

AUDIT COMMITTEE

Date and Time :- **Wednesday 7 June 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. Minutes of the previous meeting held on 14th March 2023 (Pages 3 - 16)

To consider and approve the minutes of the previous meeting held on 14th March, 2023, as a true and correct record of the proceedings.

3. Declarations of Interest

To receive declarations of interest from Members in respect of items listed on the agenda.

4. 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.

5. Exclusion of the Press and Public

The following item is exempt from the press and public:

Agenda Item 13 Adult Social Care and Public Health Directorate Risk Register (Exempt under Paragraph 3 (Financial Information) of Part 1 of Schedule 12(A))

Therefore, when considering these items, the Chair will move the following resolution:

That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds

that it involves the likely disclosure of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relating to any individual and which is likely to reveal the identity of an individual).

6. Items for Referral for Scrutiny

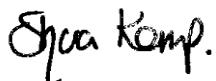
To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.

- 7. Draft Statement of Accounts 2022-2023 (Pages 17 - 76)**
- 8. Annual Governance Statement 2022/23 (Pages 77 - 101)**
- 9. Grant Thornton External Audit Plan 2022-2023 (Pages 103 - 127)**
- 10. Internal Audit Progress Report for the period 1st February 2023 to 30th April 2023 (Pages 129 - 145)**
- 11. Internal Audit Annual Report 2022-23 (Pages 147 - 165)**
- 12. Audit Committee Forward Work Plan (Pages 167 - 175)**
- 13. Adult Care, Housing and Public Health (ACPH) Directorate Risk Register (Pages 177 - 186)**
- 14. Urgent Business**

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

15. Date and time of next meeting

The next meeting of the Audit Committee will be held on 27th July, 2023, commencing at 2.00 p.m. in Rotherham Town Hall.



**SHARON KEMP,
Chief Executive.**

AUDIT COMMITTEE
14th March, 2023

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

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

An apology for absence was received from Councillor Mills.

74. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

75. COUNCILLORS BALL AND BROWNE

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

76. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

77. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute No. 79 (Children and Young People's Services Directorate Risk Register – Appendix 1) as it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

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

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

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

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

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

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

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

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

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

Discussion ensued with the following issues raised/clarified:-

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

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

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

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

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

80. VALUE FOR MONEY OPINION 2021-22

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

Grant Thornton had identified risks in respect of:-

Financial Sustainability

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

Conclusion

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

Governance

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

Conclusion

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

Improving economy, efficiency and effectiveness

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

Conclusion

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

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

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

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

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

Discussion ensued with the following issues raised/clarified:-

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

Resolved:- That the update be noted.

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

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

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

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

The Local Audit and Accountability Act 2014, confers on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gave them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they thought an item of account may be unlawful. Under the Accounts and Audit Regulations 2015, local electors could only exercise their rights of inspection and to question the auditor or make formal objections for a single period of 30 working days commencing the day after the unaudited accounts had been published. In order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) would need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report was, therefore, being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

A decision had been made to further delay the implementation of IFRS16 within Local Authorities until 2024/25. This disclosure would see the removal of operational leases, with lessees expected to recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. Although implementation of the standard has been delayed until 2024/25, there would be the need for an assessment of the impact of the new standard as part of the 2023/24 accounting process.

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

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

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

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

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

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

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

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

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

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

82. CLOSURE OF THE ACCOUNTS 2022/23 - TIMETABLE

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

The amended Regulations required:-

AUDIT COMMITTEE - 14/03/23

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

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

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

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

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

83. 2023 ANNUAL PROCUREMENT UPDATE

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

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

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

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

Discussion ensued with the following issues clarified:-

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

Resolved:- That the update be noted.

84. AUDIT COMMITTEE TERMS OF REFERENCE

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

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

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

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

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

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

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

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

85. INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st December, 2022 to 31st January, 2023, and the key issues that had arisen therefrom.

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

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

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

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

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

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

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

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

86. INTERNAL AUDIT ANNUAL PLAN 2023-24

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

It was designed to enable the Head of Internal Audit to give his annual opinion at the end of the year on the adequacy and effectiveness of governance, risk management and the control framework. The Plan would remain flexible and reviewed during the year to ensure it remained relevant.

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

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

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

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

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

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

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

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

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

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

In 2022 the Council's Audit Service was found to conform overall with PSIAS with conformance with all standards, the Code of Ethics, Core Principles, Definition and Mission Statement. All individual tests showed conformance except for one relating to the use of computer aided audit techniques. 9 of the 11 actions from the external assessment had been implemented along with 3 of the 4 actions from the previous year.

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

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

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

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

88. AUDIT COMMITTEE FORWARD WORK PLAN

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

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

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

89. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

90. URGENT BUSINESS

There was no urgent business to report.

91. DATE AND TIME OF NEXT MEETING

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



Select report type
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 07 June 2023

Report Title

Publication of unaudited Statement of 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)

Rob Mahon (Assistant Director, Financial Services), Owen Campbell (Head of

Corporate Finance)

Finance & Customer Services Directorate

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Ward(s) Affected

Borough-Wide

Report Summary

The Council's annual accounts are the principal means by which the Council is held publicly accountable to local and national stakeholders over the stewardship of its resources.

The report to Audit Committee in March 2023 highlighted the approach to be taken by the Council in ensuring that the draft unaudited Statement of Accounts would be published in accordance with the Accounts and Audit Regulations 2015.

The draft unaudited Statement of Accounts 2022/23 were published on the Council's website by the deadline of 31 May 2022. The intention was for the final audited accounts to be presented to Audit Committee at the end of September 2023 in line with the statutory deadline, however, Grant Thornton updated March Audit Committee that it was likely to be November for the completion of the audit of the account. A report on the Grant Thornton audit plan is on this meeting agenda.

Recommendations

1. The Audit Committee is asked to receive the draft unaudited Statement of Accounts 2022/23.

List of Appendices Included

Appendix 1 Narrative Report 2022/23

Appendix 2 Highlights Report setting out key matters reported in the 2022/23 accounts

Appendix 3 Unaudited Statement of Accounts 2022/23 (to be circulated after publication on 31st May 2023).

Appendix 4 Informing the Audit Risk assessment 2022/23

Background Papers

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23

Accounts and Audit Regulations 2015

Audit Committee meeting – 14 March 2023

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 2022/23 together with the Accounts and Audit Regulations 2015 set out the accounting and statutory framework for local authority financial reporting.
- 1.2 Under the Accounts and Audit Regulations 2015, local authorities are required to publish their unaudited accounts no later than 31 May accompanied by a Narrative Report and draft Annual Governance Statement. This triggers a period of 30 working days for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor.
- 1.3 A timetable for the production of the Council's accounts was presented to Audit Committee in March 2023, indicating the Council's draft accounts would be published on 31 May 2023. The draft unaudited Statement of Accounts 2022/23 was published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 31 May 2023, in line with these timelines. The period for local electors to exercise their rights will commence on 1st June 2023 and cease on 12th July 2023.
- 1.4 Where appropriate, Grant Thornton will set out any material adjustments made to the accounts and any uncorrected differences of a non-trivial nature. Grant Thornton have indicated in their audit plan that the accounts materiality for planning purposes is £9.41m (£8.88m in 2021/22). Individual transactional level materiality will be set at £470k (£444k for 2021/22). Grant Thornton will revisit these materiality figures once 2022/23 draft accounts are published.
- 1.5 Audit Committee will be asked to formally approve the audited Statement of Accounts for publication having regard to Grant Thornton's findings and opinion on whether the accounts give a true and fair view of the Council's financial performance for the year and its financial position at the end of the year and whether they have been prepared in accordance with proper practice. The deadline for publishing the audited accounts is now 30 September 2023.

2. Key Issues

- 2.1 The Council's draft unaudited Statement of Accounts 2022/23 to be published on the Council's website are attached as Appendix 3. The accompanying Narrative Report is attached as Appendix 1. Appendix 4 shows the Council's response to enquiries from Grant Thornton about issues that inform their audit risk assessment. The areas covered include fraud, laws and regulations and accounting estimates.

2.2 The accounts have been produced in accordance with The CIPFA code of practice, there have been no new International Financial Reporting Standards (IFRS) to consider and include. The new standard for lease accounting, IFRS 16 was originally due to be implemented in 2021/22 but after consultation this has been delayed until 1st April 2024.

Pension Fund Estimates

2.3 Although the Pension Fund is subject to regular triennial actuarial valuations, which are used to determine contribution rates for the 3 years covered by the triennial valuation, when preparing annual accounts, the Pension Fund and actuaries are required undertake a separate annual valuation of the Pension fund in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. This provides an indication of the liabilities and assets within the pensions fund for the past financial year.

2.4 The latest triennial valuation was as at March 2022, which was undertaken by the actuary Hyman Robinson LLP. This calculated the Council's assets and liabilities in detail, using individual membership data and actual cashflow data for the Council's share of the Fund. This formal valuation showed an improvement in the fund's position with the Council's share of the Fund deficit on the scheme reducing from £133 million at the previous actuarial valuation in 2019 to virtually fully funded.

2.5 The position as at the March 2022 Triennial Valuation was rolled forward for the IAS 19 annual exercise. The 2022/23 IAS 19 actuarial exercise identified a surplus on Rotherham's share Fund of £94.5m. That is, the actuaries assessed that the present value of the defined benefit obligations within the Fund were less than the fair value of plan assets held by the Fund. This compares with a deficit of £376m in the IAS 19 exercise for the 2021/22 accounts (which was based on the 2019 Triennial valuation).

2.6 The IAS 19 valuation is not used to determine either refunds of past contributions or the level of future contributions to the Fund (following the 2022 valuation although the fund is in surplus the Council's employers' contributions have been increased from 17.2% to 17.3% for the three financial years covered by the valuation) and, in accordance with the guidance within IAS19 on the application of an asset ceiling the surplus identified in the IAS19 exercise has been reduced to nil in the Council's Balance sheet.

3. Options considered and recommended proposal

3.1 Compliance with the Accounts and Audit Regulations 2015 is a statutory requirement. The Regulations state that the Council's "responsible financial officer" is required to sign-off the draft unaudited Statement of Accounts by the

statutory date and confirm that they are satisfied it presents a true and fair view of the Council's financial position for the financial year.

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 accounts being prepared.

5. Timetable and Accountability for Implementing this Decision

5.1 The statutory deadline for publishing the draft unaudited Statement of Accounts for 2022/23 by 31 May will be met. The statutory deadline for publishing the audited financial statements for 2022/23 is 30 September 2023.

Financial and Procurement Advice and Implications

5.2 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.

6. Legal Advice and Implications

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

7. Human Resources Advice and Implications

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

8. Implications for Children and Young People and Vulnerable Adults

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

9. Equalities and Human Rights Advice and Implications

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

10. Implications for Partners

10.1 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 or other directorates.

11. Risks and Mitigation

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

12. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

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

Report Author: *Rob Mahon (Assistant Director Financial Services), Owen Campbell (Head of Corporate Finance)
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This report is published on the Council's [website](#).



ROOTHERHAM MBC

NARRATIVE REPORT 2022/23

Narrative Report 2022/23

Background

The Accounts and Audit (England) Regulations 2015 introduced requirements for local authorities to produce and publish a narrative report in respect of each financial year and comment on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The narrative report, which replaces the explanatory foreword in the Statement of Accounts, needs to be published along with the financial statements/Statement of Accounts and the Annual Governance Statement, and has to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. This requires that there should be a narrative report to accompany the financial statements and that this should be based on the information contained in the annual Statement of Accounts.

Introduction

This Narrative Report summarises what Rotherham Metropolitan Borough Council (RMBC) spent in 2022/23, how it was spent and what has been achieved in line with the Council's priorities and specific improvement agenda. It provides a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years.

The Narrative Report has been produced by the Council to better inform residents about how and where money is spent by the Council in the context of its work towards strengthening its governance arrangements, improving the value for money of the services it provides and how it demonstrates leadership for local communities.

The Narrative Report sets out the Council's behaviours, values and standards for how it will conduct itself and sets out some of the key governance, operational and financial challenges it continues to face and seeks to address in order to ensure it can operate in an open, accessible and transparent way.

Strategic Context

Following approval of the Budget for 2022/23 the Council has faced some significant financial challenges during 2022/23 that were not evident at the time of setting the 2022/23 Budget, such as the significant rise in energy prices, inflation (10.5% as at December 2022) and Local Government Pay Award. In an update to November 2022 Cabinet the Council noted that it was estimated that the impact of inflation and in particular energy price increases would be £4m above available budget. In addition, the financial impact of the Local Government Pay Claim 2022/23 was £6.1m greater than anticipated, increasing the Council's base budget moving forwards, together these pressures alone created around a £10m gap per year within the Council's Medium Term Financial Strategy from 2022/23 onwards.

These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills,

but the price of goods and services the Council's procures have increased. At its peak the Council's forecast overspend for 2022/23 was £18.2m.

The Council has worked to identify short term in-year savings to help mitigate some of the forecast cost pressures, due to the wider financial impact of inflation, energy price increases and the impact of the 2022/23 nationally determined pay award. These short term savings have reduced the Council's forecast outturn position to £7.3m for 2022/23, however, the Council's base costs have risen across the MTFS. These costs could not have been projected within the Council's Medium Term Financial Planning.

Given this challenging start position, in setting the Budget for 2023/24 the Council kept focus on mitigating the impact on residents as far as possible and trying to protect basic services in order to support the community through a cost of living crisis, along with the Council's ambitions for the Borough with specific regard to the environment and social care.

The Final Settlement did have some positives for the Council with inflation provided on core funding such as Business Rates Grants and Revenue Support Grant, along with Governments approach to delaying the Adult Social Care Reforms whilst allowing Council's to retain the funding linked to those reforms.

Whilst the energy price rises, and inflation, will impact the Council's costs in the provision of services there was some mitigation in future years through increased core funding as business rates income is indexed to the rate of inflation. However, those increases in core resources are not sufficient to cover the increase in the Council's base costs. It is currently expected that the period of high inflation will last for a further 12-18 months before returning to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact. This has been accounted for within the Council's Budget and Council Tax Report 2023/24 though the report flags that uncertainty around inflation, energy and pay is the biggest budget risk.

In order to address this budget gap the Council had to consider the following areas:

- New savings proposals
- Further increases in fees and charges
- Increases in Council Tax above assumptions within the approved MTFS
- Further use of reserves

As detailed within the Council's budget report this financial pressure has been mitigated through an increase in fees and charges above the previous MTFS assumption of 2% to 6%, new proposed savings across all Directorates of the Council and an increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFS to 4%.

These proposals have allowed the Council to approve a balanced budget position for 2023/24 without further use of reserves, allowing those reserves to be held to guard against the significant risk and uncertainty that still exists in the UK economy around inflation and energy prices.

The current economic climate remains uncertain, with challenges in projecting where inflation will move and the pace at which it moves, along with uncertainty in the energy

markets. Whilst the uncertainty in the economy still remains the most significant pressure in the Council's Budget and MTFs proposals, by being aware of the current challenges the Council has been able to better plan for this new economic position and set a budget which retains a sufficient balance in reserves to ensure the impact of further unexpected volatility can be mitigated without impact on services to residents.

About Rotherham

Rotherham Metropolitan Borough covers 110 square miles, featuring a wide range of urban, suburban and rural environments with 70% being open countryside. One of four South Yorkshire districts, Rotherham is centrally placed within the Sheffield City Region. There is a steadily growing population which reached a record total of 265,800 in 2021. This is as a result of a natural increase (more births than deaths), net inward migration and increased life expectancy. Rotherham has 166,500 people of working age (62.6%), which is slightly lower than the English average.

Rotherham has a proud industrial heritage based on coal and steel but these have declined over recent decades and the Borough has undergone a transition to a more modern economy.

Rotherham offers a good quality of life, however the cost of living and house prices are increasing. Despite this house prices remain relatively low in Rotherham when compared nationally, there are also affordable housing options available, such as shared ownership, to support first time buyers to settle here. The Council pays employed staff the real living wage and is accredited by the Living Wage Foundation. Rotherham people are very proud of their local parks and country parks, particularly Clifton Park which has received national awards. 89% of respondents who took part in the Council Plan consultation considered their local parks and green spaces to be very important, particularly for their health and wellbeing.

There are numerous visitor attractions, notably the stately home of Wentworth Woodhouse which is now being restored. The Magna Science Adventure Centre is a well-established visitor attraction and Gulliver's Valley, a major family resort in the south of the borough, opened in 2020.

Rotherham has excellent transport links to the rest of the country with easy access to the M1 & M18 motorways, a rail network (including four stations within the Borough) and bus services. There are four airports within 50 miles. Rotherham offers a good quality of life combined with a comparatively low cost of living.

The legacy of previous industrial decline continues to cause issues across Rotherham, which the Council continues to prioritise. Rotherham is ranked the 50th most deprived district in England, mainly as a result of: poor health, recorded crime, worklessness and low levels of adult qualifications (this is despite positive performance in terms of attainment in Rotherham's schools).

The Council continues to make progress against its ambitions for Borough wide regeneration.

An additional £20m has been awarded to the Council for its 'Principal Areas of Growth' bid at the Spring budget. This will see targeted redevelopment on the Dinnington High St and a new library for Wath town centre.

Forge Island is now underway and Century II is due to complete in 2023, while Council supported projects at Wentworth, Maltby and Magna are all on site and Grimm & Co nears completion. Significant progress has been made against land assembly with the Council taking ownership of a number of major long term vacant and derelict sites in the town centre. The Towns & Villages Fund now has 7 projects complete and a further 2 on site out of the 22 schemes to be completed this financial year.

Major progress has been made against Town Deal, Levelling Up and Future High Street Fund projects over the last 12 months that will see over £100m of new investment into the borough with detailed design development and several first stage contracts let, leading to delivery over the next 2- 3 years.

It will be vital for the Council to continue to use its social value policy to ensure opportunities for local people, particularly those hardest hit, are maximised as part of these and other significant local investments.

Vision and Priorities

The Council Plan 2022-2025 came into effect from January 2022 onwards and is supported by annual reporting of the Year Ahead Delivery Plan. **The Council Plan** expressed our vision as:

"Rotherham is our home, where we come together as a community, where we seek to draw on our proud history to build a future we can all share.

We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper, and where no one is left behind.

To achieve this as a council we must work in a modern, efficient way, to deliver sustainable services in partnership with our local neighbourhoods, looking outwards, yet focussed relentlessly on the needs of our residents."

Four guiding principles run through the plan, informing our way of working and helping us to achieve better outcomes.

Expanding opportunities for all. As we open up new opportunities we will target the most help at those who need it, so no one is left behind

Recognising and building on our strengths to make positive change. This will involve making the best use of local assets, including buildings, parks and public spaces, as well as harnessing the knowledge and skills of community groups and local residents.

Working with our communities. To achieve the best outcomes for local people, we recognise the importance of putting them at the heart of everything we do. That means involving local residents in the things that matter to them and making sure we design our services based on input from those who use them.

Focussing on prevention. We know that prevention is better than cure in achieving positive outcomes for our residents. For this reason, we will focus on reducing the risk of problems arising in the first place, and when they do, we will intervene early to prevent them from worsening.

The plan is framed around five themes:

- 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.

These five themes are underpinned by a cross-cutting strand - 'One Council' - which sets out how the Council will operate to achieve the vision.

This is underpinned by a corporate commitment to provide value for money, customer-focused services, make the best use of the resources available to us, be outward looking and work effectively with partners; as part of demonstrating that RMBC is 'a modern, efficient council' in line with the above vision.

Delivering the vision and priorities

Despite the impact of the pandemic, the Council remains committed to protecting the most vulnerable children and adults and to delivering improved value for money but has to ensure that social care services are delivered within the financial envelope set within its budget. The provision of additional resources as part of the Financial Settlement for 2023/24 and the Council Tax and Adult Social Care Precept increase provides cover for some of the additional costs of adult social care. However, this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association.

The financial context within which the priorities of the Council Plan are to be delivered needs to recognise the austerity measures introduced by the Government in 2010 and the impact of the 10 years of significant reductions in Government funding that followed. Over this timescale and in response to the funding cuts, the Council had to make significant savings or significantly re-design or scale back service provision. A key priority within the Council Plan, in common with councils across the country, is the delivery of effective social care services, within a sustainable cost envelope and recognising the demand and market factors currently impacting these services.

The Council's focus is on delivering its priorities whilst also meeting agreed budget savings. This is set against the additional financial pressures of the National Living Wage, inflation and increasing demand for services due to a growing population and changing demographics in Rotherham.

The Council's Medium Term Financial Strategy was approved at Council on 1 March 2023 as part of the Budget and Council Tax Report 2023/24. It provides a three-year outlook of

the Council's anticipated resources and budget requirement and sets out the Council's approach to delivering a sustainable budget position up to 2025/26.

The Council is also focusing on its leadership role across the borough and particularly where it can have greater influence.

Partnership working is recognised across all services as being essential to the future of the borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and helping to strengthen our communities.

All directorates will continue to work together over the next three years to achieve these commitments.

Working in partnership

The Council is one of a number of organisations - including major public bodies (such as: the Police, Health Agencies and education), 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, 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 here. It sets out five key themes that partners will together on until 2025:

- **Inclusive economy:** creating opportunities for everyone to participate in and benefit from a growing economy
- **A place to be proud of:** delivering regeneration across Rotherham, inspiring people and creating great places
- **Climate and environment:** building a healthy and attractive local environment in Rotherham, whilst acting on the climate crisis
- **Health and wellbeing:** enabling people to lead healthy lives, focusing on prevention
- **Building stronger communities:** Working with individuals and communities on the things that matter most to them

The Rotherham Plan forms part of a bigger picture, which includes a number of partnership boards and less formal bodies that are developing plans and delivering activity in the Borough.

The Council's Performance Management Framework and Service Plans

In January 2022, the Council adopted a Council Plan for 2022-25, informed by public consultation, as well as a Year Ahead Delivery Plan for the period up to 31 March 2023.

Formal progress reports are currently presented in public at Cabinet meetings every three months. For 2022/23 these were presented on the 19 September 2022; 19 December 2022

and 24 April 2023. The final progress report for 2022-23, covering data for quarter four and year-end performance will be presented to Cabinet on 10 July 2023.

To enable the Council to work towards the Council Plan outcomes and achieve the commitments, the Council Plan performance measure targets are reviewed annually, and the Year Ahead Delivery Plan is also updated. The new draft Year Ahead Delivery Plan for 2023/24 was included in the Council Plan Update on 24 April 2023.

Each year, Directorates produce service plans which demonstrate how they contribute to the delivery of the Year Ahead Delivery Plan / Council Plan and outline wider priorities and responsibilities, which in turn will inform team plans and individual performance and development reviews.

The Quarterly Progress Reports to Cabinet include a high-level overview overall and by theme including achievements and challenges, Year Ahead Delivery Plan trackers and performance scorecards.

Performance Scorecards provide an analysis of the Council's performance against each of the performance measures with each given equal priority. Performance/progress will continue to be kept under review within Directorates and reported quarterly. Public reporting will move to twice yearly in 2023/24 (December 2023 and July 2024) to reflect that due to the nature of the actions/activities in the plan, many do not significantly change each quarter.

The Council remains focused on delivering the central ethos of the Council Plan to drive better outcomes for the people and places of the entire borough. This requires actions and progress across its five priority themes.

Our Council Plan has already made significant progress in the delivery of key activities over the last year that are making real, tangible changes including:

Every neighbourhood thriving:

- Women's Euros - programme of cultural events took place alongside the four matches and Women of the World Festival in July 2022.
- Towns and villages fund delivery underway with schemes complete in Greasbrough, Hellaby and Maltby West, and Dalton and Thrybergh. Two further projects are currently being delivered in Hoober and Swinton Rockingham, with three more ready to deliver.
- Rotherham Show took place, welcoming more than 60,000 residents to Clifton Park.
- Keppel's Column opened to the public following restoration programme.

People are safe, healthy and live well

- The Council gained 'Exemplar' status for tenant engagement from Tpas.
- Cabinet approved plans for new £2.1m day centre in Canklow to provide opportunities for Adults with Learning Disabilities.
- Delivering decent and affordable homes across the borough that will support 400 families, with work complete on 294 already.
- The Council supported the setting up of four social supermarkets to help people avoid food crisis

Every child able to fulfil their potential

- Being officially rated 'good' for children's services by Ofsted, in the inspection since intervention finished and where it evidenced that progress has been sustained and further improvements made.
- Work started on a new £4.5 million state-of-the art facility to replace the upper school buildings at Newman School.
- Cabinet agreed increase in fees and allowances paid to foster carers and campaign launched to campaign to recruit more local foster carers.

Expanding economic opportunity

- Commencing construction on the £47m Forge Island scheme in the Town Centre scheme that when completed will be homes to a state-of-the-art cinema, 69 room hotel, and six restaurants providing food from around the world.
- Supporting 1,069 people into employment or training through the Pathways and Inspire programmes since November 2020.
- Ground broken on £5.4m business centre at Century Business Park.
- £10.87 million pounds of social value commitments secured through council contracts in 2022.

A cleaner, greener local environment

- Flood risk reduced with the new Forge Island Flood Barrier operational and new pumping station and drain completed.
- Consultation on the masterplans for improvements at Rother Valley and Thrybergh Country Parks.
- 10,752 trees were planted this financial year by trees and woodlands.
- Winter working plan to grub and weed 240 areas across the borough by March 2023 actually delivered 315 areas by the end of the year.
- Street bin replacement project 75% complete and on track to complete by August 2023.
- APSE land audit management system (LAMs) launched in the grounds and streets service to benchmark against other local authority users.
- Digitizing the grounds and streets service by introducing a new IT system called Confirm.
- Increased wildflower areas from 5000m² to 15000m².
- Waste delivered to landfill down to 0.84% from a 5% target within the BDR partnership.

Financial performance for the year

Included alongside this report is the Council's annual Statement of Accounts. The Statement of Accounts summarises the Council's financial performance during the year ended 31st March 2023 and shows its overall financial position at the end of that period. By law, all local authorities must produce a Statement of Accounts every year. They contain all the financial statements and disclosure notes required by statute and have been prepared in accordance with the Code of Practice on Local Authority Accounting for 2022/23 together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy ('CIPFA').

The key sections included in the Statement of Accounts are:

- *Statement of Responsibilities*

This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.

- *Comprehensive Income and Expenditure Statement*

This account summarises the revenue costs of providing all Council services and the income and resources received in financing the expenditure.

- *Movement in Reserves Statement*

This statement shows the movement during the year of the different reserves held by the Council.

- *Balance Sheet*

The Balance Sheet includes information on the Council's non-current and current assets, short term and long term liabilities and the balances at its disposal at the reporting date.

- *Cash Flow Statement*

This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes.

- *Notes to the Core Financial Statements*

These notes expand on important points shown in the Core Statements and provide further explanation of movements and balances.

- *Housing Revenue Account (HRA)*

This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local Council housing.

- *Collection Fund Statement*

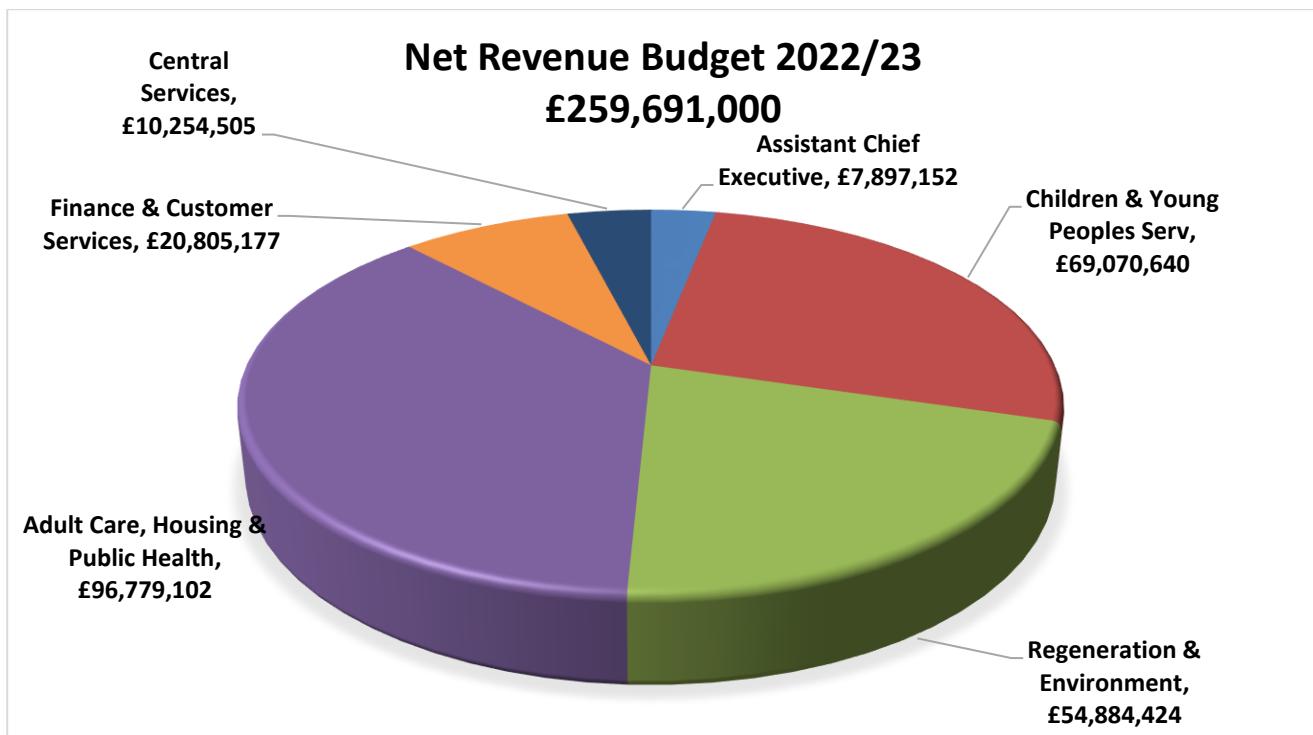
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue and the Police and Crime Commissioner).

Revenue & Capital Expenditure Outturns

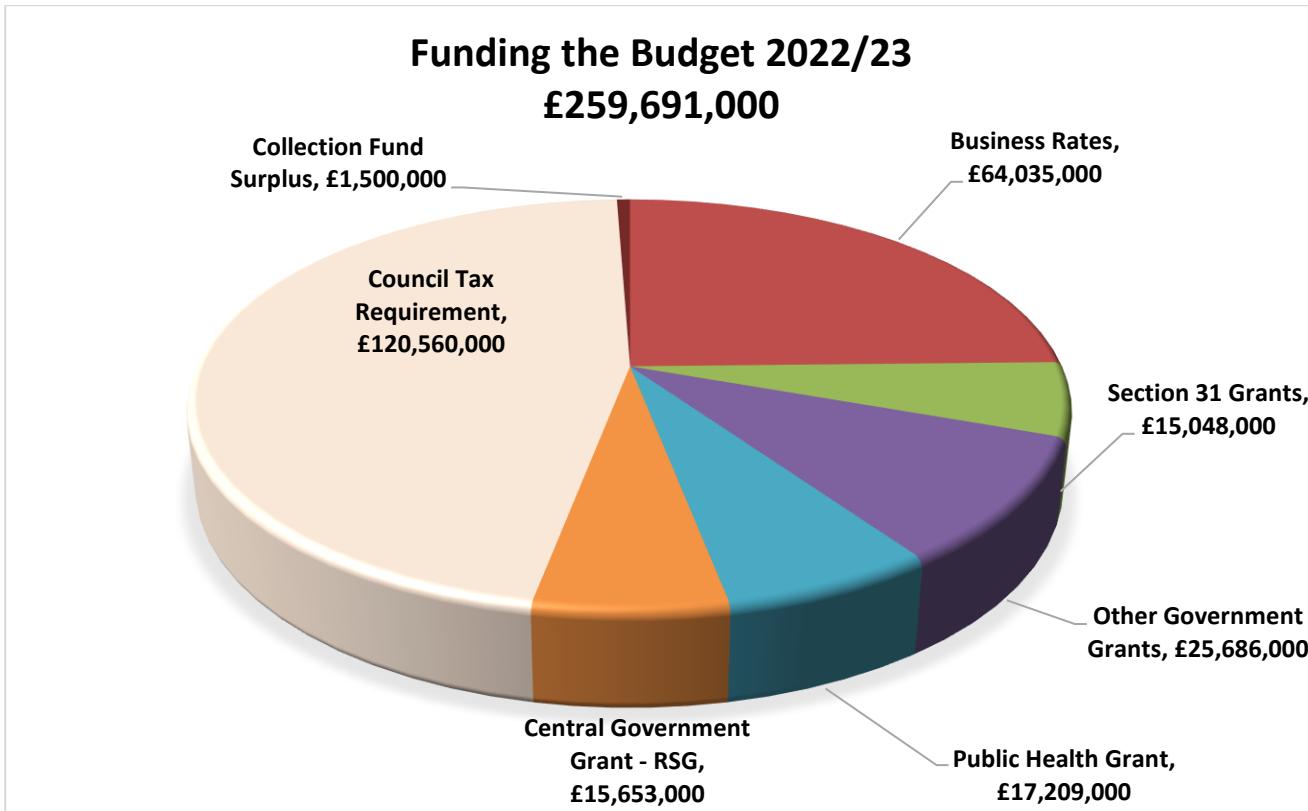
A summary of the Council's revenue and capital outturns for 2022/23 is included in the following paragraphs. The revenue position is due to be reported to Cabinet in the Finance Update report on 19 June 2023. Further details will be included in the Outturn Report to Cabinet on the 10 July 2023. The agenda and papers for the meetings can be accessed through the Council & Democracy page of the Council's website. [Browse meetings - Cabinet - Rotherham Council](#)

Revenue expenditure overview

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2022/23 was £259.691m (after taking account of income from specific grants and fees and charges) and was split by Directorate as follows;



The net expenditure was budgeted to be funded by:



Revenue Outturn

General Fund Services

The Revenue Budget 2022/23 was approved by Council on 2 March 2022. A budget of £259.7m was set for General Fund services; this excludes schools' budgets and the Housing Revenue Account (HRA).

The Financial Monitoring position as at outturn reflects an overspend of £7.3m for the financial year 2022/23. The core Directorates services have a year-end overspend of £1.8m, an improvement of £1.1m from the £2.9m Directorate overspend forecast within the February Cabinet report. The remaining £5.5m cost pressure sits within Central Services and relates to inflationary and energy price pressures that were reported to Cabinet throughout 2022/23. This improved position means that the final call on reserves to balance the Council's outturn position was £7.3m, funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m)

The key variances within the outturn position are summarised below;

- Children & Young People Services outturn position at the end of the March was a £2.0m overspend. The main reason for the overspend relates to placements which had a net financial pressure of £2.2m. The £2.2m overspend relates in the main to £1.7m on residential placements, £0.8m in emergency placements and £0.8m IFA placements, offset by £0.3m on in-house fostering and £0.8m savings on Supported Accommodation. The other major variances related to Home to School Transport £1.0m, offset by additional grant funding and use of internal resources to meet grant requirements.
-

Adult Care, Housing and Public Health outturn was an underspend of £1.8m on general fund services: Adult Care £2.2m underspend, Housing £598k overspend and Public Health £171k underspend. The main variances included within the outturn are care placements £2.2m underspent as a number of anticipated high cost placements were delayed or came in at less than estimated. This was offset by homelessness that was overspent by £720k due to the cost of emergency hotels.

- Regeneration and Environment Services outturn was an overspend of £2.9m. The outturn position reflects the impact of ongoing demographic pressures in Home to School transport (£1.8m), the 'tailing' impact of the lockdown restrictions and the cost of living crisis arising impacting on many of the Directorate's income generating services. The outturn position also reflects the impact a worsening of the pressures in Facilities Services, principally as a result of rising food prices affecting the School Meals service.
- Finance and Customer Services outturn was an underspend of £0.8m. Like all directorates, the service has reviewed planned expenditure and deferred spending or delayed recruitment to support the overall Council position without adversely impacting service delivery. This has generated in year temporary savings of £256k. Income resulting from contractual charges in relation to the Dignity Contract for Bereavement Services (£507k) makes up the majority of the underspend.
- Assistant Chief Executive outturn was an underspend of £0.5m. The Directorate has taken steps to reduce expenditure and delay recruitment where possible to do so, in order to support the overall Council's budget position in year. This has generated £256k of temporary savings and an increased in-year underspend. Additional income has been generated within HR from recruitment advertising and consultancy.
- The overspend in central services (£5.5m) is largely made up of the inflationary pressures as a result of the Local Government Pay Award 2022/23, energy inflation and wider contractual inflation. The impact has been damped through use of carried forward Covid new burdens funding and improvements in Treasury Management forecasts.

The improvements in the Directorate forecast outturns represent a positive direction of travel for the Council's finances and a significant improvement from the £18.2m forecast overspend reported in the September Financial Monitoring to Cabinet in November. This prudent financial management will be important in managing future budget pressures given the known volatility in external factors that was highlighted as the main budget risk in the Budget and Council Tax report 2023/24.

The Council's initial outturn position allowed the Council to process several transfers to/from reserves reflecting the improved position:

- Budget and Financial Strategy Reserve planned use reduced by £1.1m in line with the reduced outturn position from £8.4m to £7.3m.

- Corporate Grants Reserve planned use significantly reduced as the final inflationary impacts for energy and fuel costs that had been challenging to project given the fluctuating markets were £0.8m less than anticipated and as such required less planned corporate support. In addition, the Council has received new burdens grants during 2023/24 for schemes delivered in year such as the Council Tax Rebate scheme. As these schemes were delivered in house with existing staff this grant benefit has been transferred to the grants reserve.
- Covid Recovery Fund reserves planned use has reduced as over half of the approved spend on the Energy Crisis Support Scheme has been able to be funded through Household Support Fund for October 2022 to March 2023.
- Treasury Management Reserve has increased as the Council has been able to continue to invest its cash balances at interest rates that continued to rise during quarter 4 2022/23 and due to slippage on the capital programme, reducing the need to borrowing during 2022/23 (in turn reducing the cost of borrowing).

Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £2.992m relating to School Delegated Budgets. As can be seen below, this represents a decrease of £0.802m on the previous year.

2021/22 £m		2022/23 £m
3.794	Unspent Schools' Budgets	2.992

Housing Revenue Account Income and Expenditure Account

The Housing Revenue Account had an underspend of £2.1m, as a result of this the HRA was able to increase the budgeted transfer to reserves by £2.1m. This increase in reserves will help the HRA to mitigate the financial challenges presented by rising inflation and energy costs over the medium term.

The underspend mainly relates to:

- £1.6m Gainshare - The gainshare or profit share on the repairs and maintenance contract is the amount by which actual costs are less than the scheduled costs for carrying out repairs & maintenance activity. The proportion of profit the Contract Partner is entitled to retain is linked to performance with the Council able to benefit by gaining a proportion of that profit.
- £0.9m additional return on investments generated as a result of the increase in interest rates.
- £0.5m reduction to the bad debt provision due to well-maintained rent collection rates.
- £0.3m slippage on some planned works into 2023-24

- £0.2m Ward Housing Hubs underspend
- (£1.4m) pressure on District Heating due to high energy costs.

The proposed revenue contribution to capital outlay outturn was at the budgeted level of £2.9m.

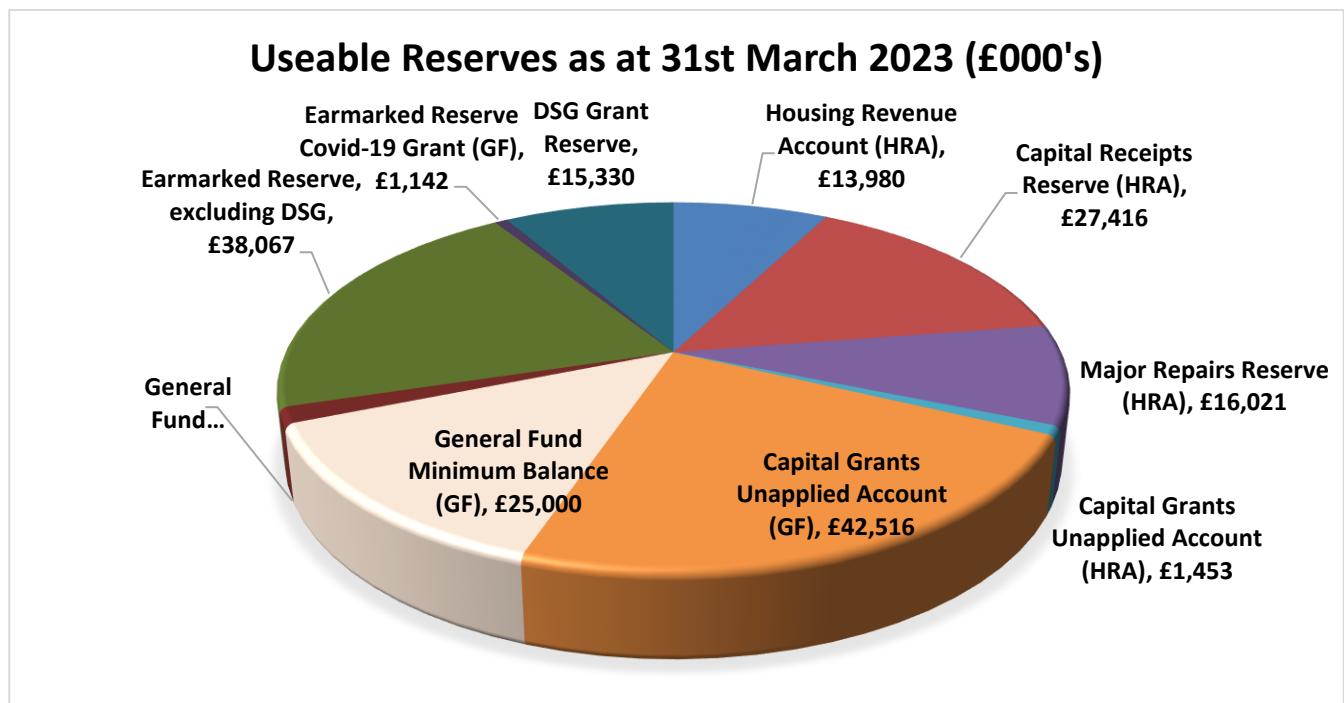
Reserves

The Council manages its funds between two categories of reserves: usable reserves and unusable reserves.

Usable reserves are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support revenue spending directly).

Unusable reserves are funds that cannot be used to provide services or used for day to day running costs. The unusable reserves hold funds that have 'unrealised gains or losses'. For example, the Council has assets such as land and buildings whose value changes over time, so these funds can only be 'unlocked' and turned into usable funds if the assets are sold.

As at 31st March 2023, the Council held £183.500m of usable reserves, General Fund (£109.245m), HRA (£58.925m) and Dedicated Schools Grant (DSG) (£15.330m). Included within this balance are capital reserves of £87.406m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. This leaves £96.094m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes.



Reserves	General Fund £000's	HRA £000's	Total Reserves £000's
Housing Revenue Account	0	13,980	13,980
Capital Receipts Reserve	0	27,416	27,416
Major Repairs Reserve	0	16,021	16,021
Capital Grants Unapplied Account	42,516	1,453	43,969
General Fund Minimum Balance	25,000	0	25,000
General Fund Schools	2,575	0	2,575
Earmarked Reserve, excluding DSG	38,012	55	38,067
Earmarked Reserve Covid-19 Grant	1,142	0	1,142
DSG Grant Reserve	15,330	0	15,330
Total Reserves	124,475	58,925	183,500

The uncommitted General Fund balance of £25m is considered to be a reasonable level of reserves to protect the Council against unforeseen events and the realisation of contingent liabilities.

A breakdown of the in-year movement on each of the usable reserves can be found in the Movement in Reserves Statement.

Capital Expenditure Overview

Capital spending is generally defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred.

Total capital expenditure in 2022/23 amounted to £130.339m and is analysed by Directorate as follows:

Directorate	2022/23 £m
Children and Young Peoples Services	7.069
Assistant Chief Executive	0.280
Adult Care & Housing	4.043
Finance & Customer Services	4.260
Regeneration & Environment	77.593
Housing Revenue Account	37.094
Total	130.339

The capital expenditure was financed as follows:

Funding Stream	2022/23 £m
Borrowing need	34.153
Major Repairs Allowance (MRA)	29.926
Grants & Other Contributions	57.224
Capital Receipts	6.002
Internal Funds (e.g. Reserves, etc)	3.034
Total	130.339

Major items of capital expenditure incurred are as follows:

Major Capital Expenditure	2022/23 £m
<u>Non Housing</u>	
Network Equipment	2.087
Aston Academy replacement classrooms	1.590
SEND Phase III Newman Upper School	2.506
Schools PFI Life Cycle Programme	0.957
Forge Island Flood Defence	1.522
Century Park Phase II	5.131
Public Realm Frederick Street	1.199
Riverside Acquisitions	3.858
Magna	1.054
Forge Island Commercial Development	8.571
Parkway Widening	20.381
Clean Air Zone Bellows Road	1.539
Greasbrough Village Centre Traffic Lights	1.108
Ickles Lock	3.683
Carriageways resurfacing	3.192
Roads Programme	5.887
Pothole Funding	1.012
Furnished Homes	1.309
<u>Housing Investment Programme</u>	
Ravenfield Externals	1.832
Sunnyside Externals	0.949
Swinton Fitzwilliam Concrete Structworks	1.019
Maltby phase 1 externals	2.237
Brinsworth Externals	2.508
Major Voids	4.130
Ad Hoc Boiler Replacements	1.934
Boilers Scheme	2.082
Fairfield Aston Strategic Acquisitions	1.178
Laughton Gare 42 Units	1.501

Clarence Gate Strategic Acquisitions 5 Units	0.931
Millfold Site	3.006
Sheffield Road Site	2.826
Total	92.719

Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31st March 2023 is shown below. Further details of the Council's Treasury Management activities and prudential indicators are due to be reported to Cabinet Meeting on 10 July 2023. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. [Browse meetings - Cabinet - Rotherham Council](#)

The Council's borrowing levels are summarised below:

As at 31 March 2022 £m	Long Term Borrowing	As at 31 March 2023 £m
375.670	Public Works Loans Board (PWLB)	365.456
248.000	Market (e.g. Banks, Other Local Authorities)	232.000
	Short Term Borrowing	
13.071	Temporary Borrowing	10.214
130.500	Market (e.g. Banks, Other Local Authorities)	46.000
	External Investments	
48.500	Debt Management Office	0
137.000	Other Local Authorities	40.000
39.350	Money Market Funds	47.000
542.391	Net Borrowing	566.670

Note: External Investments excludes amounts associated with the Council's day to day banking and other balances, e.g. school bank accounts, which are included in Note 25 of the Statement of Accounts

Balance Sheet

The *Balance Sheet* presents the Council's financial position, i.e. its net resources at the financial year end. The balance sheet is composed of two main balancing parts i.e. its net assets and its total reserves. The net assets part shows the assets the Council would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the Council.

Key Changes in Accounting Policy

The Council's Financial Statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the CIPFA Code of Practice on Local Authority Accounting for 2022/23. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have been no Accounting Policy changes for 2022/23, however, 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 31st March 2025. The Council will utilise the override for the 2022/23 accounts but will need to put measures in place for when the override expires.

Financial Outlook, Risks and Opportunities

The Council set a balanced budget position for 2022/23 as part of the Budget and Council Tax Report 2022/23 approved at Council 2 March 2022. The MTFS contained within that report included a balanced position for 2023/24, 2024/25 and a funding gap of £3.9m for 2025/26, the first year of the next spending review. This Budget and MTFS position was set based on sound financial assumptions at the time, factoring in cover for service demand pressures in particular within Adult Social Care.

However, following approval of the Budget the global economic position has significantly changed with rising inflation and substantial increases in energy prices. These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills, but the price of goods and services the Council's procures have increased. At its peak the Council's forecast overspend for 2022/23 was £18.2m.

During 2022/23 the Council has successfully delivered short term in-year savings to help mitigate some of the forecast cost pressures, due to the wider financial impact of inflation, energy price increases and the impact of the 2022/23 nationally determined pay award. As a result the final outturn was significantly improved at £7.3m.

However, the Council's base costs have risen across the MTFS. These costs could not have been projected within the Council's Medium Term Financial Planning. Whilst this approach has improved the in year monitoring position it did not deal with the longer term financial pressure that inflation and energy prices have had on the Council's base costs.

The Council's position in setting a balanced budget for 2023/24 was therefore going to be a significant challenge. However, the aim of the Council was to meet this challenge whilst protecting the services that the Council provides to residents and businesses within the borough. In addition, providing further support to residents with the cost of living crisis.

The financial pressure faced by the Council across the MTFS period has been mitigated through unexpected Government funding confirmed in the Final Settlement, increasing fees and charges above the approved MTFS 2% assumption to 6%, new savings across all Directorates of the Council and an increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFS to 4%.

The Council has endeavoured through the Budget setting process to minimise the impact on residents in terms of both service delivery that they receive but also in terms of the financial impact on residents, for example the Council's fees and charges and Council Tax increases are significantly below the prevailing level of inflation seen during 2022/23. Through the Council's planned use of the Household Support Fund and the Local Council Tax Top Up scheme the Council seeks to further support the most vulnerable residents within this Budget.

Though significant financial challenges have been faced, the Council has made significant strides over the last few years to establish robust, effective and prudent financial management arrangements. Through prudent budget planning, establishment of a more effective medium-term financial strategy and introduction of robust financial controls the Council's financial outlook is now far more positive. The Council's sound financial planning has enabled the creation of a reserves strategy that provides a reasonable level of general fund reserves, allowing reserves to be created to support the Council's budgetary plans, whilst streamlining the type and volume of reserves. The Council's treasury management strategies have been utilised effectively to support the Council's budget pressures, whilst putting the Council in a stronger position to manage its longer term capital financing.

Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regards to the funding of social care and now significant inflation, the Council faces these challenges from a sound financial footing, with a robust budget for 2023/24 and medium term financial strategy.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £302.2m in 2023/24 together with a capital programme in excess of £500m (to 2025/26), the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region.

The challenge is to ensure the sustainability of the Council to deliver services and deliver against the Council's stated priorities. This means making carefully considered investment decisions through to 2026 and ensuring that agreed savings are delivered in line with revised timeframes.



Judith Badger CPFA

Strategic Director of Finance and Customer Services
Finance and Customer Services Directorate
Riverside House
Main Street
Rotherham
S60 1AE

Date 30th May 2023

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Draft Statement of Accounts 2022/23 – Financial Highlights Report

This financial highlights report draws Members attention to key financial disclosures reported in the 2022/23 draft Statement of Accounts. The primary financial statements that Members should be aware of are:

- The Comprehensive Income and Expenditure Statement (CIES) on page 6, which is inclusive of the HRA figures shown in the separate statement on page 109, shows what the Council's financial performance would have been on an accounting basis under International Financial Reporting Standards (IFRS). This is very different to the revenue outturn reported on the basis on which local government is funded and which is used to determine the amount to be raised from council tax payers and rent payers.
- The Movement in Reserves Statement on page 7 of the accounts which sets out the change in the overall level of usable reserves (revenue and capital) available to support revenue spending and the capital programme in future years. It provides the reconciliation of the deficit reported in the (CIES) on an accounting basis to the net change in the General Fund balance and HRA balance on a local government funding basis.
- The Balance Sheet on page 9 of the accounts which sets out the assets and liabilities of the Council at the end of 2021/22.

The Cash Flow Statement on page 10 shows the changes in cash and cash equivalents of the Council during the reporting period.

- The Collection Fund on page 117 of the accounts which shows separately the surplus or deficit to be distributed or recovered relating to council tax and retained business rates.

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Informing the audit risk assessment for Rotherham Metropolitan Borough Council 2022/23



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 as part of our audit process. 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 your business or any 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.

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Rotherham Metropolitan Borough Council's external auditors and Rotherham Metropolitan Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Rotherham Metropolitan Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The key events or issues that will have a significant impact on the financial statements are:</p> <ul style="list-style-type: none"> -Use of reserves strategy approved by Council in March 2023 -Valuation of (Property Plant and Equipment) PPE -Academy Transfers -Capital Financing and increased CFR -Pressures from inflation and energy prices rises impacting the Council's planned call on reserves.
<p>2. Have you considered the appropriateness of the accounting policies adopted by Rotherham Metropolitan Borough Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>In March 2023 Audit Committee received a report outlining the Council's plans for the delivery of the Statement of Accounts, updates to accounting policies and an overview of any changes to the notes to the Statement of Accounts. As part of this process the Council's Financial Accounting team consider any adjustments required to accounting policies for 2023/24 onwards.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council uses Money Market Funds for its short term investments, using AAA rated funds only, placing security and liquidity as its primary concern, over yield.</p> <p>All financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Council has administered a £16m Council Tax Rebate Scheme on behalf of Government but with the Council having to carry out specific checks and balances before award of payments.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Rotherham Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council instructs EM Lawshare Panel Solicitors and various external Solicitors in relation to a variety of matters including, Insurance Claims, some Property/ Commercial transactions and matters identified elsewhere in the External Audit Process. None of which are material to the year end accounts for 2022/23.

General Enquiries of Management

Question	Management response
9. Have any of the Rotherham Metropolitan Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	Nothing material
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>The Council's treasury advisors provide both day to day support and services. The Council uses advisors in respect of Taxation and Treasury Management.</p> <p>Taxation day to day enquiries and support are provided by PSTax and PWC.</p> <p>Treasury Advisors – Link Asset Services provide information on matters such as: market updates, counterparty control, Financial Instrument and Treasury Management advice</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Investments and loans have been considered. Most investments were with other Local Authorities so a credit loss provision was not required under IFRS9. The Council also had investments with MMF's and Banks which resulted in a non material credit loss calculation. The council has a small number of external loans which have been provided for.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Rotherham Metropolitan Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Rotherham Metropolitan Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Rotherham Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the council's risk management processes link to financial reporting?</p>	<p>The Council does not believe there is a risk of material misstatement in the financial statements, due to fraud.</p> <p>The council has an Anti-Fraud and Corruption Policy which provides staff with details on how to manage fraud</p> <p>In addition:</p> <ul style="list-style-type: none"> • Risk Champions have discussed fraud risks with each DLT. Fraud risks are entered onto risk registers where applicable, then regularly monitored. • All employees are required to complete mandatory GDPR e-learning modules on an annual basis. • Directorate and Finance risk registers are considered and reviewed throughout the financial year to highlight any issues that may impact on the Council's financial standing or financial monitoring. • The Finance and Customer Services Directorate risk register has a risk for the 'accurate and timely production of a draft Statement of Accounts and WGA'. • Senior Leadership Team also review the Corporate Risk Register as well as performance reports and financial reports. This enables the section 151 to ensure that financial risks are adequately reflected in risk registers and also ensure that significant directorate risks are appropriately managed. <p>Annual audit report completed on an annual basis that sets out potential fraud risk.</p>

Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Low level expense claims
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Rotherham Metropolitan Borough Council as a whole, or within specific departments since 1 April 2022? If so, please provide details	<p>None that would affect the Statement of Accounts. Ongoing cases are investigated by Internal Audit. The volume and value of fraud is believed to be low.</p> <p>Internal Audit is responsible for reporting risk of fraud to those charged with governance.</p> <p>The section 151 meets with Internal Audit weekly which enables early awareness and consideration of whether any urgent reporting is required.</p> <p>The Chief Executive also holds quarterly Statutory Officer meetings in order to understand any significant issues and risks and where any developing trends can be identified.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	When Internal Audit discovers or suspects a fraud, management of the relevant department will be contacted and discussion take place and agreement reached on how the matter will be investigated. The Chief Executive and Strategic Director Finance and Customer Services are briefed regarding the issues raised.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud?	The risk of collusion with suppliers, otherwise risk linked to low level expense claims. There are no concerns around any significant areas at risk or locations within the Council where fraud is more likely.
Are there particular locations within Rotherham Metropolitan Borough Council where fraud is more likely to occur?	
6. What processes do Rotherham Metropolitan Borough Council have in place to identify and respond to risks of fraud?	Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud The Council has a Whistleblowing Policy. A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee. All whistleblowings are investigated by the relevant department and the robustness of the investigations is overseen by the Council's Whistleblowing officers. The Whistleblowing Officers are the S151 officer officer Officer, the Monitoring Officer and the Head of Internal Audit and all Whistleblowings are reviewed by them.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Rotherham Metropolitan Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal controls are considered very tight overall. Key activities (listed below) to create clear segregation of duties, ensure everything is reviewed for approval at an appropriate level and reviewed for appropriateness.</p> <ul style="list-style-type: none"> P2P Process Creditors Sundry Debtors Process Revs and Bens - Council Tax / NNDR Treasury Management / Banking Arrangements <p>Internal Audits completed in respect of the following:</p> <ul style="list-style-type: none"> Housing Rents – Substantial Assurance NNDR – Substantial Assurance Covid Grants – Substantial Assurance Direct Payments – Reasonable Assurance Care Provision Deferred Payments – Substantial Assurance Treasury Management – Reasonable Assurance <p>The section 151 meets with the Head of Internal Audit on a weekly basis in order that the section 151 is made aware of any issues identified or reported at the earliest opportunity</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>The Council's finance structure and production of the accounts is such that all reports are reviewed by the relevant Head of Finance prior to decision making. Where information is fed into the Councils accounts it is submitted by the Head of Finance for the Directorate and reviewed by the Corporate Finance function. Ultimately the final accounts are also reviewed by the Assistant Director of Finance and Customer Services. These levels of control/review mitigate the risk of misreporting.</p> <p>As such the risk of misreporting is low.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Rotherham Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p>	<p>Weekly communications are distributed to all staff through the 'Monday Briefing' and 'Chief Executives Briefing'. Both provide details of any policy changes are a means of promoting business practice and ethical behaviour.</p>
<p>How do you encourage staff to report their concerns about fraud?</p>	<p>Staff events always start with a reminder of expectations and service plans also contain the vision for the directorate which includes expected standards.</p>
<p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>All employees areas are required to complete appropriate mandatory e-learning modules e.g. GDPR.</p> <p>All employees are made aware of the Whistleblowing Policy and their responsibilities from it.</p> <p>No significant issues have been reported, that would impact the Councils accounts.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All set out in the Fraud risk Register</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There are no related party relationships that present a risk of fraud.</p> <p>There is segregation of duties across all of the Councils finance and contractual functions to ensure that multiple officers, from multiple functions are required to review and approve decision making</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<ul style="list-style-type: none"> Audit Committee are asked to review the Council's Anti-Fraud and Corruption Policy and approve the Strategy. Audit Committee is presented within an annual review which is designed to ensure that the Policy and Strategy are up to date with current best practice and to take into account any changes to the Council's organisation structure. The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption requires an annual report on performance against the Strategy. There is a self-assessment and resulting Action Plan provided to AC on the performance against the strategy.
13. Are you aware of any whistleblowing potential or complaints by potential whistleblowers? If so, what has been your response?	A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee
14. Have any reports been made under the Bribery Act? If so, please provide details	No

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Rotherham Metropolitan Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required
What arrangements does Rotherham Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations?	The Financial Accounting team liaise with legal to ascertain the Council's list of ongoing litigation and claims. This is then assessed and distributed to the Finance Managers for review to determine appropriate disclosures of any provisions, contingent assets and contingent liabilities.
Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?	There have been no changes to the Council's regulatory environment that would have a significant impact on the Council's financial statements.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	No
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Only those listed in contingent assets and liabilities.

Impact of laws and regulations

Question	Management response
5. What arrangements does Rotherham Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal Service team and Insurance teams as required
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

Rotherham Metropolitan Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Rotherham Metropolitan Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Rotherham Metropolitan Borough Council's 2022-23 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Rotherham Metropolitan Borough Council whether Rotherham Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>There have been no changes in the related party relationships disclosed by the Council at an entity level, though the Council's RP disclosures at an officer or member level do change each year. This information is presented clearly within the Council's accounts, within the specific related party note.</p> <p>Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details</p>
<p>2. What controls does Rotherham Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management. Members complete the form termly or when a change in circumstance arises</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Requisitions are reviewed and approved by line management any issues will be highlighted.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council's procurement system has an exemption process, this allows for extensions of contracts or a specific supplier use in an exceptional circumstance. This requires procurement, legal, Head of Finance and S151 officer approval to use. Where a payment is being made outside of the procurement system it must be approved by two Finance Managers or above (from finance).</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Rotherham Metropolitan Borough Council will no longer continue?	Monthly revenue and capital monitoring takes place which identifies any key financial risks for the Council. In addition budget, mid year and outturn reports are submitted to Cabinet which highlight any financial risks which may affect the continuation of service provision.
2. Are management aware of any factors which may mean for Rotherham Metropolitan Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by Rotherham Metropolitan Borough Council, does Rotherham Metropolitan Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Rotherham Metropolitan Borough Council to cease to exist?	Yes
4. Are management satisfied that the financial reporting framework permits Rotherham Metropolitan Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>The key transactions are PPE valuations, Pension Fund liabilities and accruals. The Council has robust processes in place to ensure these areas of the Council's disclosures in the accounts are accurately reflected.</p> <p>An example of a material condition would be the financial impact of inflation and energy bill increased costs.</p>
2. How does the council's risk management process identify and address risks relating to accounting estimates?	<p>The Council places greater emphasis, review and challenge on these key areas to ensure that they are robust. Where issues are identified a more detailed review of processes and controls will be undertaken, likely through the Council's internal audit function.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>The Council's Corporate Finance Function and specific finance managers involved in the delivery of the accounts identify the methods and processes to be used. Working in the confines of the Code of Practice.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>The SOA accounts are reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues.</p> <p>Asset lists, pension assumptions and provisions are reviewed annually.</p>
5. Were any changes made to the estimation processes in 2022-23 and, if so, what was the reason for these?	<p>The valuation date for Land and Buildings valued using DRC was changed from 1st April to 1st January. This was to reduce the potential change in valuation between the valuation date and year end.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>The Council's Corporate Finance Function and specific finance managers involved in the delivery of the accounts identify the methods and processes to be used. Working in the confines of the Code of Practice. Qualified officers used for asset valuations and dwelling valuations.</p> <p>Link used to supply fair value for financial instruments.</p>
7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Valuers are issued with instruction letter and contract with requirements is in.</p> <p>RMBC participate in the annual bulk exercise to obtain the IAS19 disclosures.</p> <p>Quality Assurance is carried out.</p> <p>Equally if any concerns are raised the S151 officer can request the internal audit review the processes in place.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The SOA accounts is reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues.</p> <p>Training offered to new audit committee members and refresher training offered to existing members.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	Yes, via the presentation of the SOA and supporting reports, highlighting any changes in regulations or environment that may give rise to a challenge to the Council's accounting estimates process.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	The arrangements are reviewed annually for appropriateness and where relevant and required external expertise is used to guide the Council's approach.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through robust reporting to the AC on the production of the statement of accounts and training on the production of the statement of accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of land and buildings	DRC valued at 1 st Jan, EUV, Fair Value, Historic Cost. Valued as at 1 st April, with material adjustments for in year movement applied as required.	BCIS rates, local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	Yes DRC valuations are now dated 1 st Jan. Previously 1 st April.
Valuation of council dwellings	current value, determined using the basis of existing use value for social housing (EUVSH). Valued as at 1 st April, with material adjustments for in year movement applied as required.	Value based on achievable sale prices then reduced	Valuations reviewed by RICs qualified officers	41% EUV – use of this % is supported by local evidence	No
Valuation of investment property	Fair Value. Valued as at 1 st April, with material adjustments for in year movement applied as required	local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	Straight line method, based on opening value as at 1st April.	Treatment of asset classifications and UEL applied as per policy	Only in obtaining the most recent asset valuations used.	Asset is still in use, useful economic life.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Expenditure accruals	Automatic system accruals, manual – guidance provided	Budget holder monitoring, significant variances, review of new year transactions	Qualified Finance Officers	Potential uncertainty around value Most appropriate estimate used	No
Provisions	Appeals provision model based on previous appeals success %. Insurance – based on previous claims data	Experience of key staff and Insurance Team.	N/A	Methods used and associated % used is changed each year.	No
Valuation of defined benefit net pension fund	Liabilities have been assessed on an actuarial basis using the projected unit credit method.,.	An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc	The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council fund.	Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate		Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value of debt instruments	Fair value of debt instruments	An income approach is used. This converts future amounts (eg cash flows or income and expenses) to a single current (ie discounted) amount	Based on PWLB new loan rates	The Council's treasury advisors Link provide the calculations.	A calculation is done using PWLB redemption rates as a comparison.	No
Finance lease liabilities	Finance lease liabilities	Lease Model.	Based on model used	PWC produced the original model.	Lease model is most appropriate estimate	No
PFI Liabilities	PFI Liabilities	PFI Model	Based on model used	PWC produced the original model.	PFI model is most appropriate estimate	No
Credit loss and impairment allowances	Credit loss and impairment allowances	Expected credit loss model.	Historic default rate data from 3 main credit rating agencies. Previous year collection rates for debtors	The historic default rate figures are provided by Link.	The % used changes each year based on historic information.	No

Council Report

Audit Committee Meeting – 7th June 2023.

Title

Annual Governance Statement 2022/23.

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

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Ward(s) Affected

All wards.

Report Summary

The Council has produced a draft Annual Governance Statement (AGS) for the 2022/23 financial year which was published alongside the Council's Statement of Accounts on 31st May 2023. This report briefly sets out for the Committee the process that was followed to construct this AGS. The full draft AGS is attached to this report as Appendix A.

Recommendations

The Audit Committee is asked to review the draft 2022/23 Annual Governance Statement and raise queries if necessary.

List of Appendices Included

Annual Governance Statement 2022/23.

Background Papers

"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in April 2016.

Audit Committee Report 29th November 2022 "Code of Corporate Governance"

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Annual Governance Statement 2022/23

1. Background

- 1.1 The Accounts and Audit Regulations require the Council to produce an Annual Governance Statement (AGS) alongside its Statement of Accounts in each financial year. The AGS is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively. Local Authorities are required to prepare an AGS in order to report publicly on the extent to which they comply with their own Code of Governance. The draft 2022/23 AGS was published on 31st May 2023.
- 1.2 A process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group, chaired by the Strategic Director Finance and Customer Services. The group included the Head of Internal Audit and the Corporate Improvement and Risk Manager.
- 1.3 The assurance and evidence process produced a strong evidence base and enabled the Council to have confidence in the statements that it is making in the AGS. The AGS also includes updates to matters raised in the previous year's AGS. The draft AGS is attached to this report as Appendix A.

2. Process to construct the 2022/23 AGS

- 2.1 In constructing the AGS for 2022/23, the Council has assembled sufficient evidence to support the statements that it has made. To achieve this, each Strategic Director was asked to oversee a self-assessment of governance in their Directorate. This comprised the completion of a self-assessment form based on the Principles and Sub-principles in the Code of Corporate Governance by each Assistant Director, along with a Statement of Assurance from each of them. Strategic Directors reviewed the information before producing their own Statement of Assurance which was based on the information arising from their review of current and previous governance issues.
- 2.2 Each Directorate has returned the required Statements of Assurance and supporting documents and the Corporate Governance Group has reviewed the evidence contained in them. Additionally, the group has considered which issues are of sufficient significance to require reporting in the AGS. The group then confirmed those issues with the strategic Directors and obtained updates from them on the detailed issues raised in the previous year.
- 2.3 The Corporate Governance group then produced the AGS itself, which was reviewed by the Strategic Director Finance and Customer Services, the Monitoring Officer, the Chief Executive and the Leader.
- 2.4 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored. The AGS recognises the improvements made in the Council's performance throughout the financial year but also highlights a number of areas for further development in 2023/24.
- 2.5 The Audit Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.

- 2.6 The AGS is subject to review by external audit who will check that it is in line with CIPFA requirements and consistent with the Statement of Accounts and their knowledge of the Council.
- 2.7 The final AGS will be presented to the committee alongside the final Statement of Accounts to reflect any issues that emerge between now and then and will take account of any comments made by the Audit Committee and the external auditor.

3. Options considered and recommended proposal

- 3.1 This paper considers the draft AGS for 2022/23. As a result, no specific options have been considered.

4. Consultation on proposal

- 4.1 All Strategic Directors have been asked for their input into the AGS process through the submission of signed Statements of Assurance.
- 4.2 The draft AGS has been reviewed by the Strategic Director Finance and Customer Services and the Chief Executive.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its June 2023 meeting.
- 5.2 The Corporate Governance Group will ensure that any issues raised by the Audit Committee or the external auditors, and any emerging issues are addressed and updated as part of the completion of the final AGS for 2021/23.

6. Financial and Procurement Advice and Implications

- 6.1 There are no direct financial implications other than the requirement to publish the AGS alongside the Council's Annual Finance Statements. There are no procurement issues.

7. Legal Advice and Implications

- 7.1 There are no direct legal implications arising from this report, although it is a statutory requirement for an AGS to be published alongside the Council's Financial Statements. This report endeavours to set out how the Council intends to comply with that requirement.

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 Any implications for the Children and Young People's Service and Adults Services are set out in the AGS attached at appendix A.

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 Partners

11.1 There are no direct implications for our Partners in this report. The AGS has been constructed following consultation with all Directorates. Individual directorates are responsible for implementing action to respond to weaknesses identified in the AGS

12. Risks and Mitigation

12.1 The AGS is expected to be completed each year to sit alongside the Financial Statements. The risk of failing to produce an AGS has been considered and, although this is a remote risk resources are in place to ensure that a complete and accurate AGS is delivered on time.

13. Accountable Officer(s)

Judith Badger (*Strategic Director of Finance and Customer Services*)

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ROOTHERHAM METROPOLITAN BOROUGH COUNCIL

Annual Governance Statement 2022/23

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2022/23

1 SCOPE OF RESPONSIBILITY

- 1.1 Rotherham Metropolitan Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the Best Value duty).
- 1.2 In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring there are effective arrangements in place for the management of risk.
- 1.3 The Council has a Code of Corporate Governance in line with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.
- 1.4 This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2 THE GOVERNANCE FRAMEWORK

- 2.1 The Council's general governance arrangements include a range of policies, procedures and activities that are designed to be consistent with the expectations for public sector bodies. They are drawn together by the Council's Code of Corporate Governance which was refreshed and approved by the Audit Committee in November 2022.
- 2.2 The Council's overall strategic direction is determined by the Council Plan 2022-2025 and the Year Ahead Delivery Plan 2022. These were approved in January 2022, with the Year Ahead Delivery Plan 2022 being framed around five themes:
 - 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
- 2.3 The Council Plan and associated Year Ahead Delivery Plan form the basis of the strategic direction of the Council throughout the financial year. The first quarterly

report on progress on the new Council Plan and Year Ahead Delivery Plan was presented to the Council's Cabinet on 20th June 2022 and focused on progress from 1st January 2022 to 31st March 2022, with subsequent reports being presented on 20th September 2022, 19th December 2022, 24th April 2023 and a final report for the year planned to be presented on 10th July 2023.

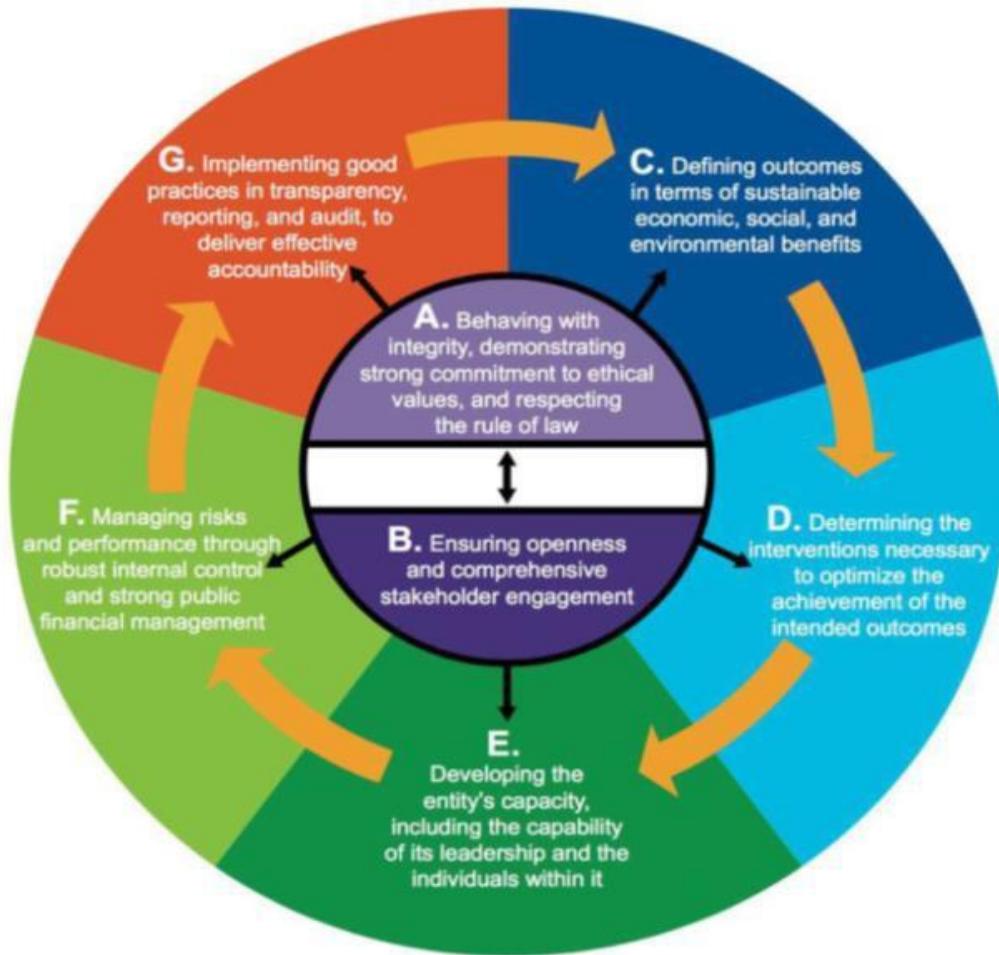
- 2.4 A refresh of the Year Ahead Delivery Plan to cover the 2023-24 financial year was approved by Cabinet on the 24th April 2023, alongside a review of the targets set for Council Plan performance measures. Monitoring of the new plan will continue throughout the year, with public reports planned for December 2023 and July 2024.
- 2.5 The governance framework comprises the systems, processes, values and behaviours by which the Council is directed and controlled. It also comprises the activities through which the Council is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.6 The Council also has a system of internal control which is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide proportionate and not absolute assurance of effectiveness. The system of internal control is designed to:
 - identify and prioritise the risks to the achievement of Council policies, aims and objectives
 - evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
 - manage the risks efficiently, effectively, and economically.

2.7 The table below sets out the key elements of an effective governance framework, and how these were delivered in the Council throughout the financial year.

Council Committee or group	Governance Function
Full Council	Endorses the Constitution Approves the policy and financial frameworks Approves the budget and sets council tax Approves the Council Plan.
Cabinet	Primary decision-making body of the Council Comprises the Leader of the Council and Cabinet members who have responsibility for specific areas
Audit Committee	Considers all issues relating to internal and external audit matters Monitors and reviews the effectiveness of risk management systems, including systems of internal control. Oversees financial reporting and financial statements and the annual governance process.
Standards and Ethics Committee	Promotes high standards of conduct by elected members and monitors the operation of the Members' Code of Conduct
Overview and Scrutiny Committees	Reviews and scrutinises the decisions and action taken in connection with any functions of the Council, including "pre-Scrutiny" of some recommendations due to be considered by Cabinet. Make reports or recommendations to the Council or Cabinet with respect to the discharge of any functions of the Council
Chief Executive, Strategic and Assistant Directors	Set governance standards Lead and apply governance standards across the Council
Internal Audit	Performs independent and objective reviews within all Directorates of the Council Undertakes fraud and irregularity investigations and proactive anti-fraud work
Areas or disciplines which are not directly responsible for delivery of services, for example Performance Management, Risk Management, Finance, HR, Legal, Information Security, Health and Safety.	Responsibilities include designing policies, setting direction and ensuring compliance
Management. Assurance at this level comes directly from those responsible for delivering specific objectives, projects or operational areas.	Responsibilities include identifying risks and improvement actions

3 HOW THE GOVERNANCE FRAMEWORK IS APPLIED

3.1 The principles set out in both the CIPFA/SOLACE Delivering Good Governance Guidance and the Council's own Code are shown in the diagram below:



3.2 The table below indicates the detailed governance arrangements in place during the year and their operation, with reference to these principles:

Principle	Arrangements at Rotherham MBC
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements.</p> <p>All key decisions require review by Legal and Financial Services to ensure all relevant requirements and considerations are taken into account.</p> <p>The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council's Whistle-blowing policy is in line with current national guidance.</p>

Principle	Arrangements at Rotherham MBC
	<p>The Council has a Member/Officer Protocol which has been adopted by the Council. It is communicated to all Members and is emphasised through training on the Code of Conduct which forms part of the induction programme for Members and their continuous development programme. Codes of Conduct for Members and Officers define conflicts of interest and how they should be treated. There has been an extensive programme of training and induction for all members following the “all out” elections in May 2021.</p>
<p>Principle B – Ensuring openness and comprehensive stakeholder engagement.</p>	<p>The Council is committed to openness and acting in the public interest. A new Council Plan 2022-25 and the Year Ahead Delivery Plan 2022 were developed after consultation with stakeholders as part of the development process. A further Year Ahead Delivery Plan covering the 2023-24 financial year was developed in the course of the year. These Plans are available on the Council's website and performance reporting against the Plans is presented in public meetings of Cabinet.</p> <p>Delivery of the vision in both the Council Plan 2022-25 and the Year Ahead Delivery Plan is embedded in day-to-day activities across the Council and is monitored through the performance management arrangements which are underpinned by an established framework.</p> <p>The Council conducts a Residents' Satisfaction Survey every twelve months, based on the Local Government Association's national model. The results are checked and challenged against other Councils, and have been reported through the performance management framework.</p> <p>The Thriving Neighbourhoods Strategy was published in 2018, covering the period 2018-2025. The Strategy sets out the way in which the Council will work with and listen to its communities. It commits the Council to listening and acting on feedback and working with partners to plan for the future. During 2022/23 this Strategy has continued to become embedded in the Council's methods of working. As part of this development, a series of regular ward newsletters were continued to improve public awareness of developments in their local areas and improve community engagement.</p> <p>Regular email newsletters are also produced for Council members with additional 'special' bulletins produced to cover significant topics in-between. These summarise key developments and issues in the Council to enable them to perform their roles effectively including latest news, member development information, forthcoming meetings and consultations.</p> <p>The Consultation and Engagement Framework, which was developed in 2019, was refreshed in 2022. This document sets out the Council's commitment to consult and engage with the public and states that the Council will listen, inform and work in</p>

Principle	Arrangements at Rotherham MBC
	<p>partnership with service users and stakeholders, including their views in the shaping, commissioning and delivery of services wherever possible. The Framework is underpinned by a consultation toolkit for services to use so that they comply with the Policy.</p> <p>The Rotherham Together Partnership is well established. The Partnership strategy, The Rotherham Plan 2025, which was originally published in early 2017 and was refreshed in December 2022.</p>
Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.	<p>In January 2022 the new Council plan 2022-25 and associated Year Ahead Delivery Plan 2022 were approved by Council. All the plans have been monitored throughout the year in line with the Council's Performance Management Framework, which was itself revised in April 2022. This monitoring involves quarterly consideration of the outcomes in public sessions of Cabinet and the Overview and Scrutiny Management Board. A new Year Ahead Delivery Plan covering the 2023-24 financial year was approved in April 2023.</p> <p>Sitting alongside the Year Ahead Plans are numerous other strategies which set out more detail around the required outcomes. These include the Rotherham Housing Strategy, Rotherham Economic Growth Plan, Safer Rotherham Strategy, Rotherham Local Plan Core Strategy, Municipal Waste Management Strategy and the Rotherham Health and Wellbeing Strategy.</p> <p>Service Plans that link to the Council Plan and into individual Personal Development Plans were in place for all services during 2022-23.</p> <p>In addition to the above, the Council's Risk Management framework links to the relevant plans and enables Strategic and Directorate Leadership Teams to monitor and respond to the risks around each key element of the plan that they are accountable for.</p>
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.	<p>As set out above, the Year Ahead Plan and associated Service Plans form the basis for all interventions planned by the Council. All business decisions are accompanied by a business case and options appraisal and the corporate report templates require information explaining the legal and financial implications of decisions.</p> <p>Delivery of the Plans continues to be monitored through Quarterly Monitoring Reports and the Council has a suite of performance reports which are aligned to the Year Ahead Plan priorities.</p> <p>All decisions need to be taken in the context of the Medium-Term Financial Strategy, the Capital Programme and the Revenue budget process.</p>

Principle	Arrangements at Rotherham MBC
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.	<p>The Council has been working with the Local Government Association to support the development of members of the Improving Lives Select Commission, and this will continue in future years. The Member Development Programme is continually being refreshed with elected Members encouraged to provide topics of interest that they would like to see included and delivered in the most appropriate manner e.g. Member Session, Briefing Note etc. A programme of Mid-Term Reviews are being undertaken with members to support training and development required to aid delivery of ward priorities.</p> <p>The roles of the Leader, the Cabinet, all Members and the Statutory Officers are included in the Constitution.</p> <p>Job descriptions are in place for all posts throughout the Council and these are supported by recruitment and appointment policies and procedures. There is a comprehensive training programme for officers linked to the recently approved refreshed Workforce Development Plan. The Plan aligns with the Council Plan and the new strategy has been developed in tandem with the Council Plan. Each Council employee has a Personal Development Plan which links to their service's Service Plan and is reviewed at regular intervals.</p> <p>A series of projects are in place to deliver service transformational change across the Council as part of the "Big Hearts, Big Changes" programme. These are drawn from the Council Plan and are cross cutting big ticket items. Many of these projects are designed to increase the Council's capability and capacity to achieve ambitions and adapt to service demands in a "post Covid" environment.</p>
Principle F - Managing risks and performance through robust internal control and strong public financial management.	<p>The Council has a Risk Management Policy and Guide which is fully embedded. The Guide was reviewed in November 2022 and the Policy was formally approved by Cabinet in January 2023. This Policy requires the Strategic Risk Register to be reviewed at regular intervals by the Strategic Leadership team and for Directorate and Service level risk registers to be reviewed at least quarterly.</p> <p>Corporate report templates all contain 'risk implications' sections and Risk Management also links closely to Service Plans. The Audit Committee reviews risks and the Risk Management process at every meeting. Performance Reports are aligned to Council Plan priorities and are considered in public and are also linked to the Risk Policy.</p> <p>The Council has an Anti-Fraud and Corruption Policy and Strategy which comply with the CIPFA Code of Practice and an Internal Audit function which issues an annual opinion on governance, risk management and internal control. The Council also has a Corporate Information Governance Group which is responsible for improving its approach to securing information. This group is supported by a dedicated Information Governance team as well as</p>

Principle	Arrangements at Rotherham MBC
	ongoing monitoring of Data Protection Act / Freedom of Information compliance.
Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	<p>The Council's approach to transparency includes the publication on its website of details around budgets and spending, Senior Officer remuneration, Performance Information and reports, the Annual Report and Statement of Accounts and the Annual Governance Statement.</p> <p>The Code of Corporate Governance is refreshed annually in accordance with CIPFA/SOLACE principles and any amendments proposed for publication are scrutinised and approved by Strategic Leadership Team, and Audit Committee prior to publication.</p> <p>The Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year. The Audit Committee meets six times a year and receives reports from both Internal and External Audit. The Audit Committee Terms of Reference are based on CIPFA guidance and are due to be updated in May 2023.</p> <p>The Council is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the Council's responses are reported to the relevant Overview and Scrutiny Committee and made available via the website.</p> <p>An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team and Cabinet.</p>

The Council won the award for the Most Improved Authority at the Local Government Awards in July 2022. This is an indication of the improvements in the governance structure and is linked to the principles highlighted above.

[Local Government awards - Rotherham is 'Most Improved Council' – Rotherham Metropolitan Borough Council](#)

How is the effectiveness of our Governance Arrangements monitored?

3.3 The Council reviews the effectiveness of its governance framework, including the system of internal control, every year. The ten key elements of assurance that inform this governance review are:

- 1) The Chief Executive, Strategic and Assistant Directors whose roles include:
 - Corporate oversight and strategic planning
 - Annual corporate governance assessment which is informed by annual Assurance Statements from each Strategic and Assistant Director

- Implement and monitor regulatory and other governance protocols

2) Monitoring Officer who has oversight of:

- Legal and regulatory assurance
- The operation of the Constitution

3) The Section 151 Officer who has oversight of the proper administration of the Council's financial affairs

4) Information Governance, which is monitored by:

- The Designated Senior Information Risk Owner (SIRO)
- Data Protection procedures
- Information Security and Records Management procedures

5) The Overview and Scrutiny Management Board, who carry out policy review and challenge as well as have an overview and carry out scrutiny of specific topics

6) The Audit Committee which;

- Reviews the effectiveness of internal and external audit
- Considers the adequacy of the internal control, risk management and governance arrangements
- Oversees financial reporting and financial statements and the annual governance process.

7) Internal Audit who produce;

- An annual opinion on the adequacy and effectiveness of internal controls, risk management and governance arrangements
- An Internal Audit plan, reports and audit action tracking, all reported to Audit Committee

8) External Audit and other external inspections which include:

- Financial statements audit
- Value for Money conclusion
- Care Quality Commission, Ofsted, etc.

9) Risk Management which incorporates:

- A Risk management policy and strategy
- Quarterly monitoring and reporting of Strategic Risks to Strategic Leadership Team
- Regular monitoring and reporting of Risk Registers to Directorate Leadership Teams

10) Counter Fraud work, which includes:

- Anti-Fraud and Corruption and Whistleblowing arrangements
- Anti-Money Laundering Policy and supporting arrangements
- Codes of Conduct for Officers and Members
- Financial and Contract Procedure Rules

What specific assurances does the Council receive about the effectiveness of our Governance Arrangements?

3.4 The Council receives a number of specific assurances around its governance arrangements from the following:

Chief Financial Officer (Section 151 Officer)

3.5 The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the Council's arrangements conform to the CIPFA requirements, and the Section 151 Officer has no significant additional concerns.

Monitoring Officer

3.6 The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the Authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGH 89). These have been considered within the context of this statement and the Monitoring Officer has no significant additional concerns to report.

Internal Audit

3.7 It is a requirement of the UK Public Sector Internal Audit Standards (PSIAS) that there is an annual internal assessment of Internal Audit's conformance with the standards, verified externally at least every five years. In late 2020 the external verification was completed. Internal Audit was assessed as generally conforming to Public Sector Internal Audit Standards. This is the highest classification used by CIPFA. The internal assessment at the start of 2023 confirmed that this standard has been maintained.

3.8 It is also a requirement of PSIAS that an annual report is produced setting out the work performed by Internal Audit and the opinion of the Chief Audit Executive (at Rotherham this is the Head of Internal Audit) on the Council's internal control environment.

3.9 The Annual Internal Audit report was presented to the Audit Committee on 7th June 2023. The report confirmed positive progress had been made during the year, with 87% of audits resulting in a positive opinion, similarly to the previous year. The remaining reports highlighted areas where further improvement

could be made. The areas identified will be followed up in 2022/23. The report on Tree Management resulted in an opinion of no assurance and is referred to in Paragraph 5.2.

- 3.10 Internal Audit concluded that the Council has maintained overall an adequate and effective framework of governance, risk management and control throughout the year, based on their work undertaken throughout the year.

External Audit

- 3.11 The Council's external auditor is required each year to carry out a statutory audit of the Council's financial statements and give an assessment of the Council's value for money arrangements. Grant Thornton issued an unqualified opinion on the Council's financial statements for the year ended 31st March 2022 on 16th January 2023.
- 3.12 In their Annual Report relating to 2021-22 issued in March 2023 Grant Thornton found no significant weaknesses in the Council's arrangements for financial sustainability and governance. They stated that the significant weakness and key recommendation from the previous year was still relevant. It was raised as a result of the Ofsted and CQC inspection around implementing SEND reforms. Further information concerning the inspection is given in paragraphs 4.7 to 4.10.
- 3.13 Grant Thornton will issue their opinion on the 2022-23 financial statements and a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness once their work is complete.

Compliance with Financial Management Code (FMC)

- 3.14 The Council complies with the financial management standards as set out within the CIPFA Financial Management Code (FMC). The Council's Financial and Procurement Procedure Rules (FPPR's) provide the bedrock of the Council's financial governance, setting clear principles as to how the Council manages and controls its financial decision making. These FPPR's are routinely reviewed to ensure they are kept up to date with the current financial environment, new financial standards and the ever-changing local authority financial conditions.
- 3.15 The Council's current budget and Medium-Term Financial Strategy set out how the Council will finance the current requirements of services, whilst effectively planning for the delivery of agreed savings and continuing to stabilise and improve the Council's level of reserves. However, any significant longer-term planning is hindered by Government's reluctance to provide a financial settlement that is greater than a year ahead.

- 3.16 The Council's capital programme planning and investment levels are directly linked into the revenue budget planning to ensure that any new use of corporate resources is affordable over the longer term, in terms of financing borrowing and major repairs provision charges. Whilst the Council does annually review and make additions to the capital programme, typically with new use of corporate resources, the Council actively looks to maximise its access to and use of, government grant funding and other external contributions. The links between the revenue budget and capital programme are tightly controlled to ensure that the Council sets a Treasury Management Strategy that is both prudent and compliant with the Prudential Code for Capital Finance.
- 3.17 The Council sets an annual budget through Cabinet and Council which is then monitored closely during the course of the financial year. The Council's Strategic Leadership Team receive monthly updates on the financial position with regular updates taken to Cabinet throughout the financial year. This reporting process culminates with a financial outturn report post the end of any financial year, this report sets out how that outturn impacts the future financial planning of the Council, in particular the impact on reserves and delivery of planned savings.

Delivering the Financial Strategy

- 3.18 The Council has faced some significant financial challenges during 2022/23 that were not evident at the time of setting the 2022/23 Budget, such as the significant rise in energy prices, inflation and Local Government Pay Award. In an update to November 2022 Cabinet the Council noted that it was estimated that the impact of inflation and in particular energy price increases would be £4m above available budget. In addition, the financial impact of the Local Government Pay Claim 2022/23 was £6.1m greater than anticipated, increasing the Council's base budget moving forwards, together these pressures created around a £10m gap per year within the Council's Medium Term Financial Strategy from 2022/23 onwards.
- 3.19 Given this challenging start position, in setting the Budget for 2023/24 the Council kept focus on mitigating the impact on residents as far as possible and trying to protect basic services in order to support the community through a cost of living crisis, along with the Council's ambitions for the Borough with specific regard to the environment and social care.
- 3.20 The Final Settlement did have some positives for the Council with inflation provided on core funding such as Business Rates Grants and Revenue Support Grant, along with Government's approach to delaying the Adult Social Care Reforms whilst allowing Councils to retain the funding linked to those reforms. However, the additional grant funding fell short of what was required by Councils in order to mitigate the impact of inflation and energy prices.

- 3.21 For example, the additional funding provided or made available for Adult Social Care was £11.5m, however the cost of providing an inflationary uplift to adult care providers (at the Real Living Wage rate) and meeting the required costs of transitions and demand was £12m.
- 3.22 The development of the Council's Budget proposals for 2023/24 and the further update of the MTFS took into account prevailing economic factors, most notably significant rises in inflation and energy prices during 2022/23. Following the Council's technical MTFS updates and the impact of the Final Financial Settlement the Council faced around a £6m funding gap in each year from 2023/24 to 2025/26.
- 3.23 In order to address this budget gap the Council had to consider the following areas:
 - New savings proposals
 - Further increases in fees and charges
 - Increases in Council Tax above assumptions within the approved MTFS
 - Further use of reserves
- 3.24 As detailed within the Council's budget report this financial pressure was mitigated through proposals to increase fees and charges above the approved MTFS 2% assumption to 6%, new proposed savings across all Directorates of the Council and a proposed increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFS to 4%.
- 3.25 These proposals have allowed the Council to set out a balanced budget position without further use of reserves, allowing those reserves to be held to guard against the significant risk and uncertainty that still exists in the UK economy around inflation and energy prices.
- 3.26 The current economic climate remains uncertain, with challenges in projecting where inflation will move and the pace at which it moves, along with uncertainty in the energy markets. Whilst the uncertainty in the economy still remains the most significant pressure in the Council's Budget and MTFS proposals, by being aware of the current challenges the Council has been able to better plan for this new economic position and set a budget which retains a sufficient balance in reserves to ensure the impact of further unexpected volatility can be mitigated without impact on services to residents.
- 3.27 The Council has endeavoured through the Budget setting process to minimise the impact on residents in terms of both service delivery that they receive but also in terms of the financial impact on residents, for example the Council's proposed fees and charges and Council Tax increases are significantly below

the prevailing level of inflation seen during 2022/23.

4 UPDATE ON MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT FOR 2021-22

Information Governance

4.1 The rate of completion for Freedom of Information Requests and Right of Access Requests remains reasonably static. Monitoring of performance levels is undertaken monthly by the Corporate Information Governance Group and any areas of concern are addressed immediately either on a corporate or directorate level as appropriate. An annual report is also shared with the Audit Committee.

COVID-19

4.2 Following the national government's introduction of "lockdown" on 23rd March 2020 the Council had to respond at considerable pace to the COVID-19 pandemic in order to help the residents of the Borough to stay safe and support local businesses and key partners. This response continued throughout the majority of 2021/22. Although all domestic legal restrictions relating to Covid ceased on 24 February 2022, the Council continued to monitor the incidence and impact of Covid throughout the year and up to date.

4.3 The Council's Gold response and recovery arrangements stood down at the end of 2021/22 although the Council remains ready to initiate command and control structure if required either in relation to Covid or other types of Major Incidents. The Council's Gold group agreed a comprehensive debrief process following the major incident activity spanning the previous two years. This work provided an overview report to a meeting of all Strategic and Assistant Directors in June 2022, including feedback and recommendations for further work which will be linked to one of two areas:

- Major Incident Arrangements
- Business Continuity

Ombudsman Reports

4.4 During 2021/22 RMBC received two reports from the Local Government and Social Care Ombudsman.

4.5 The first was a Public Interest Report which found that there was fault by the Council which caused injustice to two residents. The report made five recommendations which were accepted by the Council. An Action Plan has been produced detailing how and when the Council will meet those recommendations and how it will provide the Ombudsman with the evidence it

requires. The report was presented to the Audit Committee in April 2022 in line with the Committee's Terms of reference 'to consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions. The Report was also made available to Council through the minutes of Audit Committee on 25th May 2022. The report has been made available to the public in hard copy from Riverside House reception and the Council has placed two public notices in local newspapers as directed by the Ombudsman. The Ombudsman has also publicised this via its own website and has advised its media partners. On 15th June 2022 the Ombudsman thanked the council for their comprehensive response and readiness to improve the services and stated formally that he was satisfied with the Council's response in accordance with section 31(2) of the Local Government Act 1974. Progress on the completion of the Action Plan was reviewed by Internal Audit and a Substantial Assurance opinion was given. This was reported to the Audit Committee in March 2023.

4.6 The second report found that there was fault by the Council which caused injustice to the Complainant. The Ombudsman directed that the findings are not made public as to do so would mean identifying the Complainant. The report was considered in confidence by the Audit Committee in line the Ombudsman's direction. The Council has responded to the Ombudsman setting out the work that has been completed and that all the actions required have been discharged. On 6th July 2022 the Ombudsman welcomed the action taken by the Council and stated formally that he was satisfied with the Council's response in accordance with section 31(2) of the Local Government Act 1974.

Special Educational Needs and/or Disabilities (SEND) Inspection in Rotherham

4.7 In July 2021 Ofsted and the Care Quality Commission conducted a joint inspection of the local area of Rotherham to judge the effectiveness of the area in implementing the SEND reforms as set out in the Children and Families Act 2014. The report summarised strengths and areas for development in the effectiveness of identifying children and young people with SEND, meeting their needs, and improving outcomes for them.

4.8 As a result of the findings a Written Statement of Action (WSOA) was required because of significant areas of weakness in the local area's practice, to be submitted jointly by the RMBC and the area's Clinical Commissioning Group (CCG) now known as the Rotherham Integrated Place Board (IPB). The WSOA had to explain how the local area would tackle the areas of weakness and set forward a clear action plan.

4.9 The WSOA was submitted to Ofsted in January 2022 and was approved by them. Significant work has been undertaken to deliver improvements required across the Rotherham SEND Partnership. Regular support and challenge

meetings between the Local Area SEND system Leaders, the Department for Education and NHS Improvement are in place to hold accountability to the Rotherham WSOA.

4.10 Partnership governance continues to strengthen in relation to SEND to ensure robust local area response to addressing all aspects of this area, not just the WSOA, with strong visible leadership from senior leaders in the Council and IPB.

Homes England Report

4.11 Homes England is an executive non-departmental public body sponsored by the Department for Levelling Up, Housing and Communities. It part-funds housing developments by providing grants to local councils, including RMBC. Councils must comply with Homes England's policies, procedures and funding conditions when receiving the grants.

4.12 During 2020-21 the council received a 'red status' audit report from Homes England – serious failure to meet requirements, because certain key requirements had not been met at the point the grant was drawn down for two housing development schemes. Immediate action was taken to prevent recurrence of these issues and further necessary measures have been identified and captured in an action plan. In the last year the action plan was completed and the service worked with Homes England to deliver learning to other grant recipients. A further audit from Homes England resulted in a 'green status' audit report.

Youth Justice Service

4.13 A Youth Justice Board Peer Review of the Youth Justice Service (previously Youth Offending Team) was commissioned by the Rotherham Youth Justice Partnership Board and was completed in March 2022. This followed an inspection by Her Majesty's Inspector of Probation in 2020 which gave a Required Improvement judgement. Since then, an improvement action plan has been followed and the Youth Justice Service Partnership Board strengthened. The Peer Review found that positive improvements had been made and gave feedback on areas 'for consideration'. The CYPs Evidence Challenge Panel (containing representatives from external agencies) has overseen and scrutinised the completion of all 46 improvement actions. Further assurance against the actions has been monitored through the Improving Lives Select Commission and the safer Rotherham Partnership Board.

Health and Safety Executive

4.14 On 29th November 2021 the Health and Safety Executive made the Council aware of an investigation it was undertaking into allegations concerning hand

arm vibration. On 4th April 2023 they confirmed they intended to prosecute the Council. The Council is awaiting full disclosure and associated summons to attend a hearing.

5 OTHER SIGNIFICANT ISSUES ARISING DURING 2022/23

Tree Management and Green Spaces

5.1 The service has received three reports during the year: a Health and Safety report following an incident in the summer of 2022; an external review of the Tree Management Protocol and guidance; and an Internal Audit report which gave a 'No Assurance' opinion. An Action Plan has been produced to capture all the recommendations from the reports and ensure the actions are completed. A wider review of Green Spaces will also be completed to ensure that risks are identified and managed.

Asset Management

5.2 An Improvement Plan has been commissioned for the Asset Management Service. This has arisen from recent challenges around building safety and especially evacuation at a number of Council properties. The Improvement Plan will include a specific strand on building safety and will also consider the pressures and high profile workstreams in the service, including budget pressures, fire safety, building compliance and major projects.

6 SIGNIFICANT EVENTS OR DEVELOPMENTS AFTER YEAR END

6.1 There have been no significant events or developments relating to the governance system between the year-end and the date on which this statement has been published.

7 LEADER AND CHIEF EXECUTIVE STATEMENT 2022-23

7.1 This Annual Governance Statement fairly reflects the position at Rotherham Metropolitan Borough Council during the year and up to the date of signing.

7.2 As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. We have also specifically considered the new significant issues noted in section five and their potential impact on our overall governance. Our final overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

7.3 We are also satisfied that, over the remainder of this financial year, the Council will take appropriate steps to address the significant governance issues and we will monitor their implementation and operation as part of our

next annual review.

Signed

***Councillor Chris Read,
Leader, Rotherham MBC***
Date:

Signed

***Sharon Kemp,
Chief Executive, Rotherham MBC***
Date:

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Rotherham Metropolitan Borough Council 2022-23 Audit Plan

Year ending 31 March 2023

30 May 2023





Contents

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1. Key matters

National context

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, a rise in interest rates, higher agency costs and increases in supplies and key services, such as adult social care and children's services.

Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions such as integrating skills with employment provision and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling. Overall, Local Government continues to operate in a very challenging environment, both financially and operationally.

Local context:

The Council's financial performance

2021-22: As reported in our 2021-22 Auditor's Annual Report (AAR), the Council's 2021-22 final outturn performance was a £2.4m underspend against 2021-22 budget. This was helped by the Council being able to apply more Government funding to the outturn position than originally planned.

2022-23: The Council approved a net budget for 2022-23 which totalled £259.7m with a savings target of £4.8m to achieve a break-even position. At the end of Month 9 (Dec 2022), the Council was predicting an operational overspend of £8.4m. This is £1.1m improvement on the November 2022 position (month 8) reported to Cabinet in January 2023. This is derived from the core directorates services forecasting a year-end overspend of £2.9m and on the General Fund, there is a net £5.5m of estimated overspend. The General Fund overspend was unbudgeted cost, resulting from the wider financial impact of inflation, energy price increases and the national pay award. These costs could not have been projected within the Council's Medium Term Financial Planning back in March 2022 when 2022-23 budget was approved. Whilst increasing energy prices and inflation will impact the Council's costs in provision of services, there will be some mitigation in future years by increased core funding, as business rates income is indexed to the rate of inflation.

At the time of producing this Plan (May 2023), our discussions with senior management note the final outturn position is yet to be finalised for 2022-23. However, it is anticipated that the £8.4m overspend forecast at Month 9 is expected to improve by 31 March 2023. This position will be first reported to Cabinet in June as part of Finance update report.

The gap created by 2022-23 overspend is to be funded via the Council's general fund reserves, namely Transformation Reserve and Budget and Financial Strategy Reserve as approved by Council as part of 2023-24 Budget and Council Tax report. According to the latest audited accounts for 2021-22, the Council has general fund and earmarked reserves excluding DSG/Covid-19 reserves of c67.2m. This includes £25m of general fund minimum working capital balance. In addition, the Council has earmarked Covid-19 grant reserves of £11.8m as at 31 March 2022. On the savings target set for 2022-23, a total of £4.9m of savings have been delivered against the planned £4.8m for 2022-23, by month 9.

Key matters

Medium Term Financial Strategy (MTFS) and 2023-24 approved budget: The current three-year MTFS which covers the period until 2025-26, was approved in March 2023 by the Council, alongside the 2023-24 budget. There is a balanced budget for 2023-24 after the setting of savings target of £8.3m. For 2024-25 and 2025-26 balanced budgets will require savings target to rise to £11.4m for 2024-25, reducing to £9.9m moving forward.

The 2023-24 budget was approved by the Council on 1 March 2023 and includes an increase of 2% in basic council tax and an increase of 2% for the Adult Social Care precept. The budget also highlighted key challenges for 2023-24, including increasing inflation, energy prices, wider economic conditions and social care pressures.

Dedicated School Grant (DSG) deficit and Safety Valve Funding (SVF):

As reported in our VFM work in both 2020-21 and 2021-22, the Council was awarded £20.5m by the DfE in 'safety valve' funding over five-year period up to 2025-26. This is to deal with its significant deficit on the DSG reserve which was again reported in our 2020-21 and 2021-22 AARs. This was a positive reflection of the DfE's assessment in the Council's arrangements around DSG deficit reduction. This was the second year of SVF and Council's entitlement for 2022-23 was £3m, subject to achieving a small in year surplus for the year ended 31 March 2023. We understand the final DSG performance for the year ended 31 March 2023 was £0.7m. We have also been made aware that DfE have given the 2023-24 entitlement of £3m during 2022-23, resulting a total of £6m funding in year ended 31 March 2023. This is £3m more than 2022-23 entitlement and we understand this cash advancement is in recognition of Council's good performance, in managing the DSG deficit.

Audit reporting delays – context

In a report published in January 2023, the NAO highlighted that since 2017-18 there has been a significant decline in the number of audited local government body accounts including audit opinions published by the required deadlines set by the government. The NAO outlined a number of reasons for this and proposed actions.

In March 2023, Grant Thornton published 'About time?', which explored the reasons for the delay in publication of audited local authority accounts. The report explores several of the causes of delay and the steps which might be taken to reduce the incidence of delays. These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies. The Grant Thornton report made a number of recommendations for improving timeliness in publishing audited accounts. Copies of the Grant Thornton report have been already circulated to members of the Audit Committee in March 2023.

It is pleasing to note that significant audit delays have not been an occurrence at Rotherham Council. This is clearly evident from the last four years of audits that are now fully closed. We would hope this performance continues in 2022-23 and we will continue to work closely and effectively with senior management and the Audit Committee. We verbally updated the Audit Committee with our proposed timetable for the 2022-23 audit in our progress update to the Committee in March 2023. This is set out in more detail in section 9 and page 19 of this Plan.

Key matters



Our Responses on key Council matters

- As a firm, we are absolutely committed to high standards and continually improving audit quality and financial reporting in the local Council sector. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with Strategic Director - Finance and Customer Services.
- We will continue to review the Council's financial position and performance through our regular discussions with the Strategic Director - Finance and Customer Services, including budget monitoring, anticipated revisions to the MTFS, management of general fund and useable reserves and DSG deficit maintenance and reduction plans
- We will assess the continuing accounting treatment of DSG Safety Valve Funding in your 2022-23 financial statements and evaluate whether it continues to comply with current LG Code and relevant Statutory Instrument guidance
- We will continue to discuss Council's strategic direction and associated challenges with the Chief Executive, Strategic Director - Finance and Customer Services and Assistant Director Financial Services through our regular liaison meetings
- We will continue to consider your arrangements for managing and reporting your financial resources as part of our 2022-23 audit of your financial statements and value for money work (VFM). This will also cover our work on DSG deficit reduction plans that are continuing.
- Our VFM work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness
- We will follow up progress in implementing the actions agreed in respect of matters identified in 2021-22 audit work (as relevant) relating to the financial statements audit as well as recommendations made as part of our 2021-22 review of your VFM arrangements
- We will continue to provide the Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators. We will also participate in your Audit Committee training sessions and your peer review assessment
- We will continue to hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, discuss topical issues with our technical specialists and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We continue to identify a significant risk in regard to the management override of controls (see page 9 which is our key response to this risk).

2. Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the Rotherham Metropolitan Borough Council ('the Council') for those charged with governance.

Respective responsibilities

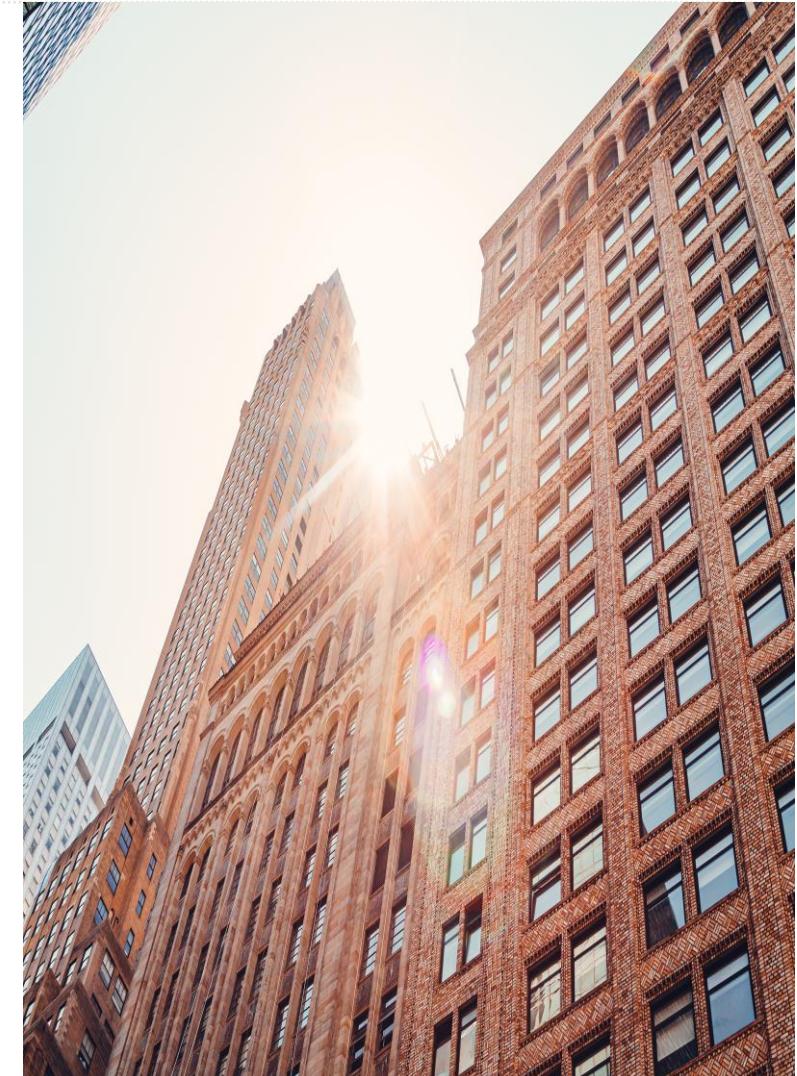
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's operations and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the net pension fund balance.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £9,409k (PY £8,880k) for the Council, which equates to 1.5% of your prior year gross expenditure in cost of services for the Council.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors.

Clearly trivial has been set at £470k (PY £444k) for the audit.

We will reassess our materiality calculation upon receipt of your 2022-23 draft accounts.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified one potential continuing risk of significant weakness at the planning stage.

This is in relation to the Ofsted and CQC Inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham. We have identified this as a significant weakness in both our 2020-21 and 2021-22 VFM work and raised a key recommendation.

At the time of this Audit Plan, we are unable to confirm whether this still is a significant weakness for 2022-23 as there has not been a formal follow up inspection by the regulators and subsequent reporting as yet. We will continue to review this issue as part of our 2022-23 VFM work and will report our finding to you in our Auditor's Annual Report (AAR), which we aim to finalise by 31 December 2023.

We have not identified any additional potential or actual significant weaknesses at this time.

More information on this potential significant weakness is reported at section eight.

We will continue to update our risk assessment until we issue our 2022-23 AAR.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this Plan.

Audit logistics

Our planning and interim audit work will take place during April and in late June to early July. Our final audit work will take place during late July to October.

Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report (expected in November) and our Auditor's Annual Report on our VFM work (expected by December 2023).

Our proposed fee for the audit will be £178,688 (PY: £179,188) for the Council, subject to the Council delivering a good set of financial statements and working papers. More detail analysis of our fee is included at section 10.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure - rebutted	<p>Revenue</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable. <p>Expenditure</p> <p>Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds• Covid -19 funding has been provided for additional expenditure and loss of income in prior years• the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable.	<p>As we do not consider this to be a significant risk for the Council, we will not be undertaking any special audit work in this area other than our normal audit procedures which include:</p> <p>Accounting policies and systems</p> <ul style="list-style-type: none">• Evaluate the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code• Update our understanding of the Council's business processes associated with accounting for income and expenditure. <p>Fees, Charges and other service income</p> <ul style="list-style-type: none">• Agree, on a sample basis, income and year end receivables from other income supporting evidence. <p>Taxation and non specific grant income</p> <ul style="list-style-type: none">• Income for national non -domestic rates and council tax is predictable and therefore we would conduct substantive analytical procedures• For other grants we will sample test items for supporting evidence and check the appropriateness of the accounting treatment in line with the CIPFA Code. <p>Expenditure</p> <ul style="list-style-type: none">• Agree, on a sample basis, non pay expenditure and year end payables to supporting evidence• Undertake detailed substantive analytical procedures on pay expenditure. <p>We will also design and carry out appropriate audit procedures to ascertain that recognition of income and expenditure is in the correct accounting period, for example, undertaking cut off testing.</p>

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">evaluate the design effectiveness of management controls over journalsanalyse the journals listing and determine the criteria for selecting high risk unusual journalstest unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroborationgain an understanding of the accounting estimates and critical judgements applied and made by management and consider their reasonableness with regard to corroborative evidenceevaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgements and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Closing valuation of land and buildings, including Council dwellings	<p>The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£990m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their workevaluate the competence, capabilities and objectivity of the valuation expertdiscuss with the valuer the basis on which the valuation was carried outchallenge the information and assumptions used by the valuer to assess completeness and consistency with our understandingengage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuationtest revaluations made during the year to see if they had been input correctly into the Council's asset registerevaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year endconsider, where the valuation date is not 31 March 2023 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2023.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund balance	<p>The Council's prior year pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability for 2021-22 was considered a significant estimate due to the size of the numbers involved (c£338m) in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund balance as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>The Council is an admitted body of South Yorkshire Pension Fund. We understand from our early discussions with management that South Yorkshire Pension Fund may be in a surplus position as at 31 March 2023, following the recent triennial valuation process. This situation may give rise to a net pension asset rather than a net pension liability.</p>	<p>We will:</p> <ul style="list-style-type: none">update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net balance is not materially misstated and evaluate the design of the associated controlsevaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's workassess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuationassess the accuracy and completeness of the information provided by the Council's to the actuary to estimate the liabilitytest the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuaryundertake procedures to confirm the reasonableness of the actuarial assumptions including the net pension balance, by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the reportevaluate the triennial pension fund valuation outcomes and assess the reasonableness and prudence in that overall valuation through our audit approach as applicable. Audit approach to be determined upon relevancy.undertake procedures as relevant, if there is a movement from a net pension liability to a net pension asset and ensure that movement is materially correct, and any recognition in Council's financial statements is in line with applicable accounting standardsobtain assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

4. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules (as relevant to 2022-23 NAO guidance which is not yet published) for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022-23 financial statements, consider and decide upon any objections received in relation to the 2022-23 financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'.

All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

5. Progress against prior year audit recommendations

There was one recommendation from our 2020-21 audit that was considered as work in progress in our 2021-22 Audit Findings (ISA26) Report. We have followed up the continuing progress against that recommendation below. Please note, in addition to below there were some specific recommendations on IT general controls as a result of work undertaken by IT audit team. We will follow up those recommendations as part of our 2022-23 Audit Finding Report (ISA260).

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
On going	<p>Other Land and Buildings Valuation date:</p> <p>Our work on land and building valuations indicates that the reported valuation date remains at 1 April (12 months from the year end date). This results in a lot of audit challenge from us, and a lot of work for the Council's finance team and the valuers, to justify that the valuation of assets valued on 1 April remains materially accurate as at 31 March.</p> <p>A number of our other local authority audit clients have moved all their valuation dates to 31 March, or much closer to the balance sheet date.</p> <p>We understand the valuation date for land and buildings could be moved closer to 31 March, which should enable a more efficient valuation process and audit approach going forward.</p> <p>Recommendation</p> <p>Considering the extensive procedures that the Council has in place to assess the movement in year of assets valued on 1 April, the Council should consider updating the valuations of assets valued on a Depreciated Replacement Cost basis with the year-end BCIS rebuild costs. This would provide the audit team with a greater level of assurance over the valuation of assets at the reporting date.</p> <p>The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March.</p>	<p>Management response November 2021:</p> <p>Noted and agreed. The Council intends to review its valuation process with a view to adjusting the valuation date from the 1 April to a later date within the financial year. Whilst the Council does recognise the benefit of this and the increased efficiency in processing it may bring, in order for the Council to meet the accounts closure timeline, it must have valuation reports completed before the end of February each year, to allow adequate review, challenge and processing. It is therefore expected that the Council will adjust its valuation date to the 31 December each year.</p> <p>Management update July 2022 on 2021-22 valuations</p> <p>The Council has reviewed its approach to the valuation of Land and Buildings, to identify asset classifications that can be valued at a later date in the financial year than 1st April, in order to help de-risk the valuation estimates. A result of this review has been that the Council have valued a number of assets, valued on a Depreciated Replacement Cost (DRC) basis, as at the 1 January 2022. Looking forward, the Council will continue to move valuation dates to later in the financial year where possible, however, for many of the Council's assets due for valuation this was not possible for 2021-22 as they had already been valued before this audit recommendation was presented to Audit Committee as part of the ISA260 for the Council's 2020-21 accounts.</p> <p>GT update November 2022:</p> <p>We are pleased that the management has actioned this and continues to explore to further extend this closer to the year-end date (31 March). We believe this would further enhance the process of other land and buildings valuation estimate as at the year end.</p> <p>Management response on 2022-23 valuations - Update May 2023</p> <p>The Council will continue to explore opportunities to push the valuation date further into the financial year to increase accuracy of the valuation as at the year end. However, the Council has to continue to give regard to the faster closure deadlines, as such this inhibits the Council's ability to take valuations too late in the financial year.</p>
		<p>Page 115</p>

6. Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1 Determination	<p>We have determined the planning financial statement materiality based on a proportion of the gross expenditure in cost of services of the Council for the financial year.</p> <p>We have determined planning materiality to be £9,409k (PY £8,880k) for the Council, which equates to 1.5% (PY 1.5%) of your prior year gross expenditure in cost of services.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements– assist in establishing the scope of our audit engagement and audit tests– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2 Other factors	<p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £15,000 (PY £15,000).

Our approach to materiality

Matter	Description	Planned audit procedures
3	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will review our materiality calculation upon receipt of your 2022-23 draft accounts.
4	Other communications relating to materiality we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £470k (PY £444k) for the Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality area	Amount £000	Qualitative factors considered
Materiality for the financial statements	9,409	We have determined materiality at 1.5% of gross expenditure in cost of services based on the prior year audited financial statements. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
Performance materiality	6,586	Assessed to be 70% of financial statement materiality.
Trivial matters	470	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration disclosures	15	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature.



7. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT system has been judged to be in scope at audit planning stage. Based on the financial statement audit approach we will perform the level of assessment required. We will keep this under review as the audit progresses and will update our understanding if there are additional IT systems within the scope of the audit. We will report that to you including our assessments (as applicable) in our ISA(UK) 260 report.

IT system	Audit area	Estimated transaction values	Planned level IT audit assessment
E5 Financials	Core Financial reporting	Around £1 billion (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and implementation)Application controls assessment (Revenue, Expenditure, Procurement)
Northgate (Revenues & Benefits system)	Council Tax, Business Rates, Housing Benefits	Around £250m (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and implementation)Application controls assessment (Interface to E5 financial system)
iTrent	Payroll	Around £230m (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and implementation)Application controls assessment (Interface to E5 financial system)
NEC Housing	Housing Revenue Account	Around £85m (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and implementation)Application controls assessment (interface to E5 financial system)

8. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office (NAO) issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Potential Significant Weakness - Ofsted and CQC Inspection on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham.

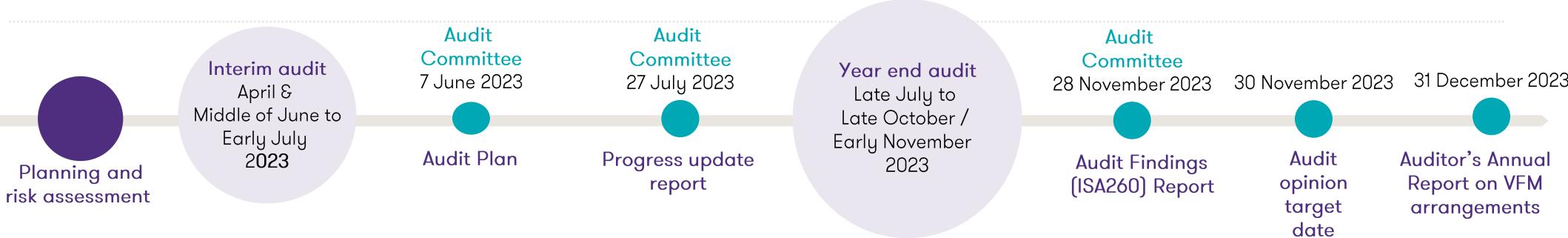
Our risk assessment regarding your arrangements to secure value for money has identified one potential continuing risk of significant weakness at the planning stage. This is in relation to the Ofsted and CQC Inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham.

As you are aware from our previous reporting to the Audit Committee, we have identified this as a significant weakness in both our 2020-21 and 2021-22 VFM work and raised a resulting key recommendation in line with the NAO guidance. At the time of this Audit Plan, we are unable to confirm whether this is a significant weakness for 2022-23 or not. We note the actions taken by the Council in response to the findings since July 2021 which were reported in our 2021-22 AAR VFM Report. However, no formal follow up inspection by the regulatory bodies has occurred to date. Regulator follow up inspections and subsequent reporting with any new findings are key part of our risk assessment regarding this issue. We will continue to review this as part of our 2022-23 VFM work and will report our findings to you in our Auditor's Annual Report (AAR), which we aim to finalise by 31 December 2023. During our 2022-23 VFM work, we will specifically focus on:

- Any CQC/Ofsted re-inspection and subsequent reporting by the regulators
- Two-way communications between the regulatory bodies and the Council regarding the progress made in addressing July 2021 report recommendations.

We have not identified any other potential significant weaknesses to date, other than what is reported above.

9. Audit logistics and team



Gareth Mills, Key Audit Partner & Engagement Lead

Gareth leads our relationship with you and takes overall responsibility for the delivery of a high-quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Council.

Thilina De Zoysa, Engagement Senior Manager

Thilina plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

Greg Charnley, Engagement Manager

Greg assists in supervising the audit fieldwork, liaising with your finance teams and our audit team, ensuring that the audit is delivered effectively and efficiently using his prior audit knowledge and experience.

Joseph Hanks , Engagement In-charge

Joseph assists in planning, supervising and delivering the audit fieldwork liaising with your finance teams, ensuring that the audit is delivered effectively and efficiently. Joseph also co-ordinates with the audit team on delivery of fieldwork.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees and updated Auditing Standards, including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the Council to begin with effect from 2018-19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022-23 audit. For details of the changes which impacted on years up to 2021-22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 [Revised] - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a similar Council of your size, we estimate an initial increase of £6,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, is detailed overleaf and has been agreed with the Strategic Director - Finance and Customer Services

Audit fees

	Actual Fee 2020-21 £	Actual Fee 2021-22 £	Proposed fee 2022-23 £
Rotherham Metropolitan Borough Council	£180,939	£179,188	£178,688
Total audit fees (excluding VAT)	£180,939	£179,188	£178,688 Note 1

Note 1

See detailed analysis at page 23.

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis:

PSAA Scale fee for 2022-23	£124,688
Increased depth of audit work, lower materiality level and testing in order to meet the audit quality challenge of the regulator	£3,750
Enhanced audit procedures for Property, Plant and Equipment, including the use of an Auditor's Expert	£5,000
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£20,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£6,000
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750
Increased audit requirements of ISA 315 Revised - identifying and assessing the Risks of Material Misstatement	£6,000
Enhanced audit procedures for Infrastructure assets	£2,500
Additional testing within the Housing Revenue Account	£500
Additional work on 'local risks' for the audit, to reflect that the audit sits within the FRC population of a 'major' audit, including the material DSG deficit on financial statements, VFM work and accounting on Safety Valve Funding with associated disclosures.	£4,000
Total proposed audit fees 2022-23 (excluding VAT)	£178,688

Note: All variations to the scale fee will need to be approved by PSAA

11. Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken or undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) Report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related:			
Certification of Housing Benefit [See note below]	39,675*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £39,675 in comparison to the total fee for the audit of £178,688 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
None	-	-	-

* NOTE on Housing Benefit work and fees:

In addition, as per prior years, for each 40+ HB testing undertaken, there will be additional fees to be raised. The value will be dependent on whether the detailed testing is performed by the Council and reperformed by us, or directly by Grant Thornton.

12. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and / or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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Committee Name and Date of Committee Meeting

Audit Committee – 7th June 2023.

Title

Internal Audit Progress Report for the period 1st February 2023 to 30th April 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

Ward(s) Affected

All wards.

Report Summary

This Progress Report provides the committee with an up to date position on the Internal Audit Plan, a summary of Internal Audit work completed during the period 1st February 2023 to 30th April 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, 1st February 2023 to 30th April 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 – 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 1st February 2023 to 30th April 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 April 2023 on the completion of the annual plan for 2022/23, the reports finalised in February, March and April 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 15th 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 2022-23 the department delivered 1012 days of productive work against a plan total of 1000 days.

2.2 Audit Work Undertaken During the Period

Internal Audit provides an opinion on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall annual opinion on the Council's control environment. There are four possible levels of assurance for any area under examination, these being "Substantial Assurance", "Reasonable Assurance" "Partial Assurance" and "No Assurance". Audit opinions and a brief summary of all audit work concluded since the last Audit Committee are set out in **Appendix B**. Ten audits have been finalised since the last Audit Committee, eight with Substantial or Reasonable Assurance, one with Partial Assurance and one with No 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 C**. Targets were met except for the time taken to complete audits, due to the complexity of the work undertaken and discussions over draft reports.

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 eleven actions that have been deferred from their original due dates, nine of which relate to Rothercare where the service is working on a new business operating model. 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 1st February 2023 to 30th April 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 7th June 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

Internal Audit Plan 2022-2023

Assistant Chief Executive						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Payroll	ACX20	Systems Based	Provide assurance on key processes for carrying out reconciliations and error resolution and prevention.	20	WIP	
Big Hearts Big Changes (BHBC)	ACX23	Risk Based	Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme.	15	Q2 2023	
Council Plan	ACX27	Risk Based	Provide assurance on the governance arrangements and that performance measures are being accurately reported.	20	WIP	
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	FINAL	
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	
Communications		Risk Based	Management request – addition to the plan. Review of media protocol, checks and balances for enquiries.		WIP	
Total planned days – Assistant Chief Executive						95

ADULT CARE HOUSING AND PUBLIC HEALTH						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
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	DRAFT	
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	2023	
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	DRAFT	
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	WIP	
Rothercare		Follow Up	Follow up of 2021-2022 audit review reporting a partial assurance level.	5	2023	

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
Waiting Lists		Risk Based	Management request – addition to the plan. Review of mechanisms in place for dealing with waiting lists for assessments for care.		WIP
Total Planned Days – Adult Care and Housing				115	

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	DRAFT	
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	DRAFT	
Youth Offending		Risk Based	Review of progress after HMIP review and peer review	10	WIP	
Supporting Families		Risk Based	Management request – addition to the plan. Review of new systems being developed to prepare for changes to government requirements.		WIP	

<u>FINANCE AND CUSTOMER SERVICES</u>						
<u>Finance</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
NNDR	FCS2	Systems Based	Fundamental System. Review of new processes in respect of NNDR reliefs to provide a level of assurance of compliance with these.	10	WIP	
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	DRAFT	
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	Q1 2023	
Free School Meals		Risk Based	Review of the controls around the use of vouchers during school holidays	10	Q1 2023	
Insurance		Risk Based	Management request – addition to the plan. Review of the Insurance Service.		DRAFT	
<u>Customer Information & Digital Services</u>						
3 rd Party Supplier Access Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of policies & procedures to allow/remove access for 3rd parties.	10	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	FINAL
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	FINAL
<u>Legal Services</u>					
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	WIP
Total Planned Days – Finance and Customer Services					250

<u>Regeneration and Environment</u>					
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	FINAL
Waste	CSS13	Risk Based	Scope to be confirmed / agreed.	20	WIP
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	FINAL
Planning Decisions	PRT4	Risk Based	Provide assurance on consultations for planning applications.	15	FINAL
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	WIP
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	FINAL
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	FINAL
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	WIP
Building Security Follow Up		Follow Up	Follow Up of Partial Assurance audit.	5	WIP
Total Planned Days – Regeneration and Environment				160	

<u>OTHER</u>	Provision	Used
Grants	100	96
Provision for investigations	75	70
Pro-active fraud	25	40
Contingency	30	30
Software development	30	9
	Other Work Total	260
	Overall Plan Total	980

Summary of Audit Work Completed since the last meeting

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

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
Assistant Chief Executive				
Agency Staff / Relief Workers	To review the effectiveness of governance arrangements to ensure agency / relief staff are sourced in accordance with approved contracts.	13.4.23	Reasonable Assurance	Controls were generally in place. Recommendations were made around the retention of Business cases and ensuring compliance with IR 35 policy.
Children and Young People's Services				
Commissioning Follow Up	To review the actions from the previous audit of Commissioning.	30.3.23	Substantial Assurance	All actions had been completed. No further recommendations were made.
Finance and Customer Services				
Phishing	To assess the results of previous phishing tests and to review the adequacy of email management technical controls in place to reduce the risk of staff falling for phishing scams.	27.2.23	Reasonable	The risk of a successful phishing attack is minimised. Recommendations were made to further enhance the controls in place.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
Hardware Asset Management Follow Up	To review the actions from the previous audit of Hardware Asset Management.	20.3.23	Substantial	All actions had been completed, however one recommendation was made to improve the accuracy of stock records.
Regeneration and Environment				
Museum Collection	To review arrangements for the control, management and security of valuable collections to protect them from loss or damage.	8.2.23	Partial Assurance	Recommendations were made to increase inventory checking, improve storage facilities, control the issue of keys and reconcile the assets to the insurance policy.
Licensing	To provide assurance on the implementation of actions arising from the LGA peer review of Licensing.	9.2.23	Substantial Assurance	All LGA recommendations have been addressed and all the agreed actions have been implemented or are ongoing.
Planning Decisions and Complaints	To provide assurance on consultations carried out as part of processing planning applications.	13.2.23	Substantial Assurance	The review found that controls were in place. No recommendations were made.
S278 Agreements	To provide assurance on the proper execution of s278 agreements (improvements to highways as part of planning approval).	8.3.23	Reasonable Assurance	Controls were generally in place. Recommendations were made around managing the process and reporting progress.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
Tree Management	To provide assurance on the arrangements in place to ensure safe and effective management of the Council's urban trees and woodlands.	27.3.23	No Assurance	Twenty recommendations were made to reduce the backlog of tree works and inspections, and to improve the quality control of work undertaken and the management of the Tree Services contract.
Hellaby Depot Stock	To provide assurance that the stock management system accurately reflects the stock quantity held at the Hellaby store.	21.4.23	Reasonable Assurance	Controls were generally in place. Recommendations were made around non-stock items and a reconciliation of valuation figures.

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	Feb to Apr 2023
Draft reports issued within 15 working days of field work being completed.	90%	91%	82%	100%	100%	100%	100%
Chargeable Time / Available Time.	80%	80%	86%	80%	83%	84%	89%
Audits completed within planned time	90%	91%	91%	100%	100%	100%	80%
Client Satisfaction Survey.	100%	100%	100%	100%	100%	100%	100%

Comments received in the Client Satisfaction Surveys

Five surveys received during this time.

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.'

'Conducted in an open honest manner, auditor carried out the exercise tactfully while remaining effective to the audit objective.'

'The auditor took time with staff and relevant business partners to gain a good understanding of the issues and ensure that the audit report provided an accurate record of activity and conclusions and recommendations were appropriate.'

'Flexible approach to meetings etc. at a very busy time for the team.'

Improvement needed

'Carry out at a quieter time i.e. summer rather than winter.'

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Committee Name and Date of Committee Meeting

Audit Committee – 07 June 2023

Report Title

Internal Audit Annual Report 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)

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

Ward(s) Affected

Borough-Wide

Report Summary

This report provides information on the role of Internal Audit; the work completed during 2022-23 and highlights the key issues that have arisen from it. It provides the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance. It also provides information regarding the performance of the Internal Audit function during 2022-23.

Based upon internal audit work undertaken and taking into account other internal and external assurance processes it has been possible to complete an assessment of the Council's overall control environment. In the opinion of the Head of Internal Audit, Rotherham Metropolitan Borough Council had overall an adequate and effective framework of governance, risk management and control during 2022-23. This opinion and the contents of this report feed into the Annual Governance Statement.

Recommendations

The Audit Committee is asked to:

1. Note the Internal Audit work undertaken during the financial year 2022-23 and the key issues that have arisen from it.
2. Note the overall opinion of the Head of Internal Audit on the adequacy and effectiveness of the framework of governance, risk management and control within the Council.

List of Appendices Included

Appendix 1 Internal Audit Annual Report 2022-23.

Background Papers

UK Public Sector Internal Audit Standards.
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 Annual Report 2022-23.

1. Background

- 1.1 Internal Audit produced a risk based Annual Audit Plan in accordance with the UK Public Sector Internal Audit Standards (PSIAS). This was received by the Audit Committee at its meeting in March 2022. The Plan was regularly reviewed and monitored during the year so that it provided sufficient coverage of the key risks facing the Council.
- 1.2 During the year the Audit Committee received periodic updates on the work of Internal Audit and a summary of the key issues that arose. This annual report is a final summary of Internal Audit activity.
- 1.3 The report is attached at **Appendix 1** and includes the following information:
 - Legislative requirements and Professional Standards
 - The Head of Internal Audit's annual opinion on the control framework, risk management and governance
 - Resources and audit coverage during the year
 - Summary of audit work undertaken during 2022-23, including both planned and responsive / investigatory work
 - Summary of other evidence taken into account for control environment opinion
 - Summary of audit opinions and recommendations made
 - Internal Audit performance indicators

2. Key Issues

- 2.1 The Head of Internal Audit's opinion is that there was overall an adequate and effective framework of governance, risk management and control during the majority of the year.
- 2.2 We issued one No Assurance audit opinion during the year and gave an opinion of Partial Assurance in five areas subject to audit. The No Assurance opinion has been included in the Annual Governance Statement.
- 2.3 We can confirm that action plans have been agreed with management in respect of all final audit reports issued.
- 2.4 Overall, resource levels provided sufficient capacity to provide an adequate level of assurance, and sufficient work was completed to enable the Head of Internal Audit to provide his overall opinion.
- 2.5 Public Sector Internal Audit Standards (PSIAS) require that an internal assessment of the Internal Audit function must be undertaken annually, with an external assessment at least every five years. In 2020-21 an external assessment was completed which showed general conformance with the standards. The internal assessment during 2022-23 showed this had been maintained.
- 2.6 A Quality Assurance and Improvement Programme (QAIP) was put into place during 2021 using the results of the external assessment. An updated QAIP

based on the latest internal assessment has been produced to maintain and increase the level of conformance within the team.

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 an annual summary of Internal Audit work completed and the key issues arising from it and the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment. It also provides information about the performance of the Internal Audit function during the year.

4. Consultation on Proposal

4.1 All Internal Audit reports referred to in this report have been discussed and agreed with the appropriate Service Manager and Assistant Director, and have also been issued formally to the relevant Strategic Director. Where an opinion of partial or no assurance has been given, the report was also sent to the Chief Executive.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its 6th June 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 This document constitutes a report of progress against delivery of the Internal Audit Plan 2022-23. A significant proportion of the Plan was 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 Partners

11.1 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.

12. Risks and Mitigation

12.1 The following risks have been identified:

Risk	Impact	Likelihood	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.	3	3	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.
Management introduce new systems / processes with inadequate controls.	2	3	Contact with DLT's over current developments. Request information on the changes in order to consider them for review. Review of projects in Customer and Digital Programme.
Audit testing may not reflect current risks. Major systems changes occur without IA awareness, increasing risk. Scope of our work does not take account of this. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from	3	3	Risk-based approach to audit planning. Robust task/time management process. Progress reports to Audit Cttee.

management (responsive work).			
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13. Accountable Officer(s)

David Webster, Head of Internal Audit

Report Author: David Webster, Head of Internal Audit
David Webster, Head of Internal Audit

01709 823282 or david.webster@rotherham.gov.uk

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



Rotherham Metropolitan Borough Council

Internal Audit Annual Report 2022-23

1 Introduction

1.1 Objectives of the Report.

The objectives of this report are:

- To provide a summary of the Internal Audit work undertaken during the financial year 2022-23 and the key issues that have arisen from it.
- To present the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's control environment, risk management and governance arrangements, which supports the Council's Annual Governance Statement (AGS).
- To provide information regarding the performance of the Internal Audit function during the 2022-23 year.

This report is presented to the Audit Committee to enable the Committee to fulfil its responsibility for overseeing the work of Internal Audit.

1.2 Legislation Surrounding Internal Audit.

The provision of Internal Audit is a statutory requirement for all local authorities that for the period under consideration 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.”

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

“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”.

1.3 Professional Standards

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.

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 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; and
- Periodic self-assessments

An external assessment 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. The latest internal assessment was completed in January 2023, which showed that General Conformance with the standards had been maintained. The QAIP was then updated for 2023.

The CIIA define General Conformance as follows.

Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Ongoing monitoring of performance is in place. The quality of audit work is ensured by the use of an audit manual, ongoing supervision and management of staff and the review of all audit work. Performance targets are set and actual performance is reported to each Audit Committee meeting.

1.4 The Definition and Role of Internal Audit

The definition of Internal Auditing in PSIAS is as follows:

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

The role and responsibilities of the Rotherham MBC Internal Audit Service are outlined in the Internal Audit Charter which was revised during the year and approved by the Audit Committee. It also specifies the department's independence, authority, scope of work and reporting arrangements. All audit work is carried out in accordance with the contents of the Charter.

The role of Internal Audit is to provide an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the framework of internal control, risk management and governance. Internal Audit is therefore a key part of

the RMBC assurance cycle and one of the sources of assurance available to the Council and Audit Committee, which assists the Council to prepare the Annual Governance Statement.

1.5 Assurance

In giving the opinion on the framework of internal control, risk management and governance, it should be noted that assurance can never be absolute. The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all weaknesses that exist, or of all the improvements that may be required.

1.6 Independence

During 2022-23 the Head of Internal Audit carried out some wider organisational duties that might be considered to conflict with the purely independent role of Internal Audit. These relate to the preparation of the Annual Governance Statement and his role as one of the Whistleblowing Officers. Any conflicts are handled by independent scoping and reporting of these areas.

There have been no limitations made on the scope of Internal Audit coverage within the year.

2 Internal Audit Assurance for 2022-23

2.1 Internal Audit Opinion

For the year ending 31 March 2023, based on the work we have undertaken, my opinion is that Rotherham Metropolitan Borough Council had overall an adequate and effective framework of governance, risk management and control.

2.2 Scope of the opinion

In arriving at that opinion, I have taken into account

- The results of all internal audits undertaken during the year (see Appendix A for a summary of audits)
- The results of follow up action taken in respect of audits from previous years
- The appropriateness of the proposed action by management to address control weaknesses and consequent risks
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or the Council
- No limitations having been placed on the scope of internal audit
- No resource constraints having been imposed on us which may have impacted on our ability to meet the full audit needs of the Council; and
- Where weaknesses have been identified, the action plans in place to address those weaknesses.

2.3 The basis of the opinion

In reaching this opinion the following factors were taken into particular consideration:-

Governance

The council's governance framework comprises a range of policies, procedures and processes. At the highest level this includes the Council Plan and the Year Ahead Plan. They are supported by a range of policies and strategies to ensure that governance is applied throughout the Council. During the year there were reviews of HR Policies, the Annual Governance Statement and, Complaints. In addition, many of the other audits undertaken touched on the implementation of the policies and strategies.

A Corporate Governance Group operated during the year, comprising the Corporate Improvement and Risk Manager and the Head of Internal Audit. The group produced the annual review of the RMBC Code of Corporate Governance based on the seven principals from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance on 'delivering good governance', published in 2016. This was updated and presented to the Audit Committee in November 2022.

The group has the following roles:

- Have oversight of the Code of Corporate Governance, including its implementation, review and revision on at least an annual basis
- Coordinate the production of the Annual Governance Statement and the assurances needed to underpin it
- Review the progress being made to address the issues reported in the previous year's Annual Governance Statement
- Ensure that recommendations from external bodies are appropriately followed up and reported to the Audit Committee
- Be responsible for responding to any ad hoc governance issues as required.

The group has prepared and drafted the Annual Governance Statement. To do so the group issued corporate governance self-assessment questionnaires to Assistant Directors and asked for Statements of Assurance from Strategic Directors and Statutory Officers. This process provided an opportunity for senior officers to consider the effectiveness of governance arrangements. The Statement explains how Rotherham MBC complies with its own Code of Corporate Governance, in line with the seven principles from CIPFA/SOLACE.

Risk Management

Risk management has been maintained throughout the year. There is a hierarchy of risk registers dealing with strategic and operational risks at SLT, DLT and service level. These are regularly reviewed, discussed and amended to ensure they remain up to date. Risks are escalated to strategic level as necessary. The Audit Committee reviewed the strategic risk register in July 2022 and January 2023, and Directorate risk registers on a rolling basis throughout the year. A review of Risk Management was undertaken during the year, giving Substantial Assurance.

Internal Control

Our opinion on the Council's control environment is based on our assessment of whether the controls in place in the services and functions subject to audit support the achievement of the Council's objectives, as set out in the 2022-23 Annual Audit Plan and the individual audit reports issued.

Audits were carried out in all areas of the Council during the year. The overall level of control found in audits was good. 87% of audits resulted in a Substantial or Reasonable Assurance opinion, including 53% with Substantial Assurance. During 2022-23, 107 recommendations were made to improve the internal control, risk management and governance arrangements across the Council. Of these, 9 were in the highest category (red). There were five Partial Assurance audit opinions in the year and one No Assurance:

Partial Assurance

• Rothercare	ACHPH
• Health Funded Clients	ACHPH
• Enforcement	R&E
• Building Security	R&E
• S278 Agreements	R&E

No Assurance

• Tree Management	R&E
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This has been included in the Annual Governance Statement.

A comparison with the previous year shows assurance levels were at similar levels. In 2021-22, 85% of audits resulted in a Substantial or Reasonable opinion, including 43% with Substantial Assurance. During 2021-22, 124 recommendations were made. Of these, 3 were in the highest category (red). There were four Partial Assurance audit opinions in the year.

Summary results are given in **Appendix A** together with definitions of the assurance levels and recommendation categories.

2.4 Other evidence taken into account for the annual audit opinion.

In forming our opinion, we also take into account the findings from external reviews of the Council's activities. The Corporate Improvement and Risk Officer presents a six-monthly report that details recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from these. Reports were submitted to Audit Committee in July 2022 and January 2023.

Two reports by the Local Government and Social Care Ombudsman were reported to the Audit Committee in April 2022 including one which was a Public Interest Report. In both cases comprehensive measures have been put in place to ensure any similar issues will be dealt with correctly in the future.

3. Review of the Service

3.1 Resources

During the year one of the Principal Auditors took flexible retirement, reducing his working time to two days a week. Together with the saving because one member of the team works four days a week and another only works during term time, this meant that another Senior Auditor could be recruited. The appointment was made internally, but the resultant vacancy at Auditor level was not filled until the new financial year. This had a small impact on the overall level of resources available within the year.

Nevertheless, it is the opinion of the Head of Internal Audit that resource levels throughout the year provided sufficient capacity to provide an adequate level of assurance to the Audit Committee and the Strategic Director of Finance and Customer Services. As a result of careful management of our resources and significant effort by a very small team, sufficient work was completed during 2022-23 to enable the Head of Internal Audit to provide his overall opinion.

After the year end the Head of Internal Audit announced his retirement in August 2023. Work is ongoing to recruit a replacement.

3.2 Audit Plan

The audit plan was originally prepared in early 2022 and presented to the Audit Committee in March 2022. The plan was designed to maintain a balanced programme of work that would inform Internal Audit's annual opinion on the overall adequacy of the Council's control environment.

A half-year review of the plan was undertaken. This did not result in any significant changes to planned audits but enabled a realignment of planned days from investigations where none had been started at that time, to grants to allow for additional work. The plan was reviewed throughout the year to allow for the changing situation.

During the planning consultations for 2023/24 management requested audits to be carried out as soon as possible. These were added to the current plan, resulting in some audits being delayed. At the end of the financial year there is always a small proportion of the plan that remains to be completed. The remaining work was therefore considered, and decisions taken on each outstanding project to either complete it, move it to the 2023-24 plan or cancel it.

3.3 Level of Audit Coverage during the year

The number of audit days spent in each area compared to the original and revised plan is given in the table below.

Audit Area	Original Plan Days	Revised Plan Days	Actual Days
Assistant Chief Executive	105	95	121
Adult Care and Housing	105	115	139
Children and Young People Services	110	100	130
Finance and Customer Services	250	250	219
Regeneration and Environment	125	160	182
Investigations	150	75	70
Contingency	50	30	
Anti-Fraud	25	25	40
Grants	50	100	101
Follow Up reviews	20	0	
Software Development	30	30	10
Total	1000	980	1012

The plan is always flexible and subject to change during the year. The number of days planned for audits at the start of the year is reviewed when the audit is scoped in detail and is also subject to change depending on the findings.

The original plan showed 52 audits to be completed in 1000 days. There is always a time lag in terms of the dates of audits, with the audit plan for any year not being completed at the end of March but in April/May. Additions and deferrals also make comparison of actual work completed against the plan more difficult, and some investigation work results in reports with recommendations to correct weaknesses. However, within 2022-23, 47 final reports were issued. In addition, at year end there were another 4 audit reviews that had been completed, with the reports in draft form. In overall terms, this shows that the plan was substantially achieved.

3.4 Summary of Findings from Audit Reviews.

Internal Audit provides an opinion on the control environment for all systems, services or functions which are subject to audit review. These are taken into account when forming our overall annual opinion on the Council's control environment. All final audit reports are issued to the appropriate Strategic Director, Assistant Director and Service Manager. In addition, where an opinion of partial or no assurance is given, the final report is also sent for information to the Chief Executive. A summary of the results of reports issued during 2022-23 is given in **Appendix A**.

3.5 Reporting of Audit Findings.

After reports are finalised Internal Audit subsequently seeks assurance that agreed actions emanating from audit work have actually been implemented. As a minimum this involves the manager responsible updating automated audit software with an assurance that agreed actions have been implemented or, where they have not, appropriate progress is being made. Where an audit results in a Partial or No Assurance opinion a follow up review is undertaken.

SLT receive a summary report based on the Progress Reports presented to the Audit Committee, showing progress against the plan, reports issued and outstanding recommendations.

3.6 Implementation of Audit Recommendations

All actions arising from audit recommendations are tracked automatically. The number of aged outstanding actions is reported to the Audit Committee at each meeting. There will always be valid reasons for some implementation dates not being achieved, so some delays will occur in the future, but they are strictly monitored to ensure they are kept to a reasonable level.

3.7 Investigations

There were no fraud investigations completed during the year, however three investigations commenced before the year end. The low number of investigations can partly be attributed to the strong internal controls and sound governance procedures in place. When investigations are carried out Internal Audit also reviews the issues arising from the irregularities investigated, and where appropriate carries out wider testing to obtain either assurance or ascertain areas where improvements are needed. There is an Anti-Fraud and Corruption Strategy and Policy in place which include various actions and standards to manage fraud and corruption. During the year 70 days were spent on investigations. There was no pattern to the subjects of the investigations, and none were significant in terms of the governance of the Council.

3.8 Anti-Fraud work

The Head of Internal Audit is one of the three Whistleblowing Officers who manage the response to any whistleblowing allegations.

The department completed the following:

- The Anti-Fraud and Corruption Policy and Strategy were updated and presented to the Audit Committee in September 2022. They were subsequently entered onto the Intranet.
- Continued to work on the National Fraud Initiative to identify errors and fraud.

3.9 Advisory work

A further 29 days were spent on Advisory work. This includes work that does not result in an audit report but adds value to the Council by contributing to working groups or providing advice.

3.10 Grants

During the year the department spent 96 completing reviews in accordance with the grant funding body requirements for the following grants.

- Troubled Families
- Local Transport Capital Block Funding
- Disabled Facilities
- Pothole and Challenge fund
- Protect and Vaccinate Grant
- Contain Outbreak Management Fund
- Prevention and Promotion for Better Mental Health Fund
- Drug and Alcohol Grant
- Practice Support Payment Scheme Funding Grant
- Test and Trace Support Payment Scheme Funding Grant
- Rotherham Show
- Individual Placement support

All were found to be accurately compiled and in accordance with the grant criteria.

3.11 Schools

During the year, maintained schools completed a Control and Risk Self-Assessment exercise, managed by Internal Audit, with the results reported to CYPS management and the schools. Based on the results a themed review of VAT & Taxation, Asset Management and Safeguarding was completed with the results reported to CYPS management.

3.12 ICT Audits

During the year we engaged the services of another local authority's ICT Internal Audit Team who have over thirty other public sector clients. Based on a detailed risk assessment of our ICT risks they completed two audits during the year.

3.13 South and West Yorkshire Audit Group

The Council's Internal Audit Service is a member of the South and West Yorkshire Internal Audit Groups. This facilitates comparisons and the sharing of best practice and includes groups for Heads of Internal Audit, Investigations, Contracts and Procurement, Children's Services, Adults Services, Computer specialists and Communities and Environment services.

3.14 External work

During the period Internal Audit provided audit services on a fee earning basis to a Multi Academy Trust. Since academies are separate legal entities to the Council, this work does not have any impact on our overall opinion of the Council's control environment. The findings, recommendations and conclusions arising from these engagements are therefore not reported to the RMBC Audit Committee.

3.15 Internal Audit Performance Indicators

Our performance against a number of key indicators is summarised below:

Performance Indicator	2021-22 Actual	2022-23 Target	2022-23 Actual
Draft reports issued within 15 days of field work being completed.	84%	90%	94%
Productive Time / Total Time.	78%	80%	83%
Audits completed within planned time.	95%	90%	94%
Client Satisfaction Survey.	100%	100%	99%

Fourteen Client satisfaction surveys were returned by management after audits were completed, which represents around a 30% response rate. Each survey includes seven questions, giving a total of 98 questions answered. 97/98 responses were positive.

Analysis Of Internal Audit Opinions and Recommendations Made in 2022-23

The table below shows a summary of the audit opinions and recommendations that have arisen from audit work completed during the period.

Audit Area	Audit Opinions					Number of Recommendations Made			
	Substantial Assurance	Reasonable Assurance	Partial Assurance	No Assurance	Total				
Assistant Chief Executive	3	2	0	0	5	0	1	11	12
Adult Care Housing and Public Health	3	2	2	0	7	3	8	19	30
Children and Young Peoples Services	4	2	0	0	6	0	5	6	11
Finance and Customer Services	9	4	0	0	13	0	5	29	34
Regeneration and Environment	6	6	3	1	16	6	7	7	20
Total	25	16	5	1	47	9	26	72	107

Rating	Definition
Substantial Assurance	Substantial assurance that the system of internal control is designed to minimise risks to the achievement of the service's objectives. The controls tested are being consistently and effectively applied.
Reasonable Assurance	Reasonable assurance that the system of internal control is designed to minimise risks to the achievement of the service's objectives. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at a Low risk.
Partial Assurance	Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at a Medium risk in a significant proportion of the areas reviewed.
No Assurance	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 High level of risk.

Recommendation categories

Red Fundamental (Action considered necessary to avoid exposure to high risk)

Amber Significant (Action considered necessary to avoid exposure to a significant risk)

Green Merits Attention (Action desirable to enhance control or value for money)

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Committee Name and Date of Committee Meeting:

Audit Committee – 7th June 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

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

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
27 th July 2023	Treasury Management Governance Risk and Control Governance Risk and Control Governance Risk and Control Governance Risk and Control Audit Committee Accountability Audit Committee Accountability	Training Annual Treasury Management Dedicated Schools Grant Risk Management Annual Report and Strategic Risk Register External Audit and Inspection Recommendations Review of Surveillance and use of Regulation of Investigatory Powers Audit Committee Annual Report Audit Committee Forward Work Plan	Rob Mahon Neil Hardwick Simon Dennis Simon Dennis Bal Nahal David Webster David Webster

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

Meeting Date	Key Responsibility	Agenda Item	Author
November 2023	Governance Risk and Control	Training	
	Financial Reporting	Chief Executive Presentation	Sharon Kemp
	Governance Risk and Control	Audited Final Statement of Accounts	Rob Mahon
	External Audit	Audited Final AGS	Judith Badger
	Treasury Management	External Audit Findings (ISA 260)	GT / Rob Mahon
	Governance Risk and Control	Mid-Year Report on Treasury Management	Rob Mahon
	Governance Risk and Control	Information Governance Annual Report	Paul Vessey
	Governance Risk and Control	Code of Corporate Governance	Simon Dennis
	Governance Risk and Control	Risk Management Strategy and Policy	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Regeneration and Environment	Paul Woodcock
	Internal Audit / Governance Risk and Control	IA Progress Report	Head of IA
	Audit Committee Accountability	Audit Committee Forward Work Plan	Head of IA

Meeting Date	Key Responsibility	Agenda Item	Author
January 2024	External Audit Financial Reporting Governance Risk and Control Governance Risk and Control Governance, Risk and Control Internal Audit / Governance Risk and Control Audit Committee Accountability	Training Value for Money Opinion Final Accounts closedown and accounting policies External Audit and Inspection recommendations Strategic Risk Register Risk Management Directorate Presentation – Finance and Customer Services IA Progress Report Audit Committee Forward Work Plan	Grant Thornton / Rob Mahon Rob Mahon Simon Dennis Simon Dennis Judith Badger Head of IA Head of IA

Meeting Date	Key Responsibility	Agenda Item	Author
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	Head of IA Head of IA Karen Middlebrook Nicola Curley Head of IA Head of IA Head of IA

Meeting Date	Key Responsibility	Agenda Item	Author
May 2024	External Audit Financial Reporting Governance Risk and Control Governance Risk and Control Internal Audit / Governance Risk and Control Internal Audit / Governance Risk and Control Governance Risk and Control Audit Committee Accountability	Training – Statement of Accounts External Audit Progress Update Draft Statement of Accounts Draft Annual Governance Statement External Audit Plan IA Progress Report Internal Audit Annual Report Risk Management Directorate Presentation – Adult Care Housing and Public Health Audit Committee Forward Plan	Grant Thornton Rob Mahon Judith Badger Grant Thornton / Rob Mahon Head of IA Head of IA Ian Spicer Head of IA

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