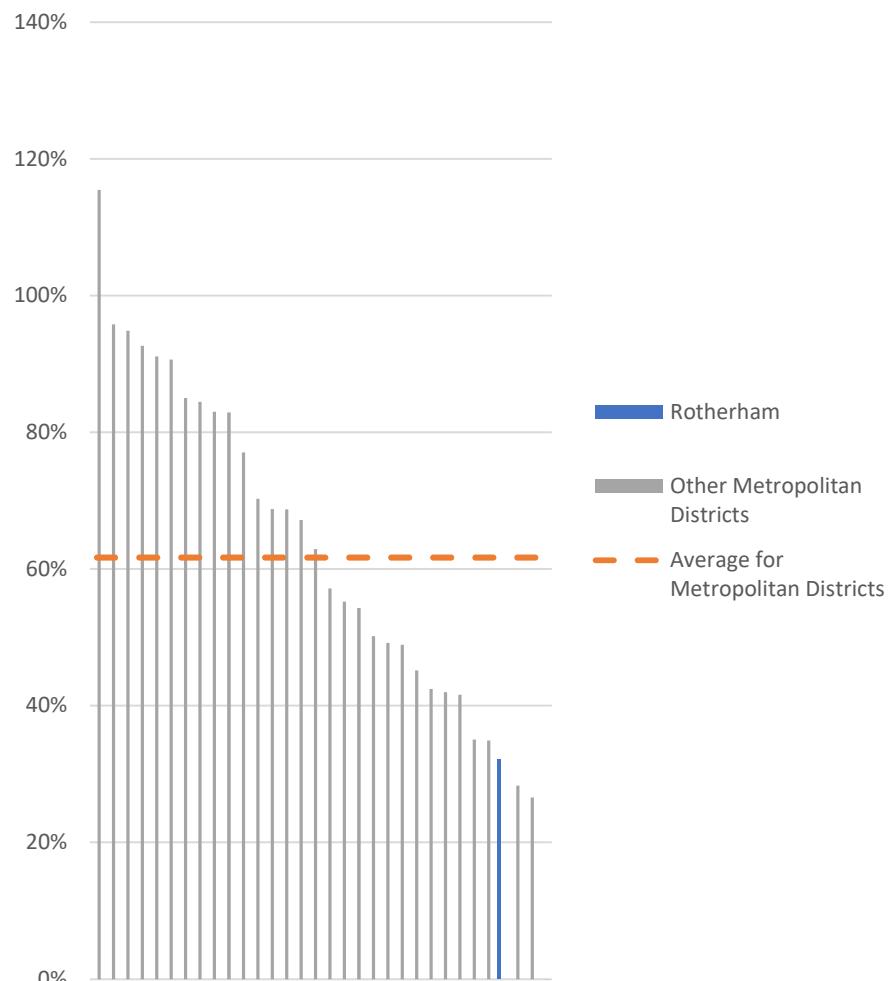
The Council's General Fund minimum balance has remained at £25m as planned and set out within the Council's Reserves Strategy reported to Cabinet July 2022 in the Budget and Council Tax Report 2022-23. This reserve balance is held to protect the Council against unforeseen events and realisation of contingent liabilities. This provides a contingency in case the Council fails to deliver savings or future uncertainties in the medium term.

Based on the Council's reserves position and MTFS, the Council has sufficient reserves if the Council fails to fully identify the required savings. The MTFS update in November 2022 was updated to take into account these pressures and built into the MTFS. This will be subject to review in 2023-24 depending on the prevailing economic conditions.

Whilst the Council will aim to mitigate the current in year pressures, it is anticipated that a significant level of the Council's reserves will be required to fund the 2022-23 revenue outturn position, although the position has improved based on the January and February 2023 Cabinet Reports.

Figure 1 compares general fund and earmarked reserves against Net service revenue expenditure, the Council is below the average (for other district councils) of 62%:- with the Council's corresponding ratio at 32%, Rotherham is shown in the blue line. The graph shows the Council needs to maintain its positive journey on financial sustainability going forward, given it is still at the more vulnerable end in terms of level of reserves.

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



# Financial Sustainability (cont.)

## Plans to bridge its funding gaps and identify achievable savings (cont.)

The MTFS sets out the Council's policy on reserves, including the General Fund and all other Earmarked Reserves. In respect of the General Fund, the Council aims to establish reserves based on financial risk and limit the use of reserves to support on-going spending. General Fund reserves effectively exist to ensure that the risks do not destabilise the services that are being provided during the year. The Council has set a target level of £25m for the General Fund, stating that 'every opportunity must be taken to supplement reserves in the medium term'.

The MTFS highlights the Council's reserves form an important role in managing uncertainty. In particular, the MTFS outlines key areas of uncertainty identified. Useable Reserves balances at 31 March 2022 were £65.8m, which is £6.1m more than the £59.7m estimated in the Budget. The individual reserve balances include General Reserves of £40.8m, and the General Fund of £25m.

The 2022-23 budget planned for a £7.1m use of reserves in 2022-23. Based on the 2021-22 Outturn position, this would leave a total of £58.7m corporate reserves at the end of the financial year. As noted on the previous page, the Council is towards the lower end of the level of available reserves compared to its peers, so this is an area that officers and Members should continue to monitor.

## DSG Deficit

Our work highlighted the Dedicated Schools Grant (DSG) net reserve position is a £12.8m deficit (deficit as at 31st March 2021 £21.3m) following receipt of £8.5m Safety Valve funding. The Council delivered a broadly breakeven position (£95k deficit) for the 2021-22 in year DSG performance (as required by the recovery plans agreed with the DfE).

As reported to Audit Committee in July 2022 following significant negotiations between the Council and Department of Education (DfE), a Safety Valve Intervention agreement was developed to support the Council to address its long term issues linked to High Needs funding deficit, including investment from DfE of £20.53m across the five years of the agreement. The represented a good outcome for the Council and showed a level of assurance from the DfE in the Council's arrangements in order to award this funding.

The Council also requested capital investment to deliver its long term strategic plan and was awarded £4.3m above the annual High Needs capital allocations (circa £9m, split £3m over the next three years). Due to the scale and remit of the project, the Council also requested funding for a team to deliver the project. As part of the agreement the Council will receive recurrent funding of £385k per annum across the next four years of the Safety Valve. As part of this investment the Council is looking at supporting delivery of the project through a dedicated resource to project manage the programme and enhance the SEND commissioning offer in the Borough.

## Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's total planned capital expenditure for 2021-22 was £144.3m and actual expenditure was £104.9m, resulting in slippage and underspend of £39.4m.

The pandemic has had a significant effect on the delivery of a number of schemes, mainly due to Covid-19 restrictions impacting how works were undertaken, as well as an effect on the cost of materials and supply and demand in the market. However, capital expenditure (programme delivery) in 2021-22 has achieved a higher level (72.6% of planned budget expenditure) than in previous years.

For comparison, in 2020-21 the Council delivered 64% of the capital programme expenditure, against a budget of £125.3m. The level of slippage on the Capital Programme is reflective of the delivery challenges that the Council faced due to build up demand in the supplier market due to Covid-19 and the increasing inflationary challenges noted in 2022.

In the context of the historic under delivery of the capital programme (in common with what we see at a number of local authorities), and given the capital delivery is one of the key objectives for the Council in 2023 and beyond, we have raised an improvement recommendation on page 14. The recommendation proposes the Council refines its existing monitoring arrangements on the capital programme to ensure the spend profile and timing of capital expenditure remains accurate, proposed actions are noted for any significant underspends or delays, and supports delivery of the programme and the wider Council Plan.

Expenditure categories are clearly differentiated in the financial planning reports which underlie the budget and MTFS on the basis that all spend is directed towards the delivery of core services and achievement of Council Plan priorities.

# Financial sustainability (cont.)

## Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (cont.)

The Council Plan 2022 – 2025 sets out priority outcomes which are aligned to budgets in the MTFS. The key priorities are:

- Every Neighbourhood Thriving
- People are Safe, healthy and Live well
- Every child able to fulfil their potential
- Expanding economic opportunity
- A cleaner, greener local environment
- One council.

Clear priorities for future service delivery are set out within the Council Plan 2022-2025 and Year Ahead Delivery Plan, which was agreed at Council in January 2022.

New revenue investment priorities have been identified for 2022-23 to 2025-26 totalling £9.3m (of which £2.7m relates to 2022-23). These are set out in the MTFS. For each of these there is a clear justification and rationale. During 2022-23, £371k of the proposed investments are to be funded on a one off basis via the Covid Recovery Fund with the balance (of £2.35m) from the General Fund.

The narrative of the MTFS, provides details on how the projects link to the Council Plan and Capital Strategy outcomes, for example, Neighbourhoods Road Safety Measures Phase 2 - £3.3m - to support the delivery of locally defined road safety schemes.

The Council approved the Capital Strategy (2022-23 to 2025-26) in February 2022. The Capital Strategy details outcomes which the capital programme is designed to achieve:

- maintaining existing assets and statutory compliance - covers all assets
- as an enabler to achieve Council Plan outcomes (transforming our services and organisation)
- enterprise driven investment to deliver savings or generate sustainable income streams.

These outcomes link clearly to the Council's Plan. The strategy also links to other external influences such as UK government policy and external partnerships.

The capital strategy includes planned capital expenditure over the period from 2022-26 by year, split by directorate. The capital programme is also detailed within the MTFS by project and by directorate.

The financing of the capital programme is included in the MTFS and is supported by the Treasury Management Statement, also approved by Council in February 2022.

## MTFS Capital strategy and programme

The proposed 2022-2026 capital programme in the MTFS, includes a temporary capital inflation contingency of £10m, to support the Council with the significant inflationary pressures facing capital delivery at present due to increased costs from resources and materials.

The capital budget supports the delivery of the Council strategic priorities, highlighted in the current Council Plan.

# Financial sustainability (cont.)

## Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's MTFS sets the framework for how the Council plans to use its financial resources to fund the activity to deliver on the Council's Plan outcomes. Our work highlighted the MTFS is fully integrated with the Workforce Plan (detailed as part of the Council Plan). The Council Plan sets the Council's long term vision, priorities for the years 2022-25 and steps to achieve them. Given historic challenges facing local authority sector recruitment in a number of services, particularly social care and specialist areas such as finance, it is important that the Council continue to engage in proactive workforce planning and develops its own people through investment in apprenticeships and other on the job training/ professional qualifications.

Our work highlighted the Council approved capital programme includes an allowance for the minimum revenue position (MRP) for the cost of borrowing within the MTFS and supported by Treasury Management Strategy this updates the budget to reflect both latest capital programme and actual borrowing to date.

Capital project proposals are considered by the Cabinet, which considers how each proposal will help to deliver priorities, savings and the revenue implications of the project. Whilst there was slippage on the 2021-22 capital programme, there is no evidence of major capital investment being postponed or cancelled without sound reasoned explanation.

The Council has a Treasury Management Strategy, which sets out the balance between optimising return and mitigating risk. The Council continues to adopt a low risk investment strategy.

Our work has not identified instances of services developing plans in silo or producing conflicting/ competing elements. Budgetary information reported in year is consistent with the financial position as reflected in the financial statements.

## Manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated into the MTFS, and the draft MTFS was discussed by Cabinet in February 2022 allowing for scrutiny and questioning (before presentation to Council). Risks discussed as part of this scrutiny included, for example, the a need to recognise escalating demands and market costs within the budget, relating in particular to transitions and the upward trend in the costs of adult care, which required the Council to provide for £1m extra costs in the budget for Adult Social Care services in 2022-23.

Taking into account the complex pressures within Adult Social Care, this service presents the most significant financial risk within the Council's Budget and MTFS (albeit the Council's costs in this area are lower than their peer authorities, as shown in the table on page 22). The 2022-23 Budget and MTFS also take account the general upward cost pressures impacting on the costs of all services, including current high levels of inflation and market and supply chain issues, driving cost increases.

The potential impact of changes of various estimates and assumptions is discussed with the Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to all Members. The Council may wish to consider the introduction of formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS. This could provide increased transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability.

There is no evidence of the Council failing to update financial plans to reflect changes in government policy. Where required, the Council has sufficient provisions in place to take into account the impact of legal and regulatory proceedings.

## Conclusion

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified an improvement to strengthen the monitoring and delivery of the capital plan, particularly given the number of key capital schemes the Council is planning to deliver in the coming years.

# Improvement recommendation 1



## Financial sustainability

<b>Recommendation</b>	<p>We recommend the Council refines its existing arrangements for monitoring the capital programme to ensure the spend profile and timing of capital expenditure remains accurate and supports delivery of the programme and Council Plan.</p> <p>Timely reporting of any significant slippage and delays within the capital programme should be made, together with any implications for service delivery and council tax payers arising from this, and actions to be taken to address the issues.</p>
<b>Why / impact</b>	<p>Active monitoring and appropriate re-profiling of capital project budgets will help to ensure the delivery of the capital programme and capital strategy.</p> <p>Sufficient and appropriate arrangements to monitor, manage and address slippages should improve delivery, lead to better outcomes against the Council's key capital objectives, and may reduce pressure on the Council's useable reserves.</p>
<b>Auditor judgement</b>	Ensuring enhanced, robust monitoring and management of the capital programme will support the delivery of the Council's capital strategy.
<b>Summary findings</b>	<p>From review of the 2021-22 Capital programme outturn report, the underspend and slippage due to Covid-19 is not quantified exactly. The Capital Programme 2021-22 totalled £144.3m split between the General Fund £92.2m and HRA £52.3m. As at the financial year end 31 March 2022, the capital programme had expenditure of £104.9m, with underspend and slippage of (£39.4m).</p> <p>The outturn position detailed 72.6% of the capital programme expenditure was delivered against the budget. Comparatively, in 2020-21 the Council delivered 64% of the capital programme expenditure, against a budget of £125.3m – suggesting scope to enhance the budgeting and profiling of the capital programme, especially at a time when the Council has a number of key capital delivery objectives.</p>
<b>Management comment</b>	<p>Agreed. The Council recognises this challenge and has been actively working towards improving the quality of capital budget profiling and with it the pace of delivery on the capital programme. The inclusion of the Capital Programme Monitoring and Delivery Board has helped to focussed officers on the key issues around slippage and start to gradually introduce new processes to manage budget setting in order to mitigate against slippage, however, the Council recognises that it is still on an improvement journey in this regard.</p> <p>The Council will continue to make improvements in this area and has recently commissioned a piece of work to be undertaken by an external consultant to review the delivery side of the capital programme in Regeneration and Environment, the biggest element of the programme, in order to identify areas for improvement.</p>

# 6. Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

### Monitoring and assessing risk

The Council's Corporate Strategic Risk Register (CSRR) is clearly set out, with a risk owner, concise description and key controls to manage each risk. The Council has a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates. The Council provides appropriate training on risk management to staff. Our work highlighted the Council's level of risk appetite was unchanged throughout 2021-22. The CSRR quarterly performance monitoring report is formally reviewed both at joint Senior Leadership Team (SLT)/Assistant Director (AD) performance management meetings and at separate SLT meetings. Most recently, our work confirmed the CSRR had been reviewed at SLT in June 2022 and SLT/AD in July 2022, with both meetings making substantial comments on the document highlighting good oversight and challenge.

All corporate risks at the end of Quarter 4 (2021-22) had been reviewed by the Risk Champions Group, SLT and considered at Audit Committee. The July 2022 CSRR (reviewed by the Council Strategic Leadership Team and presented to the Audit Committee) provided assurance that the Council's current risk management arrangements are robust, responsive and effective. It is important that, these opportunities are captured, so change can be embedded and monitored going forward. We have made an improvement recommendation on page 19 relating to risk monitoring and reporting development.

The impacts of the pandemic can be seen throughout the Corporate Risk Register. There are 14 risks on the Quarter 4 (2021-22) corporate risk register, 1 high risk and 9 medium risks. Risks highlighted in the summary included:

- Children's safeguarding
- Failure to deliver the Council Plan due to the pressures generated by the cost-of-living crisis
- Making sustainable improvement in Children's Services and Impact of the Covid-19 pandemic.

The 2021-22 Risk Management Annual summary showed that Covid-19 had continued to dominate the refreshed 2021-22 risk register, impacting the delivery of services either directly or indirectly. The Council has commenced with testing of an online risk management training tool. Our review highlighted Internal Audit had completed their annual review of Corporate Risk Management and three out of the four recommendations (arising from a previous Internal Audit review) had been implemented and the fourth was in progress.

The report presented an overall picture of the Council's risk profile which was improving. Each Directorate has a formal (identified) Risk Champion, with some Directorates choosing to have additional Risk Champions in place for specific areas. Whilst the Risk Champion ensured risk registers were updated, it was clarified that the responsibility for the risk stayed with the manager. The title of 'Risk Champion' was created in 2016, with the Council having 'Champions' in other areas. Our work concluded the Council has an established risk management framework in place. The arrangements include reports to SLT, Audit Committee and Cabinet. Deep dive reviews of the critical risks were presented to the Audit Committee throughout the year, allowing for more detailed and effective oversight and challenge.

The Council's own risk management guide highlights the possible opportunities that can arise from a degree of risk appetite. The Council could consider in its risk reporting where there could be a favourable impact on achieving the Council's objectives by accepting an element of upside of taking some managed risk. As the Council's guide notes, risk management, if used effectively, can help the Council to pursue innovative opportunities with higher levels of risk because exposure to risk is understood and managed down to acceptable levels.

However, from a review of the Council's CSRR, we believe there is scope for the Council to bring out within its risk reporting the degree of risk appetite and the possible upside of taking on a degree of risk, within the Council's approach and published risk management documentation. We have raised an improvement recommendation on this issue on page 19.

# Governance (cont.)

## Assurance over the effective operation of internal controls

In developing its 2021-22 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. Our work highlighted the effectiveness of the Council's governance framework including its system of internal control, this included review of minutes of Audit Committee, Cabinet and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed.

Our work included the review of the overall opinion for 2021-22 of the Head of Internal Audit; an assessment of the Audit and Committee arrangements against the 2018 CIPFA Guidance for Audit Committees in Local Authorities; the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit. This provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021-22 year. This was corroborated by our 2021-22 financial statements audit and review of the 2021-22 AGS.

The AGS was prepared in accordance with the guidance set out in CIPFA Bulletin 10 – Closure of the 2021-22 Financial Statements.

The AGS sets out that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year by the Assistant Director - Legal Services (Monitoring Officer). To ensure all statutory requirements have been met, the statement was produced in accordance with the CIPFA Delivering Good Governance Framework 2016. The AGS is approved by the Audit Committee.

## Internal Audit

The Council has appropriate Internal Audit arrangements in place which are provided by an in-house team. Despite the impacts of Covid-19, sufficient work was carried out across the Council's directorates to support the opinion given. The Head of Internal Audit reported the Council had overall an adequate and effective framework of governance, risk management and control during 2021-22.

Internal Audit did not issue any "No Assurance" audit opinions during the year and gave an opinion of 'partial assurance' in four areas subject to audit, none of these were considered serious enough for inclusion in the Annual Governance Statement. Based on the 48 reviews completed (against a planned total of 51) there are 85% which have received a substantial or reasonable rating. The 2021/22 Internal Audit plan highlighted delivery of 95% (target 90%) of audits delivered within timetable. The Internal Audit annual report also makes reference to Internal Audit's Quality Assurance and Improvement Programme (QAIP), which ensures work is compliant with Public Sector Internal Audit Standards (PSIAS).

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. The PSIAS are based on the international standards. The Standards require the Head of Internal Audit to develop a QAIP, designed to enable an evaluation of Internal Audit's conformance with the Standards. The QAIP must include both internal and external assessments. External assessments must be completed at least every five years. Internal assessments must include:

- Ongoing monitoring of the performance of the Internal Audit activity
- Periodic self-assessments.

An external assessment (led by the Head of Internal Audit of a Metropolitan Borough Council based in the Yorkshire region) was completed in November 2020 with the results reported to the Audit Committee in January 2021. The Internal Audit Service was assessed as generally conforming to the Standards. The assessment resulted in the development of a QAIP for 2021. An internal assessment was completed in January 2022, which showed that General Conformance with the standards had been maintained. Nine of the eleven actions from the external assessment had been implemented, along with three of the four actions from the previous year. The QAIP was then updated for 2022.

The Internal Audit function, as with a number of public sector finance and audit related departments, faces some challenges in terms of recruitment and retention of full time equivalents to maintain their full establishment.

The Council will need to continue to monitor the establishment levels within Internal Audit to ensure any vacancy gaps do not become excessive and therefore impact on the level of internal audit coverage across the Council's controls and processes, and the ability of the Head of Internal Audit to be able to issue his annual opinion.

# Governance (cont.)

## Counter Fraud

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption policies are kept under close review. The Council also participates in the National Fraud Initiative (NFI). The Council has a Whistleblowing policy and encourages individuals to raise issues of concern in a safe environment. The Council has good working relationships with relevant stakeholders and partners and information in respect of potential fraud risks is shared through various groups. The Council has not been subject to any material frauds in year.

## Leadership and committee effectiveness/decision making

The Council operates a Leader and Cabinet form of executive. In addition, there are scrutiny committees which hold the Cabinet to account. The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The constitution sets out how the Council operates, how decisions are made and the policies that are followed to ensure that these are efficient, transparent and accountable to local people.

Our review of minutes and papers for the Audit Committee and review of other committee minutes indicates that key strategic decisions are subject to effective discussion and are supported by detailed papers. Senior officers attend to present their own items and to answer any questions. The Audit Committee provides appropriate questioning and assurance of financial and non-financial items. The members of the Committee have a good mix of experience and expertise.

## Budget Setting Process

The Council has an established process for developing its annual budget and MTFS. The development of the budget commences with the rolling forward of the Budget Model from the prior year. The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates.

Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base.

The Model is frozen to prepare the February Cabinet Report. As previously noted, the Council's MTFS covers a rolling four year period. A report was brought to Cabinet in December 2021 which outlined the approach to updating the MTFS. This report contained the financial planning assumptions for the period of the new four-year MTFS set within this Council Plan. It updates the budget planning position and proposes the approach that will be taken to deliver the savings required to achieve a balanced budget over the five year period. The report identified the savings of £2m to be made in 2021-22 with a range of options. The report is clear on the challenges facing the Council, which include the ongoing impact of the pandemic, pressure on services and uncertainty about central government funding.

The 2021-22 Budget and MTFS 2022-26 was agreed by Council in March 2022. Our work highlighted there is a good level of engagement from budget holders, divisional leadership and executive leadership in the annual budget setting process. The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation (although the pay award in year was significantly higher than the sector expected).

The MTFS sets out the range of key assumptions that the Council has made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income. Risks are incorporated into the MTFS. There is a section of the MTFS highlighting key risks to delivery of the MTFS and the actions to mitigate each risk identified.

The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to all Members.

# Governance (cont.)

## Budget Setting Process (cont.)

The Council consulted stakeholders (local residents, local businesses and other local partners including NHS bodies) on their draft budget for 2022-23. The consultation focused on the proposed Council Tax increase of 1.5% and an Adult Social Care precept of 3%. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with trade unions; engagement with Area Management Teams; posts on the internet; intranet and use of social media. A total of 36 individual responses were received. However, the Council did not consult on savings.

Given the limited engagement achieved in 2021-22, the Council could consider how it can enhance its stakeholder engagement to ensure this is a meaningful process, which supports the development of the budget, MTFS and savings.

## Budget Control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. There is monitoring at a service, directorate and corporate level.

There is in year oversight of the budget at a high level, with regular budget monitoring reports taken to Cabinet. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves.

Review of Cabinet minutes indicate that regular budget monitoring reports have been subject to appropriate challenge and scrutiny. Financial monitoring reports and minutes demonstrate that in year forecast variances are being picked up promptly, and budget holders are being held to account for delivering to budget. This was clearly reported via in year monitoring and year end outturn report. At Cabinet in June 2022, the 2021-22 year end Financial Outturn and Corporate Performance Reports were approved. We are satisfied that appropriate arrangements were put in place to allow for challenge and scrutiny of these key documents.

## Register of Interests/ Gifts Hospitality

The Council maintains a record of member interests and gifts and hospitality on its website. There is a requirement for members to reconfirm their interest within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest. We acknowledge that the Council does an annual exercise to inform the related party disclosures in the financial statements, although this is not integrated into other central or departmental registers.

In terms of Member Register of Interests, these continue to be available on the Council's website. In line with the constitution, these need to be registered upon election and then updated as and when there are changes to their interests. In line with the Localism Act 2011, Section 30: Member's must disclosure pecuniary interests within 28 days of taking office and then update as necessary; with the onus of offence of not declaring an interest being on the individual Members.

Our work has not identified instances of interests not being declared which have caused damage to the body's reputation or had any other significant impacts on the body.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified an opportunity for further improvement relating to risk register development, set out overleaf.

# Improvement recommendation 2



## Governance

<b>Recommendation</b>	In line with the Council's own risk management guide, we recommend the Council draws out in the Corporate Strategic 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. This should help highlight to Members the possible favourable benefits of a degree of managed risk, and impact this could have on the achievement of the Council's objectives.
<b>Why / impact</b>	There is scope to increase the Council's risk maturity by formally considering in risk registers the opportunities to exploit, as well as a focus on downside risks. For example, the Council's pandemic response and shift to new ways of working has identified a number of opportunities to refine and improve the way the Council delivers its services.
<b>Auditor judgement</b>	There is scope to enhance the risk information reported to members in the CSRR by including potential upside factors to accepting a degree of risk in order to achieve certain objectives.
<b>Summary findings</b>	<p>The Council's own risk management guide highlights the possible opportunities that can arise from a degree of risk appetite – where there could be a favourable impact on achieving the Council's objectives by accepting an element of upside of taking some risk. As the Council's guide notes, risk management, if used effectively, can help the Council to pursue innovative opportunities with higher levels of risk because exposure to risk is understood and managed down to acceptable levels.</p> <p>However, from a review of the Council's CSRR, we believe there is scope for the Council to bring out in its risk reporting, the degree of risk appetite and the possible upside of taking on a degree of risk.</p>
<b>Management comment</b>	<i>Agreed. In line with the Council's risk management policy, the Council will look to draw out in risk reporting how the Council has been able to pursue innovative opportunities with higher levels of risk because exposure to risk has been understood and managed down to acceptable levels.</i>

# 7. Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

### Performance review, monitoring and assessment

The Council's performance against the delivery of the Council Plan is reported to Cabinet. A separate performance report is presented to Cabinet, which includes information about service activity and workforce. The Council Plan 2022-25 and Year Ahead Delivery Plan quarterly progress report for the period since January 2022 and 2021-22 year-end performance was presented to Cabinet June 2022.

The report focuses on progress made in delivering the 92 priority actions/milestones contained within the Year Ahead Delivery Plan and the 66 headline performance measures that best demonstrate progress in achieving the 26 key priority outcomes. It also brings together wider information, key facts and intelligence to explain how the Council is working and performing, including timelines and case studies to demonstrate the impact on residents and communities.

Performance reporting provides details of the overall status in relation to the Council Plan performance measures, of the 92 priority actions 62 (67%) are on track, 11 (12%) have a known delay, 1 (1%) will not be met within 3 months of planned date, 15 (16%) have been completed and 3 (3%) are not due to start. Delivery of the Council Plan will also be underpinned by the implementation of a new Workforce Plan which was launched in June 2022.

The Council should consider whether it can streamline this report to provide more summarised and integrated performance, finance and risk reporting, this would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet. We have made an improvement recommendation for this on page 24.

### Regulatory Reports

In July 2021, Office for Standards in Education, Children's Services and Skills (Ofsted) and the Care Quality Commission (CQC) conducted a joint Local Area Special Educational Needs and Disabilities (SEND) inspection of the local SEND system in Rotherham. This was to assess the effectiveness of the area in implementing the special educational needs and/or disabilities reforms as set out in the Children and Families Act 2014. The inspection was led by Ofsted, supported by a team of inspectors from Ofsted and the CQC.

The report was issued in November 2021. Our work highlighted the Leadership Team in the Council have an action plan that addresses the four areas identified in the written statement of action (WSOA). This has been submitted to Ofsted and was accepted by them. The Cabinet reviewed the action plan at six monthly intervals most recently in September 2022 this highlighted governance has been strengthened across the partnership in order to ensure pace and delivery of improvements that are required. Formal internal governance arrangements are in place to review and challenge progress made against the actions. The SEND Executive Board meets bi-monthly to review and hold accountability against progress.

Under the terms of the NAO's VFM guidance, we believe it is appropriate to still report this matter as a significant weakness in the Council's arrangements as at 31 March 2022. As such, the resulting key recommendation (detailed at page 25) remains relevant to our 2021-22 VFM work. We note the actions taken by the Council during 2022-23 and we will further consider these as part of our 2022-23 VFM work later this year.

In November 2021, the Health & Safety Executive (HSE) made the Council aware of an investigation it was undertaking. This was reported in the Council's 2020-21 financial statements under the contingent liabilities note. We have undertaken a review of the latest status of the report for this investigation, as at December 2022, the HSE has not formally reported any decisions or conclusions at this stage. The Council has undertaken pro-active improvement action to address the informal feedback received from HSE. We are unable to and cannot make any judgements or conclusions on this matter as part of our 2021-22 VFM review. No further work will be performed by us until the investigation is completed and HSE publish a final report, which is expected in 2023.

# Improving economy, efficiency and effectiveness (cont.)

## Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. The Council is one of a number of organisations - including major public bodies, local businesses and the voluntary and community sector - working together as "The Rotherham Together Partnership" to deliver improvements for local people and communities by combining their knowhow and resources.

The Partnership works within the framework of the Rotherham Plan 2025: a new perspective, which sets out a framework for its collective efforts to create a Borough that is better for everyone who wants to live, work, invest or visit.

The Rotherham Together Partnership Chief Executives agreed an outline for the Rotherham Together Plan in March 2022. Focus groups took place late April/early May 2022 to consider programmes to deliver the priorities detailed in the Rotherham Plan ("the Plan") which provides a framework for partners' collective efforts to create a borough that is better for everyone who wants to live, work, invest or visit.

## Stakeholder Engagement

The Council consulted stakeholders on their draft budget for 2022-23. The online consultation was open from December 2021 to January 2022 and the online form had four questions, which allowed for "free text" responses:

1. What would be your spending and saving priorities?
2. Do you have any concerns about the Council's current budget?
3. Do you have any other thoughts on the budget?
4. Council Plan budget priorities

The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with Trade Unions, engagement with Area Management Teams. The survey was available to download or as an online survey and paper copies within the main libraries, together with use of social media.

Responses were also received to the letter sent to key partners. These included Rotherham Clinical Commissioning Group, Rotherham NHS Foundation Trust and Voluntary Action Rotherham.

## Benchmarking

Our review of the Council's Corporate Performance monitoring reports indicates that, where relevant, the Council measures its performance with reference to national benchmarks.

As part of our audit work, we have benchmarked the Council's total net expenditure by service on a unit cost basis with all other metropolitan district councils. This analysis is provided page 22 shows that the Council has a very low total overall unit cost when compared to other metropolitan borough councils. However unit costs are higher than other metropolitan authorities for children's social care which is a key demand led service delivered by the Council.

This unit cost table shows the budgeted spend per 'Service Line'. We have then associated a unit to the service line to calculate a unit cost e.g. for Children's Social Care this is population aged 0-17, or for Adult Social Care this is population aged 18+. A 'Very High' score would place the authority in the top 20%, with 'Very Low' placing it in the bottom 20%.

The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance, including:

- Local Resilience Forum (LRF) Network which has been especially helpful during the on-going Covid-19 pandemic and the actions taken by other organisations
- Regional Policy forums to discuss topical issues for example managing flood risks and actions to be taken
- Yorkshire and Humber Leaders network on developments and good practice
- South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities.

## National Award

We also note that the Council was named as 'the most improved council in the country' at the Local Government Chronicle (LGC) Awards in 2022. The award recognised the improvement journey the Council has made over recent years, and the leadership it has shown to deal with the challenges to help turn the Council's performance around. It was noted that the Council has 'bounced back' and the award was a recognition of this.

# Improving economy, efficiency and effectiveness (cont.)

Rotherham	2022-23 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
Total Education Services (RA) £/aged 0-18	108,521	60,286	1750.34	Very Low
Total Highways Roads & Transport Services (RA) £/head	7,595	264,984	28.66	Average
Total Children's Social Care (RA) £/aged 0-17	73,701	57,453	1282.81	Very High
Total Adult Social Care (RA) £/aged 18+	99,929	207,531	481.51	Very Low
Total Cultural and related services (RA) £/head	9,999	264,984	37.73	Very Low
Total planning and development services (RA) £/head	2,003	264,984	7.56	Very Low
Total Housing Services (GFRA only) (RA) £/head	2,400	264,984	9.06	Very Low
Total Environmental and Regulatory services (RA) £/head	16,529	264,984	62.38	Very Low
Total Public Health (RA) £/head	17,210	264,984	64.95	Very Low
Total Services Expenditure (RA) £/head	342,424	264,984	1292.24	Very Low

# Improving economy, efficiency and effectiveness (cont.)

## Procurement and Capital Programme monitoring

The Council has an extensive and detailed Sustainable Procurement Strategy. The aims of the policy are to support the Council's long term financial sustainability and drive efficiencies, support local economic growth whilst responding to commissioning requirements and to optimise the opportunities for delivering social value opportunities through procurement.

There is detailed monitoring of all contracts via a contract register, which identifies when existing contracts will need to be retendered.

Our work has not identified extensive use of consultants, and the Council has a workforce strategy in place to ensure development of the Council's own workforce in procurement matters.

The Social Care market has been significantly impacted by the pandemic and wider workforce pressures. Homecare and care home providers are struggling to recruit and retain sufficient staff to deliver Council contracts. Mandatory vaccination requirements has led some staff to leave the sector.

At the Council in depth consultation has been undertaken with contracted home care and support providers to analyse care worker pay rates in the sector. The average basic hourly pay rate of care workers has been compared against pay for work in similar work roles and types in the Rotherham jobs market. Analysis shows that advertised pay can be significantly higher for work that is either similar or requires less skill and/or physical demand indicating an extremely competitive jobs market.

A recent Cost of Care exercise has been undertaken with intensive dialogue taking place with the market. This has led to proposals within the budget setting process to substantially revise the contracted hourly rate (increase of 20.3% - median). It is expected that this will lead to an improved pay rates and will incentivise recruitment and increase retention. Commissioners are looking at other opportunities to increase the 'pull' for job seekers to attract further take up of care worker roles.

The Home Care and Support Service was secured via a competitive tender in 2019 and mobilised in April 2020 at the onset of the pandemic.

The Council considers the risk and rewards when undertaking significant commercial ventures, outsourcing, shared service arrangements or partnerships. The Council has not taken on significant new services in year, and our work has found that the Council has adapted well to the pandemic and established effective new ways of working.

The number of providers appointed to the flexible purchasing system (FPS) has increased from 13 to 14 providers to accommodate growing demand. In July 2021 it was necessary to further increase the number of formal arrangements with providers to rapidly assuage both the impact of the pandemic and in preparation for winter pressures expected to reduce both capacity and resilience in the market. Currently there are 17 providers responding to request for service, although meeting demand remains an ongoing challenge. Attracting sufficient numbers of people to work in home care and support services is a key challenge for the sector.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

# Improvement recommendation 3



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	The Council should consider whether it can streamline the KPI performance report to provide more summarised and integrated performance, finance and risk reporting. The Council should consider reducing the volume of KPIs and targets to a more manageable level to assist clearer reporting of actions for any KPIs/ targets not delivering.
<b>Why / impact</b>	A streamlined summary would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet.
<b>Auditor judgement</b>	Concise information is a key element to assist good decision making, the current performance report is very detailed with key messages not brought to attention of members in a summary of key points.
<b>Summary findings</b>	The Council's performance against the Council Plan Delivery Plan is reported on a quarterly basis to Cabinet. The report focuses on progress made in delivering the 92 priority actions/milestones contained within the Year Ahead Delivery Plan and the 66 headline performance measures that best demonstrate progress in achieving the 26 key priority outcomes. It also brings together wider information, key facts and intelligence to explain how the Council is working and performing, including timelines and case studies to demonstrate the impact on residents and communities. The report format would benefit with the inclusion of a dashboard executive summary.
<b>Management comment</b>	<p>Noted. However, the Council has already amended the format and layout of the report at member's request to gather all the Council Plan theme summaries into one section as such a further summary in front of that would not be suitable at this time.</p> <p>With regards to reducing the number of KPI's, at present that also isn't suitable as the Council is currently being asked to publish more rather than less. The Council recognises that some reduction in KPI's might create efficiencies and perhaps therefore help to focus more clearly, as such this might be something that the Council revisits in the future.</p>



The range of recommendations that external auditors can make is explained at Appendix A.

# 8. Follow-up of previous recommendations

Key Recommendation 1	Year raised	Progress to date from management:	Addressed?	Further action?
<p><b>Improving economy, efficiency and effectiveness</b></p> <p>In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rotherham. The inspection did highlight some strengths although there were many areas for improvement.</p> <p>As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector (HMCi) has determined that a Written Statement of Action (WSOA) is required because of significant areas of weakness identified in the service.</p> <p><b>Recommendation:</b></p> <p>Following the Ofsted and CQC SEND inspection, the Council should:</p> <ul style="list-style-type: none"> <li>have a clear "Written Statement of Action (WSOA) in response to Ofsted and CQC report on joint area SEND inspection, which identified significant areas of weaknesses in implementing SEND reforms as set out in the Children and Families Act 2014</li> <li>a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC</li> <li>The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Committee.</li> </ul>	2020-21 (raised in March 2022)	<p>The Leadership Team both in the Council and CCG (now part of the South Yorkshire ICS) have provided a clear action plan that addresses the four areas identified in the Written Statement of Action (WSOA). This was submitted to Ofsted (22nd January 2022) and accepted by them.</p> <p>The WSOA was jointly developed with the CCG and sets out the key actions and timelines to address the following areas of improvement:</p> <ul style="list-style-type: none"> <li>The variability in the quality of Education, Health and Care plans, including the contribution of health and social care partners</li> <li>The effectiveness of the graduated response to identify and meet children and young people's needs, especially in key stages one and two</li> <li>The quality of provision for children and young people's preparation for, and transition to, adulthood</li> <li>Communication with all parents and carers of children and young people with SEND about the local offer, and the accessibility of the very valuable information included within the local offer.</li> </ul> <p>As we reported to the Audit Committee in January 2023, progress has been made in respect of all recommendations. The first monitoring meeting has been held with the Department for Education (DfE) and NHSE who monitor operational delivery of the WSOA - feedback has been provided by DfE that assurance is in place and that Rotherham has met requirements of implementation of its WSOA.</p> <p>Governance has been strengthened across the partnership in order to ensure pace and delivery of improvements that are required. Senior management are leading this from the two organisations. Formal internal governance arrangements are in place to review and challenge progress made against the actions. The SEND Executive Board meets bi-monthly to review and hold accountability against progress.</p> <p>The target date for the actions relating to all of the WSOA actions is September 2023.</p>	On-going	<p>Under the terms of the NAO's VFM guidance, we believe it is appropriate to still report this matter as a significant weakness in the Council's arrangements as at 31 March 2022. As such, this resulting key recommendation remains relevant to our 2021-22 VFM work.</p> <p>We note the actions taken by the Council during 2022-23 and we will further consider these as part of our 2022-23 VFM work later this year.</p>

# Follow-up of previous recommendations

Improvement Recommendation 1	Year raised	Progress to date from management:	Addressed?	Further action?
<p><b>Financial Sustainability</b> The Council set savings targets of £34m for 2019-20 and 2020-21 during February 2019. The Budget and Council Tax Report 2021-22 agreed at Council in March 2021 indicated that £16m of the total £34m of agreed budget savings and cost reductions had been delivered at that point (by March 2021) and that the remaining savings of £18m (£34m - £16m) were profiled across the medium term. A further £2m savings are projected to be delivered in 2021- 22 against an original target of £5.65m. Then a further £11.5m is profiled for delivery from 2022-23 to 2024-25 in the updated MTFS.</p> <p>This brings a total of £29.5m savings and cost reductions from the original £34m target by 2024- 25. The remaining £4.5m balance is going to be achieved through additional corporate savings from treasury management. In summary, the Council is now planning to deliver its original savings target of £34m by the end of 2024-25.</p> <p>Our review and discussions with management indicated that there are valid reasons for this delay in savings delivery. These are highlighted at page 10. However, our work identified that tracking savings targets over a number of years was difficult from reading the Council's finance and outturn reports. There is scope for improvement in the transparency of the reporting in this area, hence this recommendation.</p> <p><b>Recommendation</b></p> <p>Going forward, the Council should improve its reporting arrangements on tracking savings targets set, clearly indicating the targets, savings achieved during the year and reasons for not achieving savings with any mitigating commentary.</p>	2020-21 (raised in March 2022)	<p>We are satisfied that we have set realistic savings for the Council over the medium term and have delivered on our budgetary commitments.</p> <p>However, we did accept that the clarity of reporting delivery of savings could be enhanced and have sought to take action on this during 2022-23. We introduced revised and clearer reporting of our savings going forward.</p>	Yes	<p>N/A. Our work highlighted reporting of the savings target and delivery thereof, to have sufficient detail - with any changes highlighted with appropriate commentary in reports.</p> <p>Our review of Cabinet papers highlight this has been addressed through the Council's Financial Monitoring Reports to Cabinet, this report now includes a dedicated section the delivery of the agreed savings within the Council's Budget and MTFS.</p>

# Follow-up of previous recommendations

Improvement Recommendation 2	Year raised	Progress to date from management	Addressed?	Further action?
<p><b>Governance</b> The SRR is reviewed quarterly at the Strategic Leadership Team and the Directorate Risk Registers are reviewed monthly at Directorate Leadership Team meetings and risk owners monitor risks on an ongoing basis. The SRR is also considered biannually by Audit Committee and Directorate Risk Registers are presented on an annual rolling programme.</p> <p>Our work indicated, the SRR is not formally shared with the Cabinet for any checks and challenges. Considering the importance of both the SRR to the Council and the key role played by the Cabinet in terms of key decision making, our view is there should be a formal process of sharing the SRR with the Cabinet.</p> <p><b>Recommendation</b> The Council should have a formal process of sharing the Strategic Risk Register (SRR) with the Cabinet for consideration and discussion at least annually.</p>	2020-21 (raised in March 2022)	Our proposal in responding to this recommendation is to implement a change to the process for Audit Committee raising any concerns regarding the Strategic Risk Register with the Cabinet. In our view, this needs to be clarified within the Council's Constitution and we will be taking this forward as an action in 2022-23.	On-going	We have made a follow-up improvement recommendation relating to risk register development in the governance section of this report.

# Follow-up of previous recommendations

Improvement Recommendation 3	Year raised	Progress to date from management	Addressed?	Further action?
<p><b>Governance</b> Our work in this area identified some inconsistencies which we have discussed with management:</p> <ul style="list-style-type: none"> <li>The Council's process for updating the Register of Interests should be amended so that it is clearer about how existing and new members are required to refresh their information, including clarity on how members are requested for updates and how that data is updated (in particular where not updated if there is no change).</li> <li>According to the Code of Conduct, Members need to declare any gifts and hospitality over £50. However, the Register of Interest document published on the Council's website indicates the value at £25.</li> <li>There is a link on the Council's website for each councillor, which provides information on any gifts and hospitality declared. According to link, no councillor has received any gifts or hospitality for any year. Gifts and hospitality need to be also declared in the Register of Interest document. However, we noted an inconsistency between what has been declared in the Gifts and Hospitality register and what has been reported through this separate link.</li> </ul> <p><b>Recommendation</b> The Council's arrangements in relation to recording and reporting members' register of interest and gifts and hospitality should be further strengthened in order to make it consistent with the requirements of the Council's Councillor Code of Conduct.</p>	2020-21 (raised in March 2022)	<p>The ROI form has been changed to £50, if however Members want to declare any gifts and hospitality to be open and transparent of whatever sum that will be recorded.</p> <p>The ROI process notes have been updated to address the recommendations as set out and gifts and hospitality declared will all be held online moving forwards.</p>	Yes	<p>N/A. Review of declarations of interest made at each committee meeting are appropriately recorded with sufficient detail highlighting compliance with expected process requirements. The updated Council Constitution (March 2022) includes an updated Code of Conduct with guidance for registering interests.</p>

# Follow-up of previous recommendations

Improvement Recommendation 4	Year raised	Progress to date from management:	Addressed?	Further action?
<p>Improving economy, efficiency and effectiveness</p> <p>The Council has a performance monitoring system that is published on the Council's website.</p> <p><b>Recommendation</b></p> <p>As part of Council's continuous performance improvement agenda, it should consider:</p> <ul style="list-style-type: none"> <li>• In future performance reports the Council should ensure that the benchmarking data is clearly visible, where it is relevant, for each of the performance measures, by referencing in the scorecard. To help demonstrate how the Council is performing comparatively and identify any opportunities to further improve performance.</li> </ul>	2020-21 (raised in March 2022)	The Council has made the benchmarking data it holds more clearly visible, where relevant, for each of the performance measures, by referencing in the scorecard.	Yes	<p>N/A. The Council's performance against the delivery of the Council Plan is reported every two months to Cabinet. A separate performance report is presented to Cabinet, which includes information about service activity and workforce. The Council Plan 2022-25 and Year Ahead Delivery Plan quarterly progress report for the period since January 2022 and 2021-22 year-end performance was presented to Cabinet in June 2022.</p> <p>The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance, including:</p> <ul style="list-style-type: none"> <li>• Local Resilience Forum (LRF) Network which has been especially helpful during the on-going Covid-19 pandemic and the actions taken by other organisations</li> <li>• Regional Policy forums to discuss topical issues for example, managing flood risks and actions to be taken</li> <li>• Yorkshire and Humber Leaders network on developments and good practice</li> <li>• South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities.</li> </ul>

# Follow-up of previous recommendations

Recommendation 5	Year raised	Progress to date from management:	Addressed?	Further action?
<p><b>Improving economy, efficiency and effectiveness</b> The Council introduced new set of approved Procurement Procedure Rules in 2021.</p> <p><b>Recommendation</b> Going forward, we would recommend the Council to put in place:</p> <ul style="list-style-type: none"> <li>The Council should identify the key control areas of the Procurement Procedure Rules and create a structured system to monitoring compliance and take corrective actions as required.</li> <li>Annual Reporting to the Cabinet on compliance with latest Procurement Procedure Rules summarising key matters</li> </ul>	2020-21 (raised in March 2022)	<p>The Council has identified the key control areas of the Financial &amp; Procurement Procedure Rules (FPPR) and created a structured system to monitoring compliance and seek to take corrective actions as required. The Council's priority, however, given the improvement journey the Council is on with procurement has been to embed the new FPPR's through training and communications of key messages ahead of delivery of new monitoring processes.</p> <p>During the latter end of 2021 and through 2022, the procurement team focussed resources on training to key officers across the Council. Initially this was via a targeted approach with 281 Officers having been trained on the Council's Procurement Procedure Rules. This specific training is now scheduled to be delivered quarterly for staff to book onto themselves (i.e. if they are new to the organisation or feel they would benefit from a refresher). The delivery of this training will be kept under review as the Procurement Bill progresses and the Council's processes and procedures needs to be amended to reflect these requirements.</p> <p>In addition to the above, Social Value in Contract Management training has also been delivered to 40 Contract Managers across the Council to ensure that social value commitments made by bidders are realised</p>	Yes	<p>N/A. Our review of FPPR highlighted procurement procedures in place. There is detailed monitoring of all contracts via a contract register, which identifies when existing contracts will need to be retendered.</p> <p>Discussions with officers has not identified extensive use of consultants, and the Council has a workforce strategy in place to ensure development of the Council's own workforce in procurement matters.</p>

# Appendices

# Appendix A - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report?	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Please see comments on page 25 in the follow up of prior year recommendations section. The key recommendation relates to the significant findings arising from the Ofsted/CQC review of SEND. We note the actions the Council and its partner have taken but as at 31 March 2022 this remained a significant weakness. We will follow up this matter as part of our 2022-23 VFM work.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	<ul style="list-style-type: none"> <li>• Financial sustainability – page 14</li> <li>• Governance – page 19</li> <li>• 3Es – page 24</li> </ul>

# Appendix B - Use of formal auditor's powers

We bring the following matters to your attention:

## **Statutory recommendations**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

## **Public interest report**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

## **Application to the Court**

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

## **Advisory notice**

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

## **Judicial review**

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

# Appendix C - Responsibilities of the Council



## Role of the S151 Officer (Strategic Director Finance & Customer Services for Rotherham MBC):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern.

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.





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Select report type  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 14 March 2023

**Report Title**

Closure of the Accounts 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 of Finance and Customer Services

**Report Author(s)**

Ian Bagshaw (Finance Manager – Financial Accounting)

Finance & Customer Services Directorate

01709 249938 [ian.bagshaw@rotherham.gov.uk](mailto:ian.bagshaw@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide or

**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 2022/23, 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 is 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 2022/23 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 2022/23  
Appendix B RMBC Accounting Policies

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting 2022/23  
Accounts and Audit Regulations 2015  
The Accounts and Audit (Amendment) Regulations 2022

**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 2022/23**

### **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 2022/23 hasn't yet been confirmed by Grant Thornton but for information the overall materiality for the 2021/22 accounts was £8.880 million, with differences of less than £444,000 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 2017/18 and 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 The Accounts and Audit (amendment) Regulations 2022 came into force on 22<sup>nd</sup> July 22 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 has reverted back to the 31<sup>st</sup> May for the 2022/23 accounts. Whilst this will be challenging for the Council as officers will need to work faster

closure only having recently fully completed 2021/22 accounts, the Council is confident that the faster closure deadlines can be met.

### **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 A decision has been made to further delay the implementation of IFRS 16 within Local Authorities until 2024/25. This disclosure 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. Although implementation of the standard has been delayed until 2024/25 there will be the need for an assessment of the impact of the new standard as part of the 2023/24 accounting process.
- 2.8 Major changes to service delivery that have taken place in 2022/23 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies.
- 2.9 The Council's Statement of Accounting Policies is attached as Appendix B. These policies are reviewed and updated where necessary.

2.10 There is a national issue with Local Authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on the Council's accounts. This override is in force until 31<sup>st</sup> March 2025. The council will utilise the override again for the 2022/23 accounts. The Council is working to assess the processes that need to be put in place to ensure the treatment of infrastructure assets is compliant when the statutory override expires.

### **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 2022/23 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 2022 came into force on 22<sup>nd</sup> July 2022 and revised the statutory deadline for publishing the audited financial statements to 30 September for 2022/23 accounts and the subsequent 5 years. The deadline for the Council to produce and publish draft accounts has reverted back to the 31<sup>st</sup> May for the 2022/23 accounts as per the Accounts and Audit Regulations 2015.

### **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)

## 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><b>The implementation of IFRS 16 has now been delayed until April 2024. Therefore information for this new standard is not required for the 2022/23 accounts. As part of the Council's accounts for 2023/24 it must disclose the estimated impact of IFRS 16.</b></p>	<p>Initial assessments of any operational leases the Council holds is being carried out with a view to preparing a draft note for the 2023/24 accounts on the impact of the IFRS, further work is being done to ensure the Council is compliant by April 2024.</p>
Infrastructure Assets	<p>There is a national issue with local authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on LA accounts. This override is in force until 31<sup>st</sup> March 2025. The council will utilise the override again for the 2022/23 accounts but will need to put measures in place for when the override expires.</p>	<p>Initial work is taking place to identify what information is required to account for infrastructure assets. This will ensure the Council is compliant when the override expires.</p>
Schools converting to academy	<p>During the course of 2022/23, a further primary school has converted 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.</p>	<p>The Narrative Report will highlight the impact.</p>

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**A STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES**

**1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 ("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.

## **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.

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 an Asset Held for Sale, it will be measured at the lower of carrying value and 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 to earn rentals or 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 fair 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, 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. 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.

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 the contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest, 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, and the contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest, 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), within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms of the financial asset give rise on specified dates to

cash flows that are solely the payments of principal and interest. 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.

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## 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.

### 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 to the services for which the employees worked.
  - 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.

## **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 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.

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**Committee Name and Date of Committee Meeting**

Audit Committee – 14 March 2023

**Report Title**

Closure of the Accounts 2022/23 – 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  
01709 249938 [ian.bagshaw@rotherham.gov.uk](mailto:ian.bagshaw@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide or

**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 30<sup>th</sup> September, based on the revised regulations which have now been implemented for 6 years (2022/23 to 2027/28).

**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 2022/23

Accounts and Audit Regulations 2015

The Accounts and Audit (Amendment) Regulations 2022

**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 2022/23**

### **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 2019/20 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 31<sup>st</sup> March 2021 and extended the publication of the Statement of Accounts for the two financial years (2020/21 and 2021/22). Subsequently the Accounts and Audit (Amendment) Regulation 2022 came into force on 22<sup>nd</sup> July 2022. These amended regulations extended the publication of final audited accounts to 30<sup>th</sup> November for 2021/22 accounts and require the draft accounts for 2022/23 to be published by the 31<sup>st</sup> May and final audited accounts by the 30<sup>th</sup> September. These regulations also require Authorities to publish a notice on their website if they fail to publish their draft accounts by 1<sup>st</sup> August.
- 1.4 In the production of the Council's accounts for 2021/22, 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 November. Due to a national issue with Local Authority approaches to infrastructure assets Grant Thornton were unable to provide an unqualified opinion on the statement of accounts at this point. A Statutory Override for the treatment of infrastructure assets came into force in December 2022. The override allows LA's using the override to not make any prior year adjustments, or revisit opening balances until a workable future proof solution is in place. Grant Thornton subsequently confirmed an unqualified audit opinion in January 2023.

### **2. Key Issues**

#### **Timetable**

- 2.1 Based on the amended deadlines, the key dates on the timetable for the production of the accounts 2022/23 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 07 June 2023)	31 May 2023
Public Inspection of Draft Accounts	1 June to 10 June 2023
External Audit of the Councils Accounts	June to September 2023
Audited accounts, Narrative Report & Annual Governance Statement presented to Audit Committee and then published by: (Will be presented to Audit Committee on 26 September 2023)	30 September 2023
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 2022/23 accounts. However, they did indicate as part of the review process for the 2021/22 accounts that they expected to be able to meet the statutory deadlines in auditing the Councils accounts for 2022/23.

#### 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 2022/23.

#### 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 31<sup>st</sup> May, with the statutory deadline for publishing the audited financial statements of 30<sup>th</sup> 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 22<sup>nd</sup> July 2022.

**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)

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Select report type  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 14 March 2023

**Report Title**

Procurement Annual 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](mailto:Karen.middlebrook@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide

**Report Summary**

This report seeks to provide an update on procurement activity undertaken in the last 12 months to Audit Committee

**Recommendations**

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

**List of Appendices Included**

None

**Background Papers**

1. [Financial and 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

## 2023 Procurement Annual Update

### 1. Background

- 1.1 The Council spends in excess of £350m per annum on a wide range of goods, works and services ranging from construction, transport and regeneration activity, to commissioned care services for vulnerable children and adults through to business and professional services such as food, consultancy and ICT.
- 1.2 The role of the procurement function is to ensure this expenditure is made in compliance with the legislation (Public Contracts Regulations 2015 (as amended)) and the Council's own Financial and Procurement Procedure Rules (FPPRs). To do this it is essential there are robust procurement practices to ensure value for money is being achieved, ethical practices are being applied and the contracts the Council enters into are robust, deliver against key priorities and minimise risk.
- 1.3 The last annual update to Audit Committee was 15 March 2022. This report therefore seeks to provide an update for 2023.

### 2. Key Issues

- 2.1 Over the preceding 12-month period, the main focus has been business as usual, continuing to provide professional support to Services to procure their contractual requirements in a manner compliant with the legislation and/or the Council's own Financial and Procurement Procedure Rules (FPPRs), whilst ensuring social value commitments are secured and value for money is achieved.
- 2.2 A significant part of the Procurement Team's resource has been utilised supporting the major regeneration capital procurement projects and it is likely this trend will remain for the coming 12-month period. This increased size of the regeneration programme has created additional resource pressure on the procurement service and will continue to do so. Options are being considered as to how procurement can best manage that pressure whilst still delivering a high-quality service. Potential additional capacity within the procurement service and a focus as a Council on forward planning of procurement activity will be vital steps in mitigating the impact of significantly increased regeneration activity.
- 2.3 This last year has been challenging in terms of the economic landscape the Council has been procuring within, with inflation at a high, shortages of supply and labour within the supply chain and the risk of financial collapse of suppliers within some industries.
- 2.4 This has required analysis pre-procurement to understand the current supply market along with detailed due diligence on the successful supplier once identified to ensure the expectations of the contract are both understood from the supplier, and the proposal is fully understood by the Council, before proceeding to contract award.

- 2.5 To support the above and continue to further procurement knowledge, understanding and the application of procurement processes and procedures across the Council, the team has continued to deliver procurement related training to Officers.
- 2.6 The procurement team is also closely monitoring the progress of the Procurement Bill. Since the last update the Bill has moved from the House of Lords and is in the Report Stage of the House of Commons for further debate and amendments. It is anticipated that the Bill will receive Royal Assent in late spring. The Bill itself is a complex piece of legislation, but much of the detail surrounding the new regime will sit within secondary legislation, statutory and non-statutory guidance, which is currently not yet drafted, and which will be the subject of further consultation. Cabinet Office has committed to providing a six-month lead in period before the new regime take effect. This six-month lead in period will commence *after* the final version of secondary legislation is laid in Parliament. It is therefore anticipated that the 'go live' of the new Regulations will come into effect Spring 2024 at the earliest.

### **3. Options considered and recommended proposal**

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

### **4. Consultation on proposal**

- 4.1 As an update report there has been no consultation.

### **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**

- 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 Council's budget.

### **7. Legal Advice and Implications**

- 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 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 CO<sub>2</sub> Emissions and Climate Change**

11.1 As an update report there are no direct implications linked to CO<sub>2</sub> Emissions and Climate Change.

**12. Implications for Partners**

12.1 As an update report there are no implications 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)**

Rob Mahon, Assistant Director; Financial Services

Karen Middlebrook, Head of Procurement



Public Report  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 14<sup>th</sup> March 2023.

**Title**

Audit Committee Terms of Reference.

**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](mailto:david.webster@rotherham.gov.uk)

**Ward(s) Affected**

Borough wide.

**Report Summary**

This report refers to a proposed update to the Terms of Reference of the Council's Audit Committee. In October 2022 CIPFA (the Chartered Institute of Public Finance and Accountancy) published 'Audit Committees – Practical Guidance for Local Authorities and Police', an update of previous guidance from 2018. The Guidance includes suggested Terms of Reference for Audit Committees, which have been used as the basis for the attached proposed Terms of Reference.

The Terms of Reference form part of the Council's Constitution, so if approved by the Committee they will be referred to the Constitution Working Group and then to Council for final approval.

The paper also includes the use of substitutes in the Committee.

**Recommendations**

The Audit Committee is asked to:

- 1) Consider and approve the updated Terms of Reference for the Committee.
- 2) Recommend to the Constitution Review Working Group and Council that they are adopted.

**List of Appendices Included**

Appendix A – Proposed Audit Committee Terms of Reference

Appendix B – Current Audit Committee Terms of Reference

**Background Papers**

CIPFA publication – Audit Committees, Practical Guidance for Local Authorities and Police, 2022 edition – the Audit Committee Member in a Local Authority  
CIPFA publication – Audit Committees, Practical Guidance for Local Authorities and Police, 2022 edition – Guiding the Audit Committee, Supplement to the Audit Committee Member Guidance  
RMBC Constitution.

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

Subject to approval by the Audit Committee, to be referred to the Constitution Working Group.

**Council Approval Required**

Yes.

**Exempt from the Press and Public**

No.

## Audit Committee Terms of Reference

### 1. Background

- 1.1 The Audit Committee is responsible for overseeing the Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Audit Committee is referred to in Section 9 of the Constitution, and its specific powers and duties are set out in Appendix 9 under the Terms of Reference of the Audit Committee. These have been in place since 2019.
- 1.2 In October 2022 CIPFA issued an update to their publication 'Audit Committees – Practical Guidance for Local Authorities and Police', in two parts. The first is written for Audit Committee Members, with the second being a supplement aimed at officers responsible for guiding the Audit Committee. The guidance details the purpose of Audit Committees; their core functions and possible wider functions; independence and accountability; and membership and effectiveness. Appendices refer to government guidance; suggested terms of reference; the skills and knowledge framework for audit committee members; and self-assessments of good practice and assess effectiveness.
- 1.3 Following the guidance is not a statutory requirement but is regarded to be good practice. The suggested terms of reference have been used as the basis for the proposed updated Terms of Reference for RMBC Audit Committee.
- 1.4 At the same time, the Constitution Review Working Group has met, considered and agreed to recommend to Council allowing substitutes to be nominated for Committees. The opportunity has therefore been taken to include the use of substitutes for the Audit Committee in this update.
- 1.5 The Audit Committee has received a briefing on the Guidance on 10<sup>th</sup> March 2023.

### 2. Key Issues

#### 2.1 The Use of Substitutes

The guidance recommends that the use of substitutes is avoided, as they are less likely to have received relevant training and it can disrupt the continuity of the Committee, where members can build on information gained in previous meetings. However, in Rotherham it is felt that allowing substitutes will:-

- Ensure Members are fully involved in the work of the Committee.
- Spread knowledge of the work of the Committee.
- Broaden the number of Councillors trained in the work of the Committee.

It should be noted that for Audit Committee (in common with other Committees) only those Members who have been trained will be able to act as substitutes.

## 2.2 Terms of Reference

The proposed Terms of Reference for the Audit Committee are attached at **Appendix A**. The existing entries in the Constitution are included at **Appendix B**.

### 2.3 Many of the changes formalise current practice at RMBC. The material changes to the Terms of Reference are as follows:

#### Committee Size

- The increased number of independent members, from one to two.

#### Paragraph

- 6 The inclusion of reviews of risk registers, to bring it into line with current practice.
- 8 The review of compliance with CIPFA's Financial Management Code. (This has previously been considered as part of the paper on the Annual Governance Statement.)
- 13 To deal with any matters referred to the Committee by the Statutory Officers. (previous provision was for s151 officer only.)
- 15 More in-depth review of the Annual Governance Statement.
- 17 Monitoring the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met. (This has previously been considered as part of a paper from Finance prior to the year-end.)
- 22 To receive reports on progress in implementing actions from external inspections and audits. (The committee receives reports every six months.)
- 31 The provision of free and unfettered access for the external auditors to the audit committee chair and the opportunity for a private meeting with the committee. (In reality, this has always been the case.)

## 2.4 Approval of the Statement of Accounts

CIPFA has the view that the Audit Committee's role is one of review, not decision making, and that the Committee should review the final accounts before they are approved by Council. They do however acknowledge that in some Authorities the Audit Committee approves the Statement of Accounts. A review of Authorities within Yorkshire showed that the approval of the Statement of Accounts by Audit Committees is standard practice.

- 2.5 Within RMBC the Audit Committee already has delegated responsibility within its Terms of Reference to approve the final Statement of Accounts. Each year the Committee receives a briefing from the AD Financial Services and his team on the accounts. They have therefore built up a level of knowledge and are able to provide a good level of challenge. They also have the time to do so between receiving the draft and final Statements. Retaining the authority within the Audit Committee will enable a more focused and thorough consideration and hence be more effective. In addition, there would be practical difficulties in arranging for full Council to approve the Statement of Accounts on the statutory deadline.
- 2.6 It is therefore recommended to maintain the current arrangements. However, there will continue to be engagement with other Authorities to ensure that this remains in line with standard practice.

**3. Options considered and recommended proposal**

3.1 This report is presented to update the Terms of Reference for the Audit Committee after the publication of CIPFA guidance.

**4. Consultation on proposal**

4.1 The proposed Terms of Reference have been reviewed by the Monitoring Officer and the Strategic Director Finance and Customer Services.

**5. Timetable and Accountability for Implementing this Decision**

5.1 If approved, for onward submission to the Constitution Working Group and Council for final approval.

**6. Financial and Procurement Advice and Implications**

6.1 The proposal includes the provision of a second independent member of the Committee. An independent member receives an allowance of £710 per annum. The cost to appoint an additional independent member can be met from the wider Democratic Service budget.

**7. Legal Advice and Implications**

7.1 The report recommends a change to the Council Constitution.

**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 associated with these proposals.

**10. Equalities and Human Rights Advice and Implications**

10.1 There are no direct Equalities and Human Rights Implications arising from these proposals.

**11. Implications for CO2 Emissions and Climate Change**

11.1 There are no direct CO2 and Climate Change implications arising from these proposals.

**12. Implications for Partners**

12.1 Partners will be able to take assurance on the Council'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 CIPFA. The adoption of terms of reference based on the CIPFA guidance contributes to enabling this compliance.

### **14. Accountable Officer**

David Webster, Head of Internal Audit.  
Tel 01709 823282 E mail [david.webster@rotherham.gov.uk](mailto:david.webster@rotherham.gov.uk)

**Audit Committee Terms of Reference March 2023****Committee Size**

To be comprised of:-

- Five Councillors, none of which are members of the Cabinet.
- Two people who are not councillors or officers of the Council (independent members).

**Statement of purpose**

- 1 The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.
- 2 The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

**Governance, risk and control**

- 3 To review the Council's corporate governance arrangements against the Good Governance Framework, including the ethical framework and consider RMBC's Code of Governance.
- 4 To monitor the effective development and operation of risk management in the Council
- 5 To monitor progress in addressing risk-related issues reported to the Committee.
- 6 To review risk registers and consider their adequacy and effectiveness in capturing and assessing risks and completing mitigating actions.
- 7 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 8 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 9 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 10 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 11 To monitor the Counter-Fraud Strategy, actions and resources.
- 12 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 13 To deal with any matters referred to the Committee by the Statutory Officers.

## **Governance Reporting**

- 14 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's Framework of Governance, risk management and control.
- 15 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the Authority's objectives.
- 16 To approve the final AGS for publication.

## **Financial Reporting**

- 17 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 18 To review the draft annual Statement of Accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 19 To approve the final audited annual Statement of Accounts for publication. Specifically, to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 20 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Arrangements for Audit and Assurance**

- 21 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 22 To consider reports on progress against actions from external inspections and audits.

## **External audit**

- 23 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 24 To approve the external auditor's annual plan.
- 25 To approve any revisions to the external auditor's plan.
- 26 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 27 To consider specific reports as agreed with the external auditor.
- 28 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 29 To consider additional commissions of work from external audit.

- 30 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
- 31 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.

### **Internal Audit**

- 32 To approve the Internal Audit Charter.
- 33 To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 34 To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
- 35 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 36 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 37 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards.
- 38 To consider reports from the Head of Internal Audit on Internal Audit's performance during the year. These will include:-
  - updates on the work of Internal Audit including progress against the plan; key findings and issues of concern; action in hand as a result of Internal Audit work; and performance indicators.
  - regular reports on the results of Quality Assurance and Improvement Programme.
  - reports on instances where the Internal Audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS
- 39 To approve the Head of Internal Audit's annual report including:-
  - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
  - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 40 To consider summaries of specific Internal Audit reports.
- 41 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 42 To contribute to the QAIP and in particular, to the External Quality Assessment of Internal Audit that takes place at least once every five years.
- 43 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for him/her to meet privately with the committee.

## **Treasury Management**

- 44 To review Treasury Management Policy, Strategy and procedures and to be satisfied that controls are satisfactory
- 45 To receive annual reports on Treasury Management, specifically the outturn report and the mid-year report
- 46 To review the treasury risk profile and adequacy of treasury risk management processes
- 47 To review assurances on Treasury Management, for example an Internal Audit report, external audit report or other review.

## **Accountability arrangements**

- 48 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 49 To report to full council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
- 50 To submit a report on the work of the Committee to the Council on an annual basis, including a conclusion on compliance with the CIPFA Position Statement on Audit Committees.

## Appendix B

### **Audit Committee Terms of Reference October 2018**

#### **Committee Size**

To be comprised of:-

- Five Councillors, none of which are members of the Cabinet.
- One person who is not a councillor or officer of the Council (independent member).

#### **Statement of purpose**

- 1 The audit committee is a key component of RMBC's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the audit committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of RMBC's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Governance, risk and control**

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider RMBC's code of governance.
- 4 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To approve the final AGS for publication.
- 6 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 8 To monitor the effective development and operation of risk management in the council.
- 9 To monitor progress in addressing risk-related issues reported to the committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 12 To monitor the counter-fraud strategy, actions and resources.
- 13 To review the governance and assurance arrangements for significant partnerships or collaborations.

## Internal audit

- 14 To approve the internal audit charter.
- 15 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 16 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 17 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 19 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards. This will include:-
  - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is so severe that it must be included in the AGS
- 20 To consider reports from the head of internal audit on internal audit's performance during the year. These will include updates on the work of internal audit including:-
  - progress against the plan
  - key findings and issues of concern
  - action in hand as a result of internal audit work
  - performance indicators
- 21 To approve the head of internal audit's annual report:-
  - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
  - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 22 To consider summaries of specific internal audit reports.
- 23 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 24 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for him/her to meet privately with the committee.

### **External audit**

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 27 To approve the external auditor's annual plan
- 28 To approve any revisions to the external auditor's plan
- 29 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30 To consider specific reports as agreed with the external auditor.
- 31 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 32 To commission work from internal and external audit.
- 33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Financial reporting**

- 34 To receive the draft annual statement of accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 35 To approve the final audited annual statement of accounts for publication. Specifically to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 36 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 37 To deal with any matters referred to the Committee by the Strategic Director Finance and Customer services in relation to his/her responsibilities under section 151 of the Local Government Act 1972.

### **Treasury Management**

- 38 To review treasury management policy, strategy and procedures and to be satisfied that controls are satisfactory
- 39 To receive annual reports on treasury management, specifically the outturn report and the mid-year report
- 40 To review the treasury risk profile and adequacy of treasury risk management processes
- 41 To review assurances on treasury management, for example an internal audit report, external audit report or other review.

### **Accountability arrangements**

- 42 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

- 43 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 44 To submit a report on the work of the committee to the Council on an annual basis.



Public Report  
Audit Committee

**Committee Name and Date of Committee Meeting**

Audit Committee – 14<sup>th</sup> March 2023.

**Title**

Internal Audit Progress Report for the period 1<sup>st</sup> December 2022 to 31<sup>st</sup> January 2023.

**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](mailto: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 1<sup>st</sup> December 2022 to 31<sup>st</sup> January 2023 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, 1<sup>st</sup> December 2022 to 31<sup>st</sup> January 2023, 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 2022/23

Appendix B – Additions to the Audit Plan

Appendix B – Summary of work completed since the last meeting

Appendix C – 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**  
No.

## **Internal Audit Progress Report for the period 1<sup>st</sup> December 2022 to 31<sup>st</sup> January 2023**

### **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 January 2023 on the completion of the annual plan for 2022/23, the reports finalised in December 2022 and January 2023 and performance indicators for the team.

### **2. Key Issues**

#### **2.1 Internal Audit Annual Plan**

Internal Audit produced a risk based Annual Audit Plan for 2022/23 and presented it to the Audit Committee at its meeting on 15<sup>th</sup> March 2022. An updated plan after a half-year review was presented to the Audit Committee in November 2022. The current position with regards to the revised plan is given in **Appendix A**. As a result of planning meetings with Directorate Leadership Teams five audits have been added to the plan. In terms of overall time, this was partly managed by the allocation of contingency time. However, it does mean some other audits will be delayed. In the year to date the department has delivered 802 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 C**. Eight audits have been finalised since the last Audit Committee, all with Substantial or Reasonable Assurance.

- 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. There have been no investigation reports issued since the last committee meeting.

## 2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. All targets were met.

## 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. At the present time there are seven actions that have been deferred from their original due dates. The position will be monitored and any issues reported.

## 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 1<sup>st</sup> December 2022 to 31<sup>st</sup> January 2023 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 14<sup>th</sup> March 2023 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](mailto:david.webster@rotherham.gov.uk)

## Internal Audit Plan 2022-2023

<b>Assistant Chief Executive</b>						
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>	
Payroll	ACX20	Systems Based	Provide assurance on key processes for carrying out reconciliations and error resolution and prevention.	20	4	
Big Hearts Big Changes (BHBC)	ACX23	Risk Based	Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme.	15	WIP	
Council Plan	ACX27	Risk Based	Provide assurance on the governance arrangements and that performance measures are being accurately reported.	20	4	
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	DRAFT	
Use of Volunteers		Risk Based	Provide assurance that the process for managing volunteers is robust and that access to information and the use of personal data is GDPR compliant.	10	FINAL	
Leavers		Follow-up	Carry out a Follow-up of the Jan 2022 Audit (partial assurance)	5	FINAL	
Complaints		Risk Based	Provide assurance on the effectiveness of the complaints procedure	10	FINAL	
<b>Total planned days – Assistant Chief Executive</b>						<b>95</b>

ADULT CARE HOUSING AND PUBLIC HEALTH						
Audit	Risk Register and Rating	Audit Classification	Auditable Area		Number of days	Planned Quarter
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	FINAL
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	WIP
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	DEF
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	FINAL
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	FINAL
Housing Management System		Risk Based	Review and provide assurance on the adequacy of the new housing management system.		15	WIP
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	FINAL
Transition from Children's Care to Adult Care		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.		20	4
Rothercare		Follow Up	Follow up of 2021-2022 audit review reporting a partial assurance level.		5	DEF
Homes England Follow up		Follow Up	Follow up of 2021-22 audit review		5	FINAL

Actions from LGSCO Report		Follow Up	Review of actions arising from the LGSCO Report	5	FINAL
<b>Total Planned Days – Adult Care and Housing</b>				<b>115</b>	

### **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	WIP
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	FINAL
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits.	10	FINAL
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.	20	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	DRAFT
Commissioning		Follow Up	Follow up audit of commissioning of emergency provision supplier.	5	WIP
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	WIP
Youth Offending		Risk Based	Review of progress after HMIP review and peer review	10	WIP
<b>Total Planned Days - Children and Young People's Services</b>					<b>100</b>

<b><u>FINANCE AND CUSTOMER SERVICES</u></b>						
<b><u>Finance</u></b>						
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>	
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	4	
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	WIP	
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	WIP	
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	WIP	
Debtors		Systems Based	Review debtors procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	WIP	
Treasury Management		Risk Based	Review of Treasury Management Strategy to ensure compliance with recent changes.	10	FINAL	
Covid Grants		Risk Based	Further reviews of new Covid Grant Schemes, including the Council's use of the Spotlight tool.	15	FINAL	
Energy Crisis Grants		Risk Based	Review of the new Energy Crisis Grant scheme.	10	4	
Free School Meals		Risk Based	Review of the controls around the use of vouchers during school holidays	10	4	
<b><u>Customer Information &amp; Digital Services</u></b>						
3 <sup>rd</sup> 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	FINAL	
Back-up Management	Salford risk assessment	Risk Based	Provide assurance that IT 'back-up' arrangements are operating effectively, e.g. servers, 365.	10	WIP	
Blue Badge Scheme		Risk Based	Provide assurance on effectiveness and application of policy and procedures.	10	FINAL	
Hardware Asset Management		Follow-up	Follow-up of 21/22 Audit (partial assurance)	5	WIP	

Customer Digital Programme		Advisory	Audit contribution to projects designed to increase efficiency.	20	
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	WIP
Phishing Risk Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of the management of the risk of phishing attacks.	10	DRAFT
<b><u>Legal Services</u></b>					
Housing Disrepair		Risk Based	Review of procedures for handling claims in respect of Housing Disrepair within Legal Services.	10	FINAL
Registrars		Risk Based	Review of processes and controls after external inspection	15	WIP
Right to Buy		Risk Based	Review of processes and timelines to compete a sale	10	4
<b>Total Planned Days – Finance and Customer Services</b>					<b>250</b>

<b><u>Regeneration and Environment</u></b>					
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	DRAFT
Waste	CSS13	Risk Based	Scope to be confirmed / agreed.	20	4
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	FINAL
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	FINAL

Museum Collections	CST11	Risk Based	Review arrangements for the control, management and security of valuable collections to protect them from loss or damage.	10	DRAFT
Planning Decisions	PRT4	Risk Based	Provide assurance on consultations for planning applications.	15	DRAFT
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	4
Estate Management		Risk Based	Review Health & Safety arrangements in management of the property estate relating to LEA Schools and Neighbourhoods properties.	15	FINAL
S278 Agreements		Risk Based	Provide assurance on the proper execution of Section 278 Agreements.	10	DRAFT
Tree Management		Risk Based	Provide assurance on the arrangements in place, to ensure the safe and effective management of the Council's urban trees and woodlands.	20	DRAFT
Property Estate Management Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	FINAL
Enforcement (Food and Feed) Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	4
Building Security Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	WIP
<b>Total Planned Days – Regeneration and Environment</b>					<b>160</b>

<b><u>OTHER</u></b>	<b>Provision</b>	<b>Used</b>
Grants	100	89
Provision for investigations	75	24
Pro-active fraud	25	23
Contingency	30	30
Software development	30	9
	<b>Other Work Total</b>	<b>260</b>
	<b>Overall Plan Total</b>	<b>980</b>

### **Audits added to the plan for 2022-23**

ACX – Communications. Review of media protocol, checks and balances for enquiries. To be started before the current Head of Communications leaves in March.

ACHPH – Waiting Lists. Review of mechanisms in place for dealing with waiting lists for assessments for care.

CYPS – Supporting Families. Review of new systems being developed to prepare for changes to government requirements.

FCS – Insurance. Review of the Insurance Service before changes in staffing.

**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
<b>Assistant Chief Executive</b>				
Complaints	To review the processes and procedures for dealing with complaints from the public.	5.1.23	Reasonable Assurance	Controls were generally in place. Recommendations were made around the timescales for dealing with complaints, and the completion of 'lessons learned' documentation.
Leavers Follow Up	To review the actions from the previous audit of Leavers.	17.1.23	Substantial Assurance	All actions had been completed, however one had subsequently been reversed in error. It was reinstated during the review.
Use of Volunteers	To review the processes for managing volunteers and ensuring compliance with GDPR requirements.	18.1.23	Reasonable Assurance	Controls were generally in place. Recommendations were made around the application of the Valuing Volunteers Policy and GDPR training.
<b>Adult Care, Housing and Public Health</b>				
Public Health – Health Protection	Review the arrangements for Health Protection with reference	15.12.22	Reasonable Assurance	Controls were generally in place. Recommendations were made to update the assurance framework and improve reporting.

<b>Audit Area</b>	<b>Assurance Objective</b>	<b>Final Report to man't</b>	<b>Overall Audit Opinion</b>	<b>Summary of Significant Issues</b>
	to the Delivering Effective Local Public Health programme			
Housing Disrepair Claims	To review the controls in place to reduce the number of claims logged and deal with claims received.	23.12.22	Substantial Assurance	The review found that controls were in place. No recommendations were made.
Review of Actions from LGSCO Report	To review the progress of the actions in response to the Local Government Social Care Ombudsman Report.	17.1.23	Substantial Assurance	All actions had been completed or were ongoing.
<b>Finance and Customer Services</b>				
Housing Disrepair (Legal Services)	To review the Legal Services procedures for handling Housing Disrepair Claims.	23.12.22	Substantial Assurance	The review found that controls were in place. No recommendations were made.
<b>Regeneration and Environment</b>				
Property Estate Management Follow Up	To review the actions from the previous audit of Property Estate Management	1.12.22	Reasonable Assurance	All actions had been completed. However, further recommendations were made around quality assurance checks and updates to the Asset Management Board.

## 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.</p> <p>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.</p> <p>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	Apr to May 2022	Jun to Aug 2022	Sept to Oct 2022	Nov 2022	Dec 2022 and Jan 2023
Draft reports issued within 15 working days of field work being completed.	90%	91%	82%	100%	100%	100%
Chargeable Time / Available Time.	80%	80%	86%	80%	83%	84%
Audits completed within planned time	90%	91%	91%	100%	100%	100%
Client Satisfaction Survey.	100%	100%	100%	100%	100%	100%

## Comments received in the Client Satisfaction Surveys

Two surveys received in the month.

**Good**

'The processes were thoroughly checked and gave reassurance that the audit was comprehensive.'

'The auditor listened to my concerns and was able to use this within the report to make sure all issues were addressed. She took the time to introduce herself to all the team and put them at ease regarding the process.'

**Improvement needed**

None.

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### **Council Report**

Audit Committee Meeting – 14<sup>th</sup> March 2023.

#### **Title**

Internal Audit Plan 2023/24.

#### **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](mailto:david.webster@rotherham.gov.uk)

#### **Ward(s) Affected**

All wards.

#### **Report Summary**

This report refers to the Internal Audit Plan for 2023/24. 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 2023/24.

#### **List of Appendices Included**

Appendix 1: Internal Audit Plan 2023/24.

#### **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 2023/24.**

### **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 1045 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 2023/24.

#### **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 14<sup>th</sup> March 2023 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 2023/24. 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](mailto:david.webster@rotherham.gov.uk)



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Plan 2023/24**

## 1. Introduction

This document provides a summary of the Internal Audit Plan for 2023/24.

### 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 2022. 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 2023/24 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 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.

## **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 2023/24**

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. 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 currently recruiting an Internal Auditor to bring it to 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 2023/24 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 60 days for further audits of risks as they arise, or for requests from management for advisory work.

The level of available resources for the Internal Audit function for 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 is 1045 days and is based on a full establishment for the team. 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 2023/24

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 2023-2024

<b><u>CORPORATE</u></b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Contract Management		Risk Based	A review of the tracking and management of contract delivery by contract managers, to provide assurance on how outcomes and outputs are tracked.	15	2
<b>Total planned days – Corporate</b>					<b>15</b>

<b><u>ASSISTANT CHIEF EXECUTIVE</u></b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Payroll	ACX20	Systems Based	Annual review of payroll as a fundamental system.	20	4
Council Plan	ACX27	Risk Based	Review of the accuracy of KPI's in support of the Council Plan	15	4
Workforce Plan	ACX32	Risk Based	Review of the impact of the Workforce Plan on the workforce	10	2
Establishment Control		Risk Based	Review of the management of vacancies and their disestablishment, and the match between HR and Finance establishments.	15	3
Risk Management		Risk Based	Review of the effectiveness of Risk Management.	15	4
Annual Governance Statement		Risk Based	Review of the process for the production of the AGS, after changes introduced in 2023.	10	4
HR Policies		Risk Based	Review of the implementation of selected policies.	20	3
Declarations of Interest		Risk Based	Review of officers' Declarations of Interest, after the introduction of new procedure.	10	2
<b>Total planned days – Assistant Chief Executive</b>					<b>115</b>

ADULT CARE HOUSING AND PUBLIC HEALTH						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Liberty Protection Safeguards.	ACPHR R3 (ACI R5)	Risk Based	Provide an assurance on the Council's readiness to transfer to the new Liberty Protection Safeguards regulations.	20	2	
Health & Safety Legislation and Corporate Responsibilities for Council Homes.	ACPHR R9 (H-R12)	Risk Based	To review compliance with Health and Safety regulations with regard to smoke and carbon monoxide alarms.	10	4	
Rothercare Service and Assistive Technology	ACPHR R21	Risk Based	Review of the new business and financial service models and a follow up on previously made recommendations following an audit of the Rothercare service.	20	2	
Housing and Estates – Anti Social Behaviour	H – R10	Risk Based	Review of current procedures and to ensure compliance with legislation.	10	1	
Housing and Estates – Management of Estate Environment	H – R11	Risk Based	Review of procedures in place to ensure effective management of the estate environment.	10	1	
Local Government Ombudsman's Reports		Risk Based	Management request to examine Ombudsman's report for the last two years and report on how the Council responded to any findings and if any lessons learned were acted upon.	15	2	
Public Health		Risk Based	Review of drug and alcohol working partnerships including needs assessments and plans.	15	3	
Health Funded Clients		Follow Up	Follow up of Partial Assurance audit in 2022/23	5	2	
Homes England		Risk Based	Review of grant funding drawdowns after new processes have been implemented.	5	2	
CQC Assurance Framework		Risk Based	Provide assurance on the action plan after a mock inspection.	10	2	
<b>Total Planned Days – Adult Care and Housing</b>						<b>120</b>

CHILDREN AND YOUNG PEOPLES SERVICE						
Audit	Risk Register and Rating	Audit Classification	Auditable Area		Number of days	Planned Quarter
Early Years Provision	EH1	Risk Based	Consider the recently published independent review of children's social care report by J MacAlister and where areas of concern could be applicable to RMBC. Review to also consider Universal and Targeted help.		15	1
Early Years Education Provision	ES6	Risk Based	Examination of reasons for low take up of eligible 2- 3- and 4-year-old early years education with findings feeding into the Early Years Strategy.		10	4
Social; Emotional and Mental Health Needs (SEMH)	ES17	Risk Based	Scope of the audit to be finalised with CYPS, based upon Local Area Provision and inclusion pathways.		15	3
Safeguarding	SCF3	Risk Based	Review of procedures for placing 16+ children with external provider regulated accommodation		10	2
Unaccompanied Asylum Seeking Children (UASC)	SCF6	Risk Based	Review of procedures for age assessments of UASC.		10	1
Special Education Needs and Disability (SEND)	CYPS03	Risk Based	Review of Education, Health and Care Plans (EHCP) across all the domains, including Health and Social Care Partners.		20	3
Fostering		Risk Based	Examination of the success of work undertaken across all directorates to promote the fostering service and increase number of foster carers.		10	4
Elective Schooling		Risk Based	Review of procedures to ensure compliance with legislation.		10	4
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits.		10	2
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.		20	4
<b>Total Planned Days - Children and Young People's Services</b>					<b>130</b>	



Litigation Service		Risk Based	Review of the legal support provided to Adult Care and Child Protection	20	1
Land Terrier		Risk Based	Review of the registration of Council land	10	3
Governance		Risk Based	Review of the operation of processes around decision-making within the Council.	15	4
<b>Total Planned Days – Finance and Customer Services</b>					<b>180</b>

### **Regeneration and Environment**

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Home to School Transport	R&E 8 & CST 15	Risk Based	Provide assurance on the effectiveness of the Home to School Transport service.	10	1
Vehicle Operators Licence	R&E39 & CSS44	Risk Based	Review compliance with regulatory requirements	10	2
Business Growth	R&E20 & SLT10	Risk Based	Review the operation of Business Centres	10	3
Fire Strategy	R&E25 & PRT38	Risk Based	Provide assurance that RMBC as the corporate landlord has an effective fire strategy.	10	2
Carbon Reduction	R&E50 & SLT36	Risk Based	Review the measures in place to reduce carbon emissions.	10	4
Mapping System	PRT46	Risk Based	Provide assurance on the operation of the mapping system, linked to the Land Terrier.	10	3
Building Control		Risk Based	Provide assurance after changes in regulations around payments and inspection visits.	10	1
Trading Standards		Risk Based	Review of the operation of Trading Standards.	15	4
Green Spaces		Risk Based	Review over the Health and Safety controls around Green Spaces.	15	4
Tree Service follow-up	R&E52 & CST9	Risk Based	Follow up of No Assurance audit in 2022/23	10	3
Museum Collections follow-up	CST11	Risk Based	Follow up of Partial Assurance audit in 2022/23	5	3
<b>Total Planned Days – Regeneration and Environment</b>					<b>115</b>

<b><u>OTHER</u></b>	<b>Provision</b>	<b>Used</b>
Follow Up reviews	20	
Grants	100	
Provision for investigations	150	
Pro-active fraud	40	
Contingency and Responsive work	60	
<b>Other Work Total</b>	<b>370</b>	
<b>Overall Plan Total</b>	<b>1045</b>	

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**Committee Name and Date of Committee Meeting**

Audit Committee – 14<sup>th</sup> March 2023.

**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](mailto: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 March 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, in line with the concept of continual improvement, there are always 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 identified as being relevant for 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 was completed in 2022 and has been repeated in 2023, 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 position against the 2022 Improvement Plan and the current plan are given in Appendix A. The actions are to enhance performance and guard against a loss of capability and capacity if staff members leave. They do not affect the standard of work carried out by the team.
- 2.3 The Action Plan will continue to be implemented during 2023/24.

### **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 14<sup>th</sup> March 2023 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 assessments show general conformance with PSIAS. Maintain quality assurance and produce and implement continuous improvement plan.

### 14. Accountable Officer

David Webster, Head of Internal Audit.

*Report author David Webster, Head of Internal Audit  
01709 823282, e mail [David.webster@rotherham.gov.uk](mailto:David.webster@rotherham.gov.uk)*



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Quality Assurance and Improvement Plan 2023**

## 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 are documented using standard working papers
      - Documented reviews of files 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 Pentana integrated audit software supplied by Ideagen (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 - Actions from 2022

Ref	Observations	Actions to Consider	Management Response/Action	Timescale	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>The Audit Manual and Charter have been updated to include the use of Salford Internal Audit..</p> <p>The use of Computer Aided Audit Techniques is being explored and they will be used during 2022/23.</p>	2022/23	<p>Completed.</p> <p>IT audits completed by Salford IAS.</p> <p>Audit Manual and Charter updated to reflect that.</p> <p>CAATs introduced.</p>
1300	<p>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.</p>	<p>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.</p>	<p>Agreed.</p> <p>Targets for the timely completion of audits will be introduced.</p>	2022/23	Partially completed.

## Quality Assurance and Improvement Plan 2023 – New Actions from 2023

Ref	Standard	Assessment	Planned Action	Timescale
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?	Data analytics software purchased during 2022. Usage needs development.	Considered for all audits. Arrangement with Doncaster IA to provide informal assistance.	2023/24
1230	Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess each individual against the predetermined skills and competencies?	Skills assessment not completed formally.	Complete skills and competency assessments as part of the PDR process.	2023/24
2030	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Included in the plan. Potential issue of loss of skills and knowledge from the team as people near retirement.	Succession planning, training and development, recruitment.	2023/24
2050	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?  The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise or make use of assurance mapping carried out by other assurance providers.	Reliance not placed upon other sources of assurance.  Assurance mapping exercise not completed.	Review the need for assurance mapping, to improve audit planning.	2023/24



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**Committee Name and Date of Committee Meeting:**

Audit Committee – 14<sup>th</sup> March 2023

**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](mailto: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:**

That Audit Committee 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](mailto:david.webster@rotherham.gov.uk)

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
7 <sup>th</sup> June 2023	External Audit	Training – Statement of Accounts	
	Financial Reporting	External Audit Progress Update	Grant Thornton
	Governance Risk and Control	Draft Statement of Accounts	Rob Mahon
	Governance Risk and Control	Draft Annual Governance Statement	Judith Badger
	Internal Audit / Governance Risk and Control	External Audit Plan	Grant Thornton / Rob Mahon
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Internal Audit Annual Report	David Webster
	Audit Committee Accountability	Risk Management Directorate Presentation – Adult Care Housing and Public Health	Ian Spicer
		Audit Committee Forward Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
27 <sup>th</sup> July 2023	<p>Financial Reporting</p> <p>Governance Risk and Control</p> <p>Treasury Management</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Audit Committee Accountability</p> <p>Audit Committee Accountability</p>	<p>Training</p> <p>Final Statement of Accounts</p> <p>Final AGS</p> <p>Annual Treasury Management</p> <p>Dedicated Schools Grant</p> <p>Risk Management Annual Report and Strategic Risk Register</p> <p>External Audit and Inspection Recommendations</p> <p>Review of Surveillance and use of Regulation of Investigatory Powers</p> <p>Audit Committee Annual Report</p> <p>Audit Committee Forward Work Plan</p>	<p>Rob Mahon</p> <p>Judith Badger</p> <p>Rob Mahon</p> <p>Neil Hardwick</p> <p>Simon Dennis</p> <p>Simon Dennis</p> <p>Bal Nahal</p> <p>David Webster</p> <p>David Webster</p>

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
26 <sup>th</sup> September 2023	Financial Reporting  Governance Risk and Control  External Audit  Internal Audit  Internal Audit / Governance Risk and Control  Governance Risk and Control  Governance Risk and Control  Audit Committee Accountability	Training  Audited Final Statement of Accounts  Audited Final AGS  External Audit Findings (ISA 260)  IA Charter review and update  IA Progress Report  Risk Management Directorate Presentation – Assistant Chief Executive  Anti-Fraud and Corruption Policy and Strategy review and update  Audit Committee Forward Work Plan	Rob Mahon  Judith Badger  GT / Rob Mahon  David Webster  David Webster  Jo Brown  David Webster  David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
November 2023	Governance Risk and Control Treasury Management Governance Risk and Control Governance Risk and Control Governance Risk and Control Governance Risk and Control Internal Audit / Governance Risk and Control Audit Committee Accountability	Training Chief Executive Presentation Mid-Year Report on Treasury Management Information Governance Annual Report Code of Corporate Governance Risk Management Strategy and Policy Risk Management Directorate Presentation – Regeneration and Environment IA Progress Report Audit Committee Forward Work Plan	Sharon Kemp Rob Mahon Paul Vessey Simon Dennis Simon Dennis Paul Woodcock David Webster David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
January 2024	External Audit	Training Value for Money Opinion	Grant Thornton / Rob Mahon
	Financial Reporting	Final Accounts closedown and accounting policies	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

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
March 2024	Internal Audit Internal Audit / Governance Risk and Control Governance Risk and Control Governance Risk and Control Internal Audit Internal Audit Audit Committee Accountability	Training – Internal Audit IA Annual Plan IA Progress Report Procurement Update Risk Management Directorate Presentation – Children and Young People's Service Public Sector Internal Audit Standards Internal Audit Quality Assurance and Improvement Plan Audit Committee Forward Work Plan	David Webster David Webster Karen Middlebrook Nicola Curley David Webster David Webster David Webster

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