

**AUDIT COMMITTEE  
9th January, 2024**

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

An apology for absence was received from Councillor Mills.

**48. JOHN BARBER, INDEPENDENT PERSON**

The Chair advised the Committee that John had formally resigned from the position of Independent Person on the Audit Committee with effect from 4<sup>th</sup> January, 2024.

The Chair wished her thanks to be recorded to John for his valuable years of service to the Audit Committee.

**49. ALISON HUTCHINSON AND MICHAEL OLUGBENGA-BABALOLA**

The Chair introduced Alison and Michael to the Committee who, pending confirmation at 17<sup>th</sup> January Council meeting, would be joining the Committee as the 2 new Independent Persons (Minute No. 54 refers).

Alison and Michael were in attendance at the meeting in the capacity as observers.

**50. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**52. EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:- That, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute Nos. 57 (Corporate Strategic Risk Register Update) 59 (Finance and Customer Service Risk Register) as defined in the paragraphs 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.

**53. MINUTES OF THE PREVIOUS MEETING HELD ON 28TH NOVEMBER, 2023**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 28<sup>th</sup> November, 2023.

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

**54. APPOINTMENT OF INDEPENDENT MEMBERS**

At the Council meeting held on 19<sup>th</sup> July, 2023 (Minute No. 10 refers), it was agreed that the Audit Committee's Terms of Reference be amended to include the provision of a second Independent Member.

Accordingly, a recruitment exercise was undertaken and it was proposed that Alison Hutchinson be appointed for a 4 year period (expiring in January 2028).

The current Independent Member, John Barber, had resigned from his position with effect from 4<sup>th</sup> January, 2024. During the recruitment exercise a second candidate was also considered to be suitable for the role, Michael Olugbenga-Babalola. It was proposed that he also be appointed to the role.

It was noted that a report would be submitted to the 17<sup>th</sup> January, 2024, Council meeting recommending the successful 2 candidates.

**Recommended:- (1) That the appointment of Alison Hutchinson as an Independent Member of the Audit Committee for a 4 year term (expiring January, 2028), be approved.**

**(2) That the appointment of Michael Olugbenga-Babalola as an Independent Member of the Audit Committee for a term of 4 years (expiring January, 2028), be approved.**

**55. CLOSURE OF THE ACCOUNTS 2023/24**

Consideration was given to a report presented by Rob Mahon, Head of Service, on the closure of the accounts 2023/24.

The Accounts and Audit (Amendment Regulations 2022) came into force on 22<sup>nd</sup> July, 2022 and extended the deadline for the publication of final audited accounts to 30<sup>th</sup> November for 2021/22 accounts and then 30<sup>th</sup> September for 2022/23 accounts and the following 5 years. The deadline for publishing unaudited accounts had reverted back to the 31<sup>st</sup> May for the 2022/23 accounts. The Council had met this deadline, however, due to capacity issues in the audit industry, full audited accounts were not signed off and published until December 2023.

The Council was confident that the closure deadlines could be met for the 2023/24 accounts, however, meeting the 30<sup>th</sup> September deadline for final audited accounts would depend upon the available capacity of the Council's auditors.

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.

The implementation of IFRS16 within Local Authorities had now been confirmed as taking place in 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 would take place in 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 2023/24 would also have a bearing on the financial statements including the continuing effect of schools converting to academies.

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

There was a national issue with Local Authority treatment for infrastructure assets. This related to the way components of infrastructure expenditure were derecognised when new expenditure was incurred. A statutory override had come into effect in December, 2022, allowing local authorities to assume that the carrying amount to derecognise was zero enabling external auditors to give an unqualified audit opinion on the Council's accounts. This override was in force until 31<sup>st</sup> March, 2025 and the Council would utilise this override again for the 2023/24 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.

It was suggested that it would be helpful for the Committee to have a presentation on IFRS16 in the future and the impact on the balance sheet. It was a very labour intensive piece of work and still working to short deadlines. Embedding it fully into 2024/25 would be a real challenge but the deadline would be worked to.

Gareth Mills, External Auditor, concurred that IFRS16 was a big piece of work and his successor would engage with the Finance Team with a view to ensuring everything was ready for the 2024/25 financial year.

He confirmed that the 2022/23 accounts audit were concluded pre-Christmas as planned with Rotherham being in a small minority nationally that had achieved the pre-Christmas deadline.

It would be highly unlikely that that the end of September 2024 deadline for the audit of accounts would be met. Due to the backlog nationally being so significant, there may well be some national decisions taken to reset the system for the first year of the new contract (2023/24).

**Resolved:-** (1) That the key accounting issues and main changes to the accounts in 2023/24, 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 a presentation on IFRS16 be made to a future Audit Committee.

## **56. CLOSURE OF THE ACCOUNTS 2023-24 – TIMETABLE**

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

The amended Regulations required:-

- Interim audit of the Council's accounts – to be confirmed by Grant Thornton
- Unaudited accounts, Narrative Report and Annual Governance Statement (to be published by 31<sup>st</sup> May, 2024) to be submitted to Audit Committee on 25<sup>th</sup> June, 2024
- Public Inspection of Draft Accounts – 1st-10<sup>th</sup> June, 2024
- External Audit of the Council's Accounts – June to September, 2024
- Audit Accounts, Narrative Report and Annual Governance Statement submitted to Audit Committee on 26<sup>th</sup> September and published by 30<sup>th</sup> September, 2024
- Council's Value for Money Audit completed – to be confirmed by Grant Thornton

Gareth Mills, Grant Thornton, confirmed that, although the Engagement Lead would change, it was the intention to retain the team as much as possible for consistency. 2023/24 was year 6 of the external audit contract and after 5 years the Engagement Lead had to change. There would be an interim audit of the Council's accounts, but given the understanding of Rotherham's systems and processes, it was not envisaged that it would be as intrusive as the year end audit.

It was expected to carry out the planning and interim audit prior to commencing the NHS year end audit (traditionally March/April). Once concluded at the end of June, local government audits would commence.

**Resolved:-** (1) That the timetable submitted for the production of the Council's financial statements be noted.

(2) That Gareth Mills, External Auditors, arrange an introductory meeting between the Chair, the new Engagement Lead and himself before the March meeting of the Committee.

## **57. EXTERNAL INSPECTION REVIEWS AND AUDITS UPDATE**

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

Since the last report to Committee in July 2023, 7 external inspections, reviews and audits had taken place resulting in 6 recommendations/areas for improvement. Of these one was complete, 2 were in progress and 3 were not yet scheduled to start.

In addition, 14 of the ongoing recommendations relating to external inspections, reviews and audits that took place prior to July 2023 were now completed, 48 remained in progress, 5 of which were delayed (one of which was delayed more than 12 months).

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

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

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Helen Sweaton, Joint Assistant Director, Commissioning and Performance, was in attendance to answer any questions relating to Children and Young People's Services.

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

- The CYPS Evidence Challenge Panel oversaw all actions submitted as "complete" in order to ensure that they were robust and should be labelled as such. It sought assurance that changes had been made, if they had made any difference and whether they were embedded into practice. Until those had been satisfied an action would not be signed off
- The report requested by the CYPS Performance Assurance Board regarding dip sampling of cases would be submitted to its February meeting. It was anticipated that the action would then be complete
- Ofsted was satisfied with the actions taken to address the issues raised
- Training had started for frontline staff on spotting the signs of exploitation
- The action delayed regarding the Customer Service Peer Review had now been completed and closed
- Differing systems/processes across the Directorates for the monitoring of/closing down of actions
- The exemplar accreditation of housing tenancy engagement

It was noted that the LGA Corporate Peer Challenge had revisited on 21st December, 2023. The overall feedback had been positive with the official feedback awaited.

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

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

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

(4) That a report be submitted on the different processes Directorates used to monitor/sign off actions to ascertain if learning/good practice could be shared.

## 58. CORPORATE STRATEGIC RISK REGISTER UPDATE

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

Overall strategic responsibility for risk management rested with the Assistant Chief Executive with the day-to-day responsibility delegated to the Corporate Improvement and Risk Manager. The team working on corporate risk management also included a "Corporate Improvement and Risk Officer". The team's responsibilities were wider than corporate risk management but the presence of the additional posts ensured that there was resilience in the Council's risk management activity.

As set out in the Risk Management Policy and Guide, individual Service Management Teams and Directorate Leadership Teams had reviewed their risk registers in line with the Risk Management Policy and Strategy. Typically, teams reviewed their registers every 4-12 weeks dependent upon the individual meeting cycle and the significance of the risks they were managing.

The CSRR had been formally reviewed by the SLT and a regular cycle of quarterly reviews had been in place throughout the financial year. The Corporate Improvement and Risk Manager, through the Risk Champions, ensured updates were obtained from all risk owners, reviewed each update and drew attention to issues or missing risk register updates.

Since the last update in July 2023, one risk had been removed since the previous report and one new risk added. In total there remained 13 risks on the CSSR. The long term level of assessed risk had continued to reduce over the last 2 years. This reflected the increasing understanding of the key risks that needed to be managed at a strategic level as well as the continued improvement following the reduction in the impact of the pandemic. Since June 2022, 25% of risks monitored at a strategic level had reduced in assessed level, just over 56% had remained stable and 19% had increased or were new to the register. It was noted that one risk had been removed from the CSSR since the last report to Committee (SLT04 relating to sustained improvement in Children's Services) but was still monitored on the Directorate risk register and one new risk had been added (SLT39 relating to the need to maintain a sufficient, skilled workforce).

8 of the 13 risks had been included on the register for a number of years. Whilst they had been regularly updated and amended, a deeper review was needed. A project had recently commenced to regenerate the CSSR involving a workshop with the SLT to consider the performance risks, wider sector risks and other risks currently facing the Council. They were being developed into a new series of risks and would be submitted to a future meeting of the Audit Committee.

**Resolved:-** That the update be noted.

(Appendix 1 was considered in the absence of the press and public in accordance with Paragraphs 1 and 2 of the Act (Information relating to any individual/information which is likely to reveal the identity of an individual)).

**59. INTERNAL AUDIT PROGRESS REPORT 1ST-30TH NOVEMBER, 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 to 30th November, 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 688 days of productive work, showing it was on target for the year as a whole. It was expected that 1,000 allocated days would be used by the end of the financial year.

The plan has been amended following discussions with DLT colleagues to ensure it remains relevant and is focused on current risks. Three audits have been added to the plan on asset management. These are areas that have been proactively identified and requested by management, to review the various control environments, and identify any risks or mitigating actions required. A small number of audits have been deferred or removed from the plan. The areas that have been removed will be considered during the audit planning process for the 2024/25 audit plan.

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. 4 audits had been finalised since the last Audit Committee, 3 of which had received Substantial Assurance and one Reasonable 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 in Appendix C. One audit report was issued outside of the target time and available productive time was affected by staff training and sickness.

It was noted that, during the process of the 2024/25 audit plan, consideration would be given as to how to demonstrate the Service's performance (Appendix C of the report submitted). Performance data from neighbouring authorities would be reviewed and feedback on KPI's sought from Audit Committee members.



Committee members were asked to feedback to the Head of Audit any areas they felt should be considered during the planning process for the 2024-25 audit plan.

**Resolved:-** (1) That the Internal Audit work undertaken since the last Audit Committee, 1<sup>st</sup> to 30th November, 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.

**60. RISK MANAGEMENT DIRECTORATE PRESENTATION - FINANCE AND CUSTOMER SERVICES**

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

It was noted that Asset Management Services had been transferred to the Directorate temporarily to enable the Regeneration and Environment Directorate to focus on delivering the Capital Programme. The Asset Management Risk Register would be presented to the March Audit Committee meeting.

The Directorate level Risk Register currently had 9 risk items listed of which 2 were included on the Corporate Risk Register:-

- SLT16 (FCS1) – Directorates failing to deliver services within budget. Financial settlements from Government being inadequate to meet service costs and demand increases. Economic factors impacting negatively on Business Rates and Council Tax income
- SLT 38 (FCS17) – Closure of PSTN in December 2025. Certain business activities, services to residents and emergency/back-up contingency measures which were dependent on the PSTN were compromised

Risks were regularly discussed and reviewed at the Directorate Leadership Team (DLT) and, where necessary, escalated to the next strategic level for inclusion on the appropriate risk register. Risks were owned and updated by the relevant Assistant Director or Head of Service/Service Manager. Risk registers were uploaded and remained on the corporate SharePoint system which was accessed via the intranet.

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

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attend future training events and all staff were also required to complete a mandatory risk management e-learning module.

Discussion ensued with the following issues raised/clarified:-

- A project team had been established to understand the implications of the PSTN closure, assess all the services it may affect and included on the risk register. A report would be submitted to Cabinet in due course. This was a Legislative decision and there was a lot of uncertainty nationally. All authorities were working together to share knowledge and information
- FCS10 (Council Tax collection rate) was to be considered at the next review as to whether its current risk score be reduced from 9 given the consistent collection rates

**Resolved:-** That the progress and current position in relation to risk management activity in the Finance and Customer Services Directorate, as detailed in the report now submitted, be noted.

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

### 61. 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.

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

### 62. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

### 63. URGENT BUSINESS

There was no urgent business to be considered.

### 64. DATE AND TIME OF NEXT MEETING

**Resolved:-** That a further meeting be held on Tuesday, 12<sup>th</sup> March, 2024, commencing at 2.00 p.m. in Rotherham Town Hall.