

**AUDIT COMMITTEE
28th November, 2023**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Browne, Elliott and Wyatt.

Apologies for absence were received from Councillor Mills and John Barber, Independent Member.

31. DECLARATIONS OF INTEREST

There were no Declarations of Interest to report.

32. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no questions from members of the public or the press.

33. 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. 43 (Regeneration and Environment Directorate Risk Register) as defined in the Paragraph 3 indicated of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

34. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH SEPTEMBER, 2023

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26th September, 2023.

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

35. AUDITED STATEMENT OF ACCOUNTS 2022/23

Further to Minute Nos. 98 and 21 of 7th June and 26th September, 2023, respectively, Rob Mahon, Assistant Director, and Gareth Mills, on behalf of Grant Thornton, presented the Audited Final Statement of Accounts and the ISA 260 report.

The Committee noted that under the Accounts and Audit (amendment) Regulations 2022, local authorities were required to publish their unaudited accounts no later than 31st May 2023, for the financial year 2022/23, accompanied by a Narrative Report and draft Annual Governance Statement.

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At present as part of the draft ISA 260 the following changes have been recommended by Grant Thornton and accepted by the Council, with adjustments made to the Council's accounts.

For the first time since International Financial Reporting Standards have been adopted by the public sector the Council had to consider a net asset position on the IAS19 valuation report. This was an assessment of the Council's current and future liabilities generated by its participation in the Local Government Pension Scheme.

Since the publication of the Draft Statement of Accounts further clarification had been provided via CIPFA Bulletin 15. This was in response to auditors' request (nationally) to provide guidance on the application of IFRIC 14 for Local Authority Local Government Pension Scheme (LGPS) plans in accordance with the Code.

The bulletin supported the requirement for the calculation of the asset ceiling and that authorities should consult their actuaries for this purpose. Prior to the official clarification the Council had worked with Grant Thornton to agree the recommended disclosure in the Final Statement of Accounts.

The actuary reported a revised net surplus/asset position and this had been recognised in the final Statement of Accounts. It should be noted that this did not impact on the Council's usable reserves and would not alter the Council's employer contributions to the pension fund.

The detailed changes to the Statement of Accounts as a result of the change were set out in the ISA 260. In addition, there were a number of minor corrections and presentational changes that have been agreed.

The Committee asked several questions on the key findings and on the Council's current and future liabilities generated by its participation in the Local Government Pension Scheme and the significant impact this was having on South Yorkshire. Prior to the official clarification the Council worked with Grant Thornton to agree the recommended disclosure in the Final Statement of Accounts and was appropriately reflected.

Gareth Mills, on behalf of Grant Thornton, presented the ISA 260 report setting out the overall conclusions from their 2022/23 audit, key findings and other matters arising from the statutory audit and preparation of the Council's financial statements and in doing so drew attention to Rotherham being in the minority of Councils managing to achieve the draft accounts deadline.

The key points were set out in detail as part of Appendix 4. The work was nearing completion and no audit adjustments were identified impacting on the Council's outturn position and useable reserves. However, there was one material adjustment to primary financial statements in relation to the valuation of the Council's share of the defined benefit pension scheme.

Management agreed to update the financial statements to amend for these adjustments and changes.

There were no matters that would require modification of the proposed audit opinion as work neared completion, subject to several outstanding matters relating to completion of the remaining elements of work, responses to equal pay claims and subsequent work, completion of internal quality review processes, reviewing the final signed version of the financial statements, obtaining/reviewing the signed letter of representation and updating the post balance sheet events review.

It was noted the Value For Money work was not yet complete and so the Annual Auditor Report could not yet be issued. It was hoped this could be discussed and agreed with management by the end of January, 2024 and presented back to the Audit Committee in March, 2024.

The Committee in receiving the information noted this was the first time that the defined benefit pension scheme had been recognised and this could be reflected differently in future years given the complexities of the new standards and the impact on useable reserves.

The Committee also sought assurances about the equal pay liabilities and if they needed to be reflected in the financial statements and were advised that due to a substantial amount of work already completed in tackling equal pay, no liability needed to be recognised.

The Committee also noted the detail within the Financial Statements relating to the other communication requirements and matters communicated to those charged with governance.

Management were satisfied that despite the many challenges Rotherham was in a much better position than some other Local Authorities.

The Committee thanked all those involved in the preparation of the Audited Final Statement of Accounts 2022/23.

Resolved:- That, having taken due regard of the external audit findings detailed within the ISA 260 report, the 2022/23 Statement of Accounts attached as Appendix 1 be approved for publication as final along with the 2022/23 Narrative Report attached as Appendix 2.

36. FINAL ANNUAL GOVERNANCE STATEMENT 2022/23

Further to Minute No. 99 of the meeting of the Audit Committee held on 7th June 2023 the Council's draft Annual Governance Statement (AGS) was reviewed for the 2022/23 financial year. The draft AGS was published alongside the Council's draft financial statements.

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This was further reviewed on 26th September 2023 ready to be published alongside the Council's financial statements. The review was now complete following receipt of comments from the External Auditors, and changes have been made to the Annual Governance Statement as a result. Most of these changes related to the updating of the position around the Council's financial strategy as well as the implementation of actions arising from the inspection of Special Educational Needs and/or Disabilities.

That review was now complete with a few points raised resulting in minor amendments to the Annual Governance Statement. The report submitted provided an update on the changes made to:-

- Updating paragraphs 3.18 to 3.31 to ensure that references to the Council's Financial Strategy refer to the most up to date position.
- Updating paragraphs 4.7 to 4.12 to reflect further progress in the implementation of the recommendations arising from Special Educational Needs and/or Disabilities (SEND) Inspection.
- The addition of references to the Head of Internal Audit's annual opinion and the role of the Chief Executive and Senior Officers in monitoring standards as key elements of the Council's governance framework in the table at paragraph 2.7.

The full Annual Governance Statement was attached as Appendix A of the report submitted.

The Committee asked for an update on the external review of the Tree Management Protocol and guidance and the Action Plan that had been produced to capture all the recommendations from the reports. Reassurance was provided in that work was ongoing to address some of the issues and the Action Plan would be closely monitored to ensure the actions recommended were completed. An update would be provided at the next meeting of the Audit Committee.

Further information was also sought on the funding arrangements following the COVID-19 pandemic and an update sought.

The Committee were advised the Council acted quickly to support local businesses. They continued to monitor the incidence and impact of Covid throughout the year and it was believed the Council came out of the situation balance neutral.

In response to a further question about the Health and Safety Executive and their investigation it was undertaking into allegations concerning hand/arm vibration, the Council was still waiting on full disclosure and associated summons to attend a hearing.

Resolved:- That the 2022/23 Annual Governance Statement be approved.

37. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT - 2023/24

Consideration was given to the report presented by Rob Mahon, Assistant Director, which detailed how the regulatory framework of treasury management required the Council to produce a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury outturn report. It was also now a requirement that the prudential indicators as at the end of June 2023/24 were reported.

This mid-year review for 2023/24 incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It was also a requirement that any proposed changes to the 2023/24 prudential indicators were approved by Council.

The monitoring as set out in the Appendix to the report was structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

Reference was made to the key messages for investments, borrowing and governance.

Whilst the Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, had generated significant savings for the Council, essential to achieving balanced budgets, the future outlook was more challenging.

The Committee asked if there was any impact of the conflict in Ukraine, Israel and Gaza and were advised that the increase in borrowing rates could not have been projected by the Council and this more challenging position had been considered as part of the Council's updated Medium Term Financial Strategy.

With increased interest rates for borrowing, as a result of the increases in the Bank of England Base Rate, when the Council did need to borrow, it would be at much higher levels than had been assumed when setting the Council's Budget for 2023/24.

It should be noted that it was expected that borrowing rates have now peaked and would reduce over the next couple of years, linked to the projections that inflation would return back to the Bank of England's target 2% level.

Resolved:- That the report be received and the contents noted.

38. INFORMATION GOVERNANCE ANNUAL REPORT 2022/23

Consideration was given to the annual report presented by Paul Vessey, Head of Information Management on the Council's compliance with Data Protection and Freedom of Information legislation.

Appendix 1 of the report provided Freedom of Information and Right of Access Requests performance for the last four financial years.

Right of Access requests performance was below the target of 100% completion within the statutory time limits. This was due to the large number that were complex in nature involving large volumes of historical data, children's services and were often linked to CSE.

Despite performance remaining below the statutory target there had been an increase in the number of requests that have been responded to within the statutory time period.

The performance for Freedom of Information requests was below the target of 100% completion within the statutory time limits. The overall number of Freedom of Information Requests received had remained static and there had been an increase in the number of requests responded to within the statutory time period.

Analysis of the data did not raise any significant concerns during the year's performance and no valid Freedom of Information requests have been refused, except for one individual who had a Single Refusal Notice in force for vexatious requests on a specific subject. Requests could be refused if expenditure to provide the detail would exceed £450.

The Committee in noting the detail asked what would happen if the requests were not within the prescribed timeframe and it was pointed out that Freedom of information Requests were being closely monitored and were performing at around 93%. It was the Right to Access Requests that could vary substantially in complexity and workload making analysing, allocating resources and forecasting problematic. Performance would continue to be closely monitored with the focus on improvement.

It was also noted that in the event that a Right of Access Request was complex, an extension could be sought. Refusals were rare.

The differences between the two requests were provided pointing out that the key issue was to ensure that compliance with data protection and freedom of information legislation was maintained.

In terms of Appendix 2 this provided a breakdown of the number and classification of Information Security Incident for 2022/23.

The Council actively encouraged services to report any suspected data incidents and all reported cases are investigated. Monitoring information security incidents enabled the Council to proactively improve the Council's risk profile by learning lessons from an incident and reducing the likelihood of it happening again.

Two data breaches were reported to the Information Commissioner's Office in the 2022/23 financial year. One was inappropriate sharing of information and one was a cyber incident at a third-party contractor. Following full report to the Information Commissioner, no further action was required in either incident.

In noting the breaches the Committee asked what preventative action had been put in place. It was pointed out that the company involved with the cyber incident was no longer involved with the Council and steps had been taken to block certain domains. Whilst every effort was made to prevent any human error the probability of future risk was low.

The Committee asked if year on year comparisons in relation to information security incidents could be provided, which was agreed.

Resolved:- (1) That the Data Protection/FOI Annual Report 2022/23 be received and the contents noted.

(2) That it was a requirement that the Council continued its maintenance of its Information Governance policies and processes in compliance with legislation.

39. CODE OF CORPORATE GOVERNANCE

Consideration was given to the report presented by Simon Dennis, Corporate Improvement and Risk Manager, which detailed how in April 2016 the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives published revised guidance on delivering good governance in Local Government. The Council's Code of Corporate Governance was refreshed at the time to comply with this guidance and attached as appendices were the tracked changed and clean documents.

It was good practice to review and revise the Council's Code on an annual basis and in Rotherham monitored quarterly.

The Committee were advised when questions were raised that an evaluation of the refreshed version of the Code had taken place and on comparison to other Local Authorities the Code in Rotherham had captured the necessary detail.

Resolved:- (1) That the refreshed version of the Code of Corporate Governance be considered.

(2) That any amendments or further development work deemed necessary be indicated.

40. RISK MANAGEMENT GUIDE REFRESH 2023

Further to Minute No. 54 of the meeting held on 29th November, 2022, Simon Dennis, Corporate Improvement and Risk Manager, detailed how the changes to the Risk Management Policy were approved by the Cabinet on 23rd January 2023. There were no changes proposed to the Policy this year.

Several amendments have been made to the Risk Management Guide to improve its clarity and readability and to correct a small number of typographical errors. None of the amendments changed the Council's overall risk management processes. The detail of these changes were set out as part of the report.

Over the coming year, work would continue to ensure the Council's approach to risk management was well embedded across all projects and all staff, by providing training, clear guidance, supporting the Risk Champions and reporting according to agreed timelines.

The Committee welcomed the independent review by the Council's external risk management advisor and how work was continuing to implement the principles contained in the Risk Management Guide and to further embed risk management processes across the Council's operations.

It was also noted that the Strategic Risk Register was reviewed quarterly at the Strategic Leadership Team and the Directorate Risk Registers were reviewed monthly at Directorate Leadership Team meetings, with risk owners monitoring risks on an ongoing basis. The Risk Management Group, which included the Risk Champions, continued to meet bi-monthly to co-ordinate and drive risk management development throughout the Council.

The Council also benefited from a number of free days/offers from the external risk consultants which were shared with other departments when deemed necessary. Other departments would be notified of any offers available in due course and details shared.

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

(2) That the refreshed Risk Management Guide be approved.

41. INTERNAL AUDIT CHARTER REVIEW AND UPDATE

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which provided details of the Internal Audit Charter which was effectively the Terms of Reference of the Internal Audit Department.

It was aligned to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), which were mandatory for all Local Government Audit Departments. It also took account of the contents of the CIPFA Statement on the Role of the Head of Internal Audit.

The Charter must be reviewed periodically and presented to the Audit Committee for approval. The review was now complete and there were no requirements for change with minimal changes to the Charter.

Resolved:- That the Internal Audit Charter be approved.

42. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST SEPTEMBER TO 31ST OCTOBER 2023

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st September to 31st October, 2023, and the key issues that had arisen therefrom.

The current position of the plan provided sufficient coverage for the Head of Internal Audit to provide their annual opinion at the end of the year and would be kept under review throughout the year. The plan attached as part of the report showed the position at the end of October 2023. In the year to date the service had delivered 601 days of productive work, showing it was on target for the year as a whole.

Internal Audit provides an opinion on the control environment for all systems or services which were subject to audit review. The report detailed the audit opinions and a brief summary of all audit work concluded in the last quarter. Nine audits have been finalised since the last Audit Committee, including one with Partial Assurance.

In addition to the planned audit assurance work, Internal Audit also carried 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 meeting of the Audit Committee.

Internal Audit's performance against a number of indicators was also summarised. One audit exceeded the time budget and available productive time was affected by staff training.

Reference was made to the Internal Audit Performance Indicators and whether the targets should be stretched slightly. The Audit Committee were advised that they will be reviewed in the forthcoming year, by benchmarking against other authorities and taking into consideration more detailed findings of the customer satisfaction surveys.

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The Committee was advised the Audit Plan was flexible, was on track with performance and would be reviewed to ensure it focused on current risks. This would be revised and presented to the next meeting of the Audit Committee.

In terms of the "Partial Assurance" opinion on Building Security the Committee were advised that this was a follow up audit of a previous review of Building Security and a number of robust actions had already been implemented, significant improvements made and some of the risks removed entirely.

The Committee welcomed the actions already taken, but suggested a presentation be included as part of the next meeting of the Audit Committee on progress.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st September to 31st October, 2023, and the key issues that have arisen from it be noted.

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

(3) That a presentation on progress be included on the next agenda of the Audit Committee.

43. **REGENERATION AND ENVIRONMENT DIRECTORATE RISK REGISTER**

Paul Woodcock, Strategic Director Regeneration and Environment, supported by Simon Moss (Planning, Regeneration and Transport) and Sam Barstow (Community Safety and Street Scene), presented a report providing details of the Risk Register and risk management activity within the Regeneration and Environment's Directorate.

The Committee were advised there were two of the Directorate risks also on the Strategic Risk Register.

The report detailed the key risks on the current Regeneration and Environment Risk Register which were directorate wide and across the workforce. There were recruitment challenges in certain areas which was reflective of the wider economy.

The Committee made reference to and expressed their concern about the four risks (red rating) and an explanation as to how the risk was being managed and measured was provided.

It was, therefore, suggested that the risk management activity in the Regeneration and Environment Directorate be included on the agenda of the 12th March, 2024 meeting of the Audit Committee for a progress update.

Resolved:- (1) That the progress and current position in relation to risk management activity in the Regeneration and Environment Directorate be noted.

(2) That the risk management activity in the Regeneration and Environment Directorate be included on the agenda of the 12th March, 2024 meeting for a progress update.

44. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee covering the next year. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

The only amendments were for the addition of the Value for Money Opinion for a verbal update at the January meeting and then to be on track for presentation at the March meeting.

Resolved: That the Audit Committee forward work plan, as now submitted, be approved, subject to the inclusion indicated above.

45. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

46. URGENT BUSINESS

There was no urgent business to be considered.

47. DATE AND TIME OF NEXT MEETING

Resolved:- That the next meeting of the Audit Committee take place on Tuesday, 9th January, 2024, commencing at 2.00 p.m. at the Town Hall.