

AUDIT COMMITTEE

Date and Time :-	Tuesday 12 March 2024 at 2.00 p.m.
Venue:-	Rotherham Town Hall, Moorgate Street, Rotherham. S60 2TH.
Membership:-	Councillor Baker-Rogers (Chair); Councillors Browne (Vice-Chair), Elliott, and Wyatt Ms. A. Hutchinson and Mr. M. Olugbenga-Babalola, Independent Members

The business which will be discussed is described on the agenda below and there are reports attached which give more details.

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

AGENDA

1. Apologies for Absence

To receive the apologies of any Member who is unable to attend the meeting.

2. Declarations of Interest

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

3. Questions from Members of the Public or the Press

To receive questions relating to items of business on the agenda from members of the public or press who are present at the meeting.

4. Exclusion of the Press and Public

To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972.

Agenda Item No. 6 Children and Young Peoples Services Strategic Risk Register Update has a confidential appendix so will be exempt from the press and public.

(Exempt under Paragraph 3 of the Act ((Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972.

Agenda Item No. 7 (Regeneration and Environment Risk Register) has a confidential appendix so will be exempt from the press and public.
(Exempt under Paragraph 3 of the Act (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972.

Agenda Item No. 14 (Internal Audit Progress Report for the period 1st December 2023 to 31st January 2024) has a confidential appendix (Appendix D) so will be exempt from the press and public.
(Exempt under Paragraph 7 of the Act (Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

Agenda Item No. 17 (Asset Management Risk Register) is exempt from the press and public.
(Exempt under Paragraph 3 of the Act (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972.

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 items of business on the grounds that they involve the likely disclosure of exempt information as defined in those 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 (information relating to any individual and which is likely to reveal the identity of an individual).

5. Minutes of the previous meeting (Pages 5 - 14)

To consider and approve the minutes of the previous meeting held on 9th January, 2024, as a true and correct record of the proceedings.

6. Children and Young People's Services Directorate Risk Register (Pages 15 - 25)

7. Regeneration and Environment Directorate Risk Register (Pages 27 - 40)

8. 2024 Procurement Annual Update (Pages 41 - 49)

9. 2022-23 External Auditors Annual Report on Value for Money (Pages 51 - 90)

10. 2023-24 Audit Progress Update

- 11. Asset Management Building Security Audit Update (Pages 91 - 101)**
- 12. Internal Audit Quality Assurance and Improvement Programme (QAIP) and review against Public Sector Internal Audit Standards (PSIAS) (Pages 103 - 116)**
- 13. Internal Audit Annual Plan 2024-25 (Pages 117 - 135)**
- 14. Internal Audit Progress Report for the period 1st December 2023 to 31st January 2024 (Pages 137 - 154)**
- 15. Audit Committee Forward Work Plan (Pages 155 - 162)**
- 16. Items for Referral for Scrutiny**

To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.
- 17. Asset Management Risk Register (Pages 163 - 176)**
- 18. Urgent Business**

To consider any item which the Chair is of the opinion should be considered as a matter of urgency.
- 19. Date and time of next meeting**

The next meeting of the Audit Committee will be held on Tuesday, 25th June, 2024, commencing at 2.00 p.m. in Rotherham Town Hall.



SHARON KEMP,
Chief Executive.

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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 4th 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 17th 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 28th 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 19th 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 4th 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 17th 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 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. The deadline for publishing unaudited accounts had reverted back to the 31st 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 30th 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 31st 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.

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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 30th 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 31st May, 2024) to be submitted to Audit Committee on 25th June, 2024
- Public Inspection of Draft Accounts – 1st-10th 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 26th September and published by 30th 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 Sweatton, 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, 1st 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, 12th March, 2024, commencing at 2.00 p.m. in Rotherham Town Hall.

Public Report with Exempt Appendices
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 12 March 2024

Report Title

Children and Young People's Services Directorate Risk Register

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

No

Strategic Director Approving Submission of the Report

Nicola Curley, Strategic Director of Children and Young People's Services

Report Author(s)

Rob Savage, Departmental Business Services Manager and CYPS Risk Champion
Robert.savage@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

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

Recommendations

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

List of Appendices Included

Appendix 1 CYPS Directorate Risk Register 01 March 2024 Issue 1

Background Papers

Children and Young People's Services Risk Register report to Audit Committee in March 2023.

Corporate Strategic Risk Register report to Audit Committee in January 2024.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

Yes

An exemption is sought for Appendix 1 under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains information that refers to the affairs of third parties.

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

Children and Young People's Services Directorate Risk Register

1. Background

- 1.1 The Children and Young People's Services (CYPS) Directorate Risk Register was last presented to Audit Committee in March 2023
- 1.2 The CYPS Directorate Risk Register as of 01 March 2024 has five risk items listed (Appendix 1)
- 1.3 Two of the CYPS directorate risks also feature on the Corporate Strategic Risk Register, these are referenced below:

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

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

CYPS-02* and SLT-16 - *CYPS to achieve budgetary savings linked to Medium Term Financial Strategy (MTFS) and **Maintaining a balanced budget and medium-term financial strategy that enables the continued delivery of core Council services and ensures the ongoing financial resilience of the Council**

Risk Detail: CYPS failing to deliver services within budget. Finance Settlements from Government being inadequate to meet service costs and demand increases. Economic factors impacting negatively on business rates and council tax income.

2. Key Issues

- 2.1 CYPS is made up of four key service areas, each with an Assistant Director lead reporting into the Strategic Director (DCS), these are;
 - Childrens Social Care;
 - Early Help, Family Engagement and Business Services;
 - Education and Inclusion;
 - Commissioning, Performance and Quality.

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

- 2.2 Since the last report to Audit Committee the directorates Risk Champion has successfully completed accredited Institute of Risk Management training. To increase risk management capacity within the directorate a further three officers completed the same training in February 2024. This continuous development of the CYPS workforce is expected to strengthen the directorates approach to risk management.

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

- 2.3 CYPS directorate risks are discussed and reviewed at the CYPS Assurance Board Meeting, which is scheduled on a quarterly basis, with escalations (red and amber rated risks) reviewed outside of this reporting cycle by CYPS DLT during their weekly meeting by exception.

The CYPS DCS takes ownership of the directorate risk management arrangements and where required will meet with the CYPS Risk Champion to provide additional sign off, should the aforementioned meetings not take place within a satisfactory time period.

- 2.4 Each Assistant Director within CYPS is accountable for managing a Service Risk Register which is formally monitored and reviewed with their Senior Managers on a monthly basis.

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

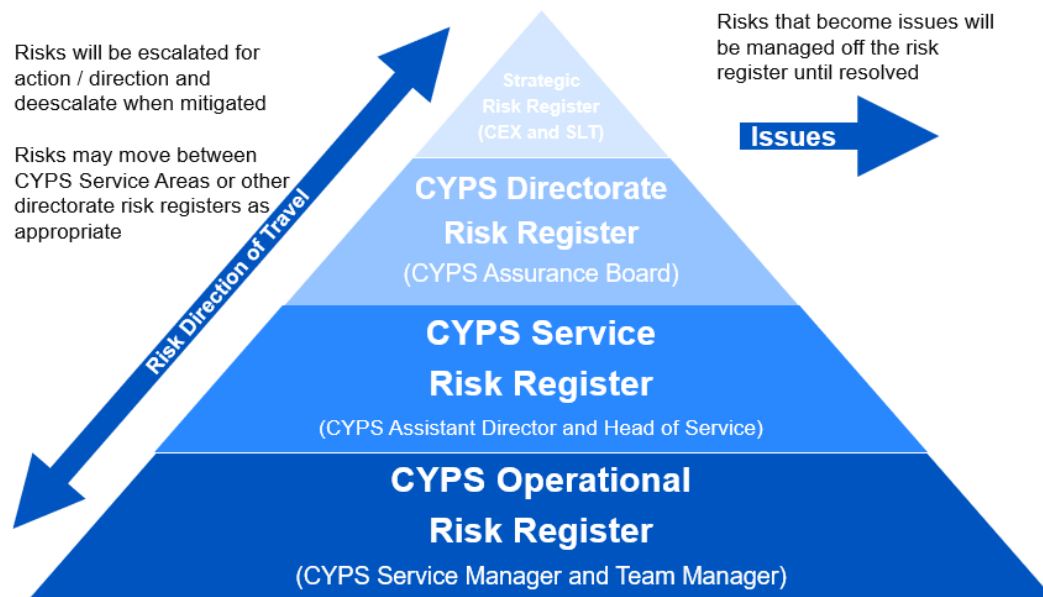
Escalations are made from Service level to the Directorate level at the discretion of a CYPS Assistant Director.

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

- 2.5 The infographic below illustrates the four distinct levels of risk management within the CYPS directorate, this working model allows for escalation and de-escalation of risk as required.

In addition to the movement and management of risk within CYPS, there may be occasions where the responsibility for managing a risk is with another directorate, any movement will be negotiated between either directorate Risk Champions or Assistant Directors.

Risk Registers are published on the Councils intranet at regular intervals by the CYPS Risk Champion.



- 2.6 As part of the corporate programme to embed risk management into the culture of the Council, all managers from CYPS are required to attend the mandatory 'Risk Management Training for Managers' workshops. New managers are invited to attend workshops as soon as possible after commencement in role.

Completion of the mandatory Risk Management training within the CYPS workforce takes place alongside colleagues in Organisational Development and managers following up non completion through one-to-one discussions

- 2.7 The CYPS Risk Register, dated 01 March 2024 is aligned to the Council Plan 2022-25, Year Ahead Delivery Plan 2023 and 2024 and all CYPS Service Plans.
- 2.8 CYPS Risk items which have changed since the last review of the CYPS Directorate Risk Register, completed in December 2023 include;

Risk No.	Business Objective	Risk Detail	Change Since last report
CYPS05	Deliver the Supporting Families (SF) Programme and receive Payment by Result (PBR)	Unable to achieve PBR due to changes to the new Supporting Families Outcomes Framework and associated implementation and delivery	De-escalated to Service Risk Register (Early Help, Family Engagement and Business Support)
CYPS08	To maintain and develop key IT business systems to underpin the delivery of services across CYPS	The contract for a number of key IT business systems are due for renewal in March 2025	De-escalated to Service Risk Register (Commissioning, Performance and Quality)

- 2.9 In response to the action taken at Audit Committee on 14 March 2023 (extract of action log below), CYPS continues to work diligently with the Corporate Parenting Panel in addition to the Rotherham Safeguarding Children's Partnership to discharge all statutory responsibilities, the approach adopted by CYPS in the management of risk considers children, young people and families in all decision making. As a result, the directorate is satisfied an additional risk is not required specifically for Looked After Children.

Agenda Item	Title	Decision	Action	Timescale	Accountability	RAG	Date	Evidence
6	CYPS Risk Register	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.	To consider the possible inclusion of LAC	ASAP	Nathan Heath/Rob Savage/Simon Dennis	Green (complete)	Dec 2023	Updated Risk Register

3. Options considered and recommended proposal

- 3.1 The Audit Committee is asked to note the progress and current position in relation to risk management activity in the CYPS directorate and comment as required.

4. Consultation on proposal

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

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

5. Timetable and Accountability for Implementing this Decision

- 5.1 Not applicable

6. Financial and Procurement Advice and Implications

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

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

7. Legal Advice and Implications

There are no direct legal implications arising from this report.

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

8. Human Resources Advice and Implications

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

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

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

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

11. Implications for CO₂ Emissions and Climate Change

11.1 There are no direct CO₂ Emissions and Climate Change implications arising from this report.

Any actions taken by the CYPS directorate or Council in response to risks identified will consider any CO₂ Emissions and Climate Change implications.

12. Implications for Partners

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

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

13. Risks and Mitigation

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

14. Accountable Officer(s)

- 14.1 Nicola Curley, Strategic Director, Children and Young People's Services
Nicola.curley@rotherham.gov.uk

Report Author

Rob Savage, Departmental Business Services Manager
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Public Report with Exempt Appendices
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 12 March 2024

Report Title

Regeneration and Environment Red Risks on the Directorate Risk Register

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

No

Strategic Director Approving Submission of the Report

Paul Woodcock Strategic Director of Regeneration and Environment

Report Author(s)

Liz Kemp, R&E Business Co-ordinator
01709 823803 liz.kemp@rotherham.gov.uk

Ward(s) Affected

All

Report Summary

Directorate risk registers are received annually by Audit Committee.

Audit Committee received the Regeneration and Environment Risk Register on 28th November 2023.

This report provides further information and updates in relation to position of the red risks on the Regeneration and Environment Directorate Risk Register.

Recommendations

The Audit Committee is asked to note the progress and current position in relation to the red risk activity in Regeneration and Environment.

List of Appendices Included

Appendix 1 Regeneration & Environment Directorate Risk Register

Background Papers

Regeneration and Environment Risk Register

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

No

Exempt from the Press and Public

Yes or No? If yes, use text below.

An exemption is sought for (Appendix 1) under Paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of the Local Government Act 1972 is requested, as this report contains information that refers to the affairs of third parties.

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

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1. Background

A report was presented to the Audit Committee on 28th November 2023. The Committee made reference to and expressed concern about the four risks rated red on the Directorate risk register, and asked for an explanation as to how the risks were being managed. It was suggested that a follow up progress report be presented back to the Audit Committee.

2. Key Issues

2.1 There are currently three red rated risks on the Regeneration and Environment Risk Register. These include:-

- **Risk R&E 9 - Provide effective Home to School Transport**
Risk detail: Failure to deliver the Service in line with the budget.
- **Risk R&E 51 - Good management of highway structures**
Risk detail: Specific risk for Centenary Way Viaduct which incurred a central reserve slab failure on Wednesday 10th August 2022.
- **Risk R&E52 - Trees Service - Effective management of council owned trees**
Risk detail: Risk to health and safety caused by tree failure.

2.2 The existing controls, further mitigating actions and scores for each of the red risks have been reviewed further since the Audit Committee meeting and the updated risk register attached at Appendix 1.

2.3 Further information with regards to the scores, further mitigations and governance arrangements are provided in the table below:

Risk	Risk detail	Rationale current score	Rationale target score	Further mitigations and target dates	Governance arrangements
R&E 9 Provide effective Home to School Transport	Failure to deliver the Service in line with the budget.	Continued increases in demand and complexity of transport requirements is placing further pressure on the operating budgets, which is currently forecast to overspend consistent with impact score 3. This is an area of challenge for many Local Authorities across the Country.	The service is a statutory service and therefore the Council will need to ensure delivery is maintained within an appropriate and sustainable budget. The target score will be met when full assurance is provided around future forecasting of demand and efficiency of the existing service.	<p>Re-tender of existing contracts although Increased costs may be faced if external transport operators seek additional remuneration by increasing existing fares. Target date – Quarter 3 2024-25</p> <p>Work with other LA's through a series of meetings to discuss benchmarking and sharing of best practice Target date – February 2024</p> <p>Introduction of an ITT programme, with targeted candidates that will deliver</p>	Currently a joint Transport Working Group is chaired by the Assistant Directors of Community Safety and Street Scene and the AD for Education, meeting every three weeks. In addition the relevant Strategic Directors hold regular oversight meetings which in turn feeds in to a meeting with the Leader and the Cabinet Member for Children and Young People. The risk is

				<p>cost avoidance benefit realisation Target date – March 2024 (review of 1st years achievements and return on investment)</p> <p>Research route optimisation software solutions with a view to maximising efficiency Target date Quarter 2 2024-25</p> <p>Fleet Programme Officer to develop options to replace hired minibuses with procured assets to reduce impact to revenue budget Target date March 2024</p> <p>Spend to save business case to be written for consideration, that proposes the insourcing of additional routes in order to generate an overall cost avoidance for the Elements Academy. Target date Quarter 1 2024-25</p>	reviewed monthly.
R&E 41 - Delivery of the new Central Library & Markets to achieve regeneration aims in the Town Centre	Increasing project costs could result in the scheme costs exceeding the budget available for delivery.	<p>Previous Score as at January 2024 was 15 red</p> <p>Current Score as at February 2024 is 9 amber</p>	<p>Significant value engineering has been undertaken, however there has been a confirmed increase in costs as provided by the contractor.</p> <p>A Cabinet report was presented in Dec 24 which increased the budget.</p> <p>The risk has been reduced accordingly, however until final costs are confirmed by the contractor there remains a risk that costs exceed the new budget.</p>	<p>Final costs to be confirmed in March. Should further work be required to bring the project within revised budget. Value Engineering to be undertaken in March.</p>	<p>Markets & Library Board chaired by AD PRT oversees the programme.</p> <p>Project reports into Regeneration Board, Capital DLT and Capital Programme Board.</p> <p>Final Business Case will be produced before contract is signed</p>
R&E 51 - Good management of highway structures	Specific risk for Centenary Way Viaduct which incurred a central reserve slab failure on Wednesday 10th August 2022.	Current score 15 – measures include a daily inspection routine for traffic management and a weekly site inspection of the bridge structure. Crash decks have been installed where slabs have been identified as being at risk. Traffic Management has been installed on the bridge to provide protection from vehicle strikes. Works are being proposed in the summer to manage the risks of related congestion on the A630	Target score 5 – the structural repairs to the bridge and the protective measures (kerbing) for the central reserve will reduce the likelihood of future events.	Design work is complete with solution being proposed for a construction tender. Works are expected to take place in July 2024, for approximately 3-4 months.	This risk is being monitored through a series of on site inspections and reported through the Transport Major Schemes Programme Board. Any matters arising are escalated through these channels.

R&E52 - Trees Service - Effective management of council owned trees	Risk to health and safety caused by tree failure.	Current score 15 Measures including addressing the backlog and recommendations within Audit reports have reduced the likelihood but the impact remains high.	Target score 8 Further measures including completing the inventory will reduce the likelihood and impact.	I.T. improvements ongoing Target date August 2024 The tree inventory is on track for completion by November 2026 Following substantial assurance from the internal audit review there has been one recommendation regarding putting an SLA in place with Planning by April 2024 An escalation process has been drafted, with triggers and thresholds, which will be finalised by March 2024.	This risk will be monitored through the Tree Performance Management framework which is reported monthly to Culture, Sport and Tourism SMT, and escalated to R&E DLT if triggers are met.
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3. Options considered and recommended proposal

That the Audit Committee note the red risks on Regeneration and Environment Risk Register and the current position.

4. Consultation on Proposal

- 4.1 Risks are discussed and reviewed monthly by Strategic Leadership Teams and at the Directorate Leadership Team (DLT). Where necessary, risks are escalated to the next strategic level for inclusion on the risk register.

A strategic Risk Champions Forum is also in place and the Regeneration and Environment Directorate is actively represented at all meetings.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The next time the Regeneration and Environment Risk Register will be presented to Audit Committee is November 2024.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

- 6.1 Financial implications linked to risk mitigations are closely scrutinised and monitored.

Costs associated to each of the risks, is included in the Regeneration and Environment Risk Register attached at Appendix 1.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

- 7.1 There are no direct legal implications arising from the Risk Register. Any actions taken by the Council in response to risks identified will take into account any legal implications.

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from this report. However, the risks contained in the Regeneration and Environment Risk Register (Appendix 1) directly link to the Workforce Strategy and improving the Regeneration and Environment workforce.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 Not applicable

10. Equalities and Human Rights Advice and Implications

- 10.1 Not applicable

11. Implications for CO₂ Emissions and Climate Change

- 11.1 Not applicable.

12. Implications for Partners

- 12.1 Actions relating to any issues affecting partners and other directorates are reflected in the risk register and accompanying risk mitigation action plans.

13. Risks and Mitigation

- 13.1 The Regeneration and Environment Risk Register (Appendix 1) details the Directorate level risks and mitigations. This is further supported by individual Service Area Risk Registers.

14. Accountable Officer(s)

Paul Woodcock, Strategic Director, Regeneration and Environment
Liz Kemp, Business Co-ordinator for Regeneration and Environment

Report Author: Liz Kemp, R&E Business Co-ordinator
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 12 March 2024

Report Title

2024 Procurement Annual Update

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

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Karen Middlebrook, Head of Procurement
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Ward(s) Affected

Borough-Wide

Report Summary

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

Recommendations

1. That Audit Committee note the content of the report.

List of Appendices Included

None

Background Papers

1. [Procurement Act 2023](#)
2. [Health Care Services \(Provider Selection Regime\) Regulations 2023](#)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

N/A

Council Approval Required

No

Exempt from the Press and Public

No

2024 Procurement Annual Update

1. Background

- 1.1 The Council spends in excess of £350m per annum on a wide range of goods, works and services ranging from construction, transport and regeneration activity to commissioned care services for vulnerable children and adults through to business and professional services such as food, consultancy and ICT.
- 1.2 The role of the procurement function is to ensure this expenditure is made in compliance with procurement legislation (currently the Public Contracts Regulations 2015) and the Council's own Financial and Procurement Procedure Rules (FPPRs). To do this it is essential that there are robust procurement practices to ensure value for money is being achieved, ethical practices are being applied and the contracts the Council enters into are robust, deliver against key priorities and minimise risk.
- 1.3 The last annual update the Audit Committee was 14 March 2023. This report therefore seeks to provide an update for 2024.

2. Key Issues

2.1 Procurement Act 2023

- 2.1.1 The key significant issue to report since the update provided last year is in terms of progress relating to the regulatory reform. At the last update it was reported that the Procurement Bill was working its way through the parliamentary stages and was expected to receive Royal Assent in Spring 2023. This timeline was delayed by approximately 6 months, with Royal Assent being received in October 2023. The Procurement Bill is now here on in referred to as the Procurement Act 2023. This new Act will govern the regime the Council will be required to adhere to where procurement activity is above the relevant threshold¹. Some exclusions will still remain such as contracts referred to under the Light Touch Regime, where the full application of the legislation is not required, but at present it remains unclear as to which parts of the legislation are relevant or not. The formal implementation date for the Act is still to be confirmed but estimated as October 2024. Until such a date is confirmed the current regime still applies.
- 2.1.2 New objectives for public procurement have been included within the Procurement Act 2023, that must be at the forefront when services are considering procurement requirements ensuring their proper consideration:
 - Delivering value for money
 - Maximising public benefits – this could include collaboration and social value benefits.

¹ Thresholds as of 1 January 2024 (inclusive of VAT):

- Goods and Services: £214,904
- Works and Concessions: £5,372,609
- Social and Other Specific Services - Light Touch Regime: £663,540

- Sharing of information, acting with transparency by default
- Acting and being seen to act with Integrity.
- Treating suppliers the same (equal treatment)
- Ensuring no unfair advantage or disadvantage – providing more of an emphasis on conflicts of interest
- Duty to regard Small, Medium sized Enterprises (SMEs).

2.1.3 The changes from the current Public Contracts Regulations 2015 to the Procurement Act 2023 are significant. The changes move procurement activity away from what can be considered as a transactional function into a strategic space, with focus now being given across the entire procurement lifecycle (project inception and pre-procurement activity through to contract expiry) rather than just the procurement phase (tender process through to award of contract).

2.1.4 Summarised below are some of the key changes and challenges the Procurement Act 2023 brings.

2.1.5 **Pre Procurement Considerations**

(i) **Early Supplier Engagement:** Whilst early supplier engagement has always been considered as best practice, this will now be heavily encouraged as ways to seek innovative approaches, develop procurement procedures, influence evaluation criteria and seek the markets view on envisaged timelines for participation. A new procurement notice will be introduced (the Preliminary Market Engagement Notice). Whilst this notice is not mandatory, where one is not published, this will need to be explained in later Tender Notices.

(ii) **Pipeline Publishing Requirements:** As the Council spends >£100m per annum, there will be a requirement to publish pipelines of future procurement opportunities (minimum 18 months – ideally 3-5 years) at the start of each financial year (as a minimum). Work is already ongoing by the procurement team to develop the template for the notice following guidance submitted by central government, however Services will need to effectively forward plan to ensure opportunities are appropriately published.

2.1.6 **Changes to Procurement Procedures and Routes to Market**

(i) The current Regulations have available 5 procurement procedures for use. The new Act will reduce this number down to 2. The Open Procedure will be retained and will mirror its current form, and a new procedure the Competitive Flexible Procedure will be introduced.

(ii) **Competitive Flexible Procedure:** This new procedure is considered to be a *Design Your Own* type of procedure. IT will be a multistage procedure that allows for stages of negotiation and dialogue to be conducted, providing increased freedom and flexibility. However, it is important to note that increased freedom and flexibility comes with increased levels of risk and this is not a procedure that will be able to run quickly (at least not at the outset) as care and consideration will need to be given to ensure the process is sufficiently described in the tender documentation to eliminate the risk of challenge.

2.1.7

(i) **Changes to Assessment and Award**

New Requirements Prior to Awarding Contracts: Significant changes are to be introduced to the way feedback is provided to suppliers. Under the current regime feedback is provided to unsuccessful bidders by providing the supplier with an assessment of their bid, the scores of the winning bidder and then the Council's assessment of the characteristics and relative advantages of the winning bidder.

(ii)

In the new regime assessment summaries are to be provided to each supplier along with a full copy of the successful supplier's assessment summary. Whilst this removes the requirement for the Council to produce the characteristics and relative advantages of the winning bidder, this will now be left for the unsuccessful bidder to determine themselves. This will require detailed and concise assessment summaries to be produced to limit the number of potential complaints / challenges that could be received as a result.

(iii)

Once the assessment summaries have been issued, a new mandatory Contract Award Notice is required for publication, and this notice will now be what triggers the commencement of the standstill period (not the issuing of the letters as is currently the practice). In addition, the standstill period has been altered from 10 calendar days to 8 working days.

(iv)

New Publishing Requirements Following the Award of Contract: As is detailed within the current regime once the contract has been entered into a notice needs to be published within 30 days. The name of this notice has changed from Contract Award Notice to Contract Detail Notice.

(v)

However, in addition to the above, for contracts £5m+ the Act will also now require the Council to publish a redacted copy of the contract and details of 3 Key Performance Indicators (KPIs) that will be used in the management of the contract, those that are the most material to the performance of the core contractual obligations.

2.1.8

(i) **Contract Management and Governance**

Modification, Performance and Termination: More detailed provisions have been included within the Procurement Act regarding contract management and performance, with the aim of improving contract management practice across the public sector.

(ii)

Whilst the provisions around when contract amendments are permissible are not significantly changing, there will now be a requirement to publish contract change notices and a redacted copy of the modified contract.

(iii)

As referred to above, for contracts over £5m, details of 3 KPI's are to be published. During the term of the contract, there is an expectation that these KPIs are monitored and recorded, and the performance information is published annually via a new Contract Performance notice.

(iv)

New mandatory Contract Termination notices are to be introduced. These are required for all contracts irrespective of whether the contract has expired naturally, or it has been terminated early. Where a supplier has breached contract, and this has resulted in termination of the contract, the

award of damages or a settlement between the supplier and contracting authority must be included in this notice.

2.1.9

(i) **Planning for the Changes**

A briefing session has taken place with the Strategic Leadership Team to inform them of the planned changes, and a further presentation is due to be given at one of the next Wider Leadership Sessions to engage and raise awareness with the wider management cohort of the organisation (Assistant Directors and Heads of Service) of the high-level proposed changes to come.

(ii)

There are still a lot of unknowns in relation to how the Act will operate in practice. The Act will be underpinned by further secondary legislation ("Regulations") and at the time of writing these Regulations have not been released. It is anticipated that some of these information will start to be received towards the end of March 2024.

(iii)

In addition, detailed training is also not yet available for practitioners. Cabinet Office have committed to 4 levels of training:

- **Knowledge Drops:** short YouTube videos that introduce the concepts of the changes in the Legislation. These videos were made available December 2023.
- **eLearning:** 10 modules of eLearning will be made available and can be accessed by unlimited numbers of officers. It is expected that procurement practitioners complete the accreditation at the end of the training. This eLearning won't teach individuals how to undertake procurement but will be more focussed on the changes between the current and new regime. No firm date has been given as to when this training will be made available but expected end of March 2024.
- **Deep Dives:** a limited number of places per authority (estimated 3) are available for an in depth 3-day training session on the new Act, to create Super Users within each organisation. Officers will not be able to commence Deep Dive training until they have concluded the eLearning and accreditation referred to above. It is expected that this training will commence May time, however this training will be delivered over a 58-week period, so unless the Council can secure places on the training early, there is a risk that the new legislation commences before the Council has received the full training offer.
- **Communities of Practice:** Once the new regime is implemented networks/Communities of Practice are to be established to encourage knowledge sharing, best practice etc.

(iv)

Until the above secondary legislation and training has been received, it is difficult for early work to commence in terms of updating the Council procurement procedure rules, tender templates and formally training the wider organisation.

(v)

However, in readiness for the changes to come, the Procurement Team, as referred to above are continuing to progress work in development of the procurement pipeline. As part of this work the team are starting to identify

projects that are planned for tender around October 2024 that might be affected by the new regime.

- (vi) In addition, given the new transparency requirements from a Contract Management perspective the Procurement Team are developing a Contract Management dashboard for Services across the Council to populate which will provide the details of the top 3 KPIs being used in contracts (initially £5m+), and the performance against these. This dashboard is to be trialled in the coming weeks to iron out issues with its use ahead of being legally required to publish such information.
- (vii) Work is ongoing within the regional procurement forum (known as SPG) regarding the actions we can collectively undertake together to share information with our supply base on the forthcoming changes – and options are being explored to use the e-tendering platform YORtender as a mechanism for doing this.
- (viii) Significant resource is required to plan and implement the changes required across the organisation wide. This implementation needs to be balanced with current work and activity.
- (ix) Effective implementation will require significant cultural and behavioural changes across the organisation, with an awareness that this will require Council wide collaboration as this isn't something the procurement team can implement and deliver in isolation.
- (x) Following the implementation date, due care and consideration will be required as for a period of time it will be expected that the Procurement Team will be required to oversee 2 versions of legislation, as procurements commenced prior to implementation will continue under the current Public Contracts Regulation 2015, and after implementation in accordance with the Procurement Act 2023.

2.2 Provider Selection Regime

- 2.2.1 In addition to the new legislation referred to above at Section 2.1, a further piece of legislation came into effect from 1 January 2024, The Health Care Services (Provider Selection Regime) Regulations 2023 ("PSR"). The PSR has removed procurement activity in relation to health care services totally from the current Public Contracts Regulations 2015 and the future Procurement Act 2023 and created its own legislative landscape for these Services. Those contracts that fall within the scope of PSR will be defined by the use of Common Procurement Vocabulary (CPV) codes. If a contract is to fall within the scope of PSR, this legislation will apply irrespective of value.
- 2.2.2 The main objectives of this new legislation were to create:
 - A flexible and proportionate process for selecting providers of health care services (so that all decisions can be made with a view to securing the needs of the people who use the services, improving the quality of the services, and improving the efficiency in the provision of the services)

- The capability for greater integration and collaboration across the system, while ensuring that all decisions about how health care is arranged are made transparently.
- Opportunities to reduce bureaucracy and cost associated with the current rules.

2.2.3 When procuring health services 3 different selection processes will be available:

- Direct award process (options A – C).
- Most suitable provider process.
- Competitive process.

2.2.4 The Procurement Team have undertaken some initial assessments and the main contracts that appear to fall within the scope of PSR are Public Health Contracts (Sexual Health Services, Drug & Alcohol rehabilitation services, 0-19 services).

2.2.5 These contracts have been re-procured over the last couple of years, and therefore there is no significant immediate impact being felt by the implementation of PSR. Collaborative working between procurement, legal and commissioners in public health is ongoing to ensure a shared understanding of this new legislation.

2.3 Ethical Procurement Policy

2.3.1 Following the introduction of the Council's Ethical Procurement Policy in 2020, this has been updated and refreshed to bring it up to date with the Council's current position. Updates included:

- Removal of references to the EU Treaty following the UK's exit from the European Union.
- Updates to the Council's actions regarding support to the Charter for Sustainable British Steel.
- Removing reference to the previous Safeguarding Policy and acknowledging the new Safeguarding Protocol.
- Removing reference to the previous Equality and Diversity Policy and acknowledging the new Equality, Diversity and Inclusion Strategy.
- Documenting that the Council is now accredited with the Real Living Wage Foundation.
- Including the new Council Motion to declare a Nature Crisis.
- Including the new Council motion relating to Fair Tax.
- Updates under the case study section.

2.3.2 This update / refresh is now scheduled to take place on an annual basis.

3. Options considered and recommended proposal

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

4. Consultation on proposal

- 4.1 Briefings have been provided to the Strategic Leadership Team (SLT) to raise the concerns around the changes to the legislation and to engage early to make sure Strategic Officers are sighted on changes that directorates / services will need to consider moving forward.

5. Timetable and Accountability for Implementing this Decision

- 5.1 This report is for Audit Committee information and noting, therefore it is not anticipated there will be a decision requiring implementation. It is important however to restate some of the key timescales referred to at section 2 above that will be imposed on the Council.

- First phase of secondary legislation to be released: March 2024
- eLearning made available: March 2024
- Deep Dive Training made available: April 2024
- Estimated go live date: October 2024

6. Financial and Procurement Advice and Implications

- 6.1 All associated procurement implications are detailed in the main body of this report.
- 6.2 There are no direct financial implications arising from this procurement update report.

7. Legal Advice and Implications

- 7.1 The work undertaken by the Corporate Procurement Team and the measures implemented as set out in this report, are consistent with relevant procurement Regulations and best practice in relation to procurement. This in turn lessens the likelihood of legal challenge in respect of procurement activity and contract management.
- 7.2 The Council's Legal Services are working alongside the Procurement Team to understand and prepare the Council for the implementation in respect of the changes to the legislation referred to within this report.

8. Human Resources Advice and Implications

- 8.1 HR & OD colleagues will continue to work with Procurement to review staff engagement and learning activity to ensure they are effective in raising awareness.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 As an update report there are no direct implications for Children and Young People and Vulnerable Adults.

10. Equalities and Human Rights Advice and Implications

- 10.1 As an update report there are no direct implications aligned to Equalities and Human Rights.

11. Implications for CO₂ Emissions and Climate Change

- 11.1 As an update report there are no direct implication linked to CO₂ Emissions and Climate Change.

12. Implications for Partners

- 12.1 As an update report there are no implications for Partners.

13. Risks and Mitigation

- 13.1 It is important that the new Procurement regime is effectively implemented, as failure to procure in compliance with the Act, could results in legal challenges for the Council, which if the Courts did not rule in favour of the Council could have financial and reputational impact.

Accountable Officer(s)

Rob Mahon, Assistant Director; Financial Services

Karen Middlebrook, Head of Procurement

Report Author: Karen Middlebrook, Head of Procurement

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Auditor's Annual Report on Rotherham Metropolitan Borough Council

2022-23 VFM arrangements

6 March 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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1. Executive summary

Value for money arrangements and key recommendations

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

Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. We considered the Council’s arrangements in respect of the following three themes:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Our conclusions are summarised in the table below along with our findings from last year. In the previous two years we have reported a significant weakness in the Council’s arrangements regarding Special Educational Needs and Disabilities (SEND) following the Ofsted/CQC Inspection report issued in July 2021. However, based on our review of the actions taken by the Council in response to the findings from the regulators, we are now satisfied that adequate arrangements are in place. As such, the significant weakness and resulting key recommendation has now been downgraded.

Based on our review of the Council’s arrangements across the three themes, we have not raised any areas of significant weaknesses. This is a good outcome for the Council. This is not to interpret our findings as the Council is not without risk, clearly the Council in common with most local authorities, is facing a challenging landscape at present, however, based on current arrangements the Council is mitigating those significant risks.

Criteria	Risk assessment	2022-23 Auditor Judgement	2021-22 Auditor Judgement
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified. Two improvement recommendations have been raised.	No significant weaknesses in arrangements identified. Two improvement recommendations were made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified. No improvement recommendations have been raised.	No significant weaknesses in arrangements identified. Two improvement recommendations were made.
Improving economy, efficiency and effectiveness (3Es)	Potential significant weakness identified at the risk assessment stage, in relation to the Ofsted/CQC report on SEND, issued in July 2021. This was reported as a significant weakness in our 2020-21 and 2021-22 VFM work.	As a result of the Council’s actions since January 2022 to date, we have concluded there is no longer a significant weakness in SEND arrangements as highlighted in Ofsted/CQC report in July 2021. As a result, we have lowered the key recommendation to an improvement recommendation – see further details at page 26. In addition, two improvement recommendations have been raised in the 3Es theme.	The ongoing significant weakness (from 2020-21) in arrangements as at 31 March 2022 regarding findings from Ofsted / CQC report on SEND arrangements, with an associated ongoing key recommendation action. In addition, one improvement recommendation was raised.

1. Executive summary

Overall Summary

Like most local authorities, the Council continues to face increasing demands on its services with the context of a challenging and uncertain financial environment. Our work indicates the Council continues to face these challenges with resilience.

Rotherham was named the 'Most Improved Council of the Year' in June 2022 in the Local Government Chronicle (LGC) awards. The Council was also subjected to a Local Government Association led Corporate Peer Challenge in June 2023. The report highlighted, the Council serves the town well and is an 'impressive organisation'. It also indicated that the Council is ambitious and has well-established and robust foundations, along with several notable and commendable practices that other councils could learn from.

Financial sustainability

2022-23: The Council set a balanced revenue budget position for 2022-23 of £259.7m in March 2022. As reported to the Cabinet and Council since March 2022, the global economic position significantly changed with rising inflation and substantial increases in energy prices. A significant overspend was forecast of £18.2m in September 2022, reducing to £8.4m in February 2023 as a result of budgetary controls and financial management, the final outturn was improved further to an overspend of £7.3m. This improved position meant the final call on reserves to balance the Council's outturn position was funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m). The Council also delivered the agreed savings target of £4.4m during 2022-23.

2023-24 year to date position: The Council approved a balanced budget of £302.2m in March 2023. According to the latest published figures (Q3 - December 2023) finance monitoring report, the Council is predicting an overspend of £1.2m for 2023-24. Overall, this would be a reasonable outcome for the Council considering the wider context of the financial challenges within the local government sector as whole.

2024-25 Budget and MTFs: The Council has set a balanced revenue budget of £326.0m for 2024-25 and forms part of the MTFs which also includes the outline 2025-26 position. The Council has not projected its financial position beyond that given the lack of clarity of government funding settlements beyond 2025-26. The Council has a current unfunded gap of £6.6m for 2025-26 that is yet to be determined how it will be resolved. Management is fully aware of this and is confident that a balanced budget can be set, when funding becomes clearer for 2025-26.

The Council continues to have arrangements in place for the medium-term financial planning. The Senior Leadership Team is aware that there are challenges in fully achieving savings targets in the future. This is due to increasing demand for services such as children's services and adult social care, and a lack of clarity on medium term central government funding and other economic constraints such as interest rates and energy prices.

As reported at page 18, the Council has managed to improve and stabilise its General Fund Reserves position over the last 5 years. The Council also continues to have a General Reserve Minimum Balance of £25m (within the General Fund Reserves balance) as a contingency for unforeseen events / exceptional situations. The Council acknowledges that continuous reliance on General Fund Reserves to fill the budget gaps and achieve a balanced budget position is not sustainable financial management. Therefore, the Council continues to work on savings programmes and effective budget setting, monitoring and controls.

We have raised two improvement recommendations (pages 19 and 20) to further strengthen the Council's current arrangements around financial sustainability. They are mainly in respect of improving the reporting content in the Financial Monitoring Reports to the Cabinet during the year. Further details of our financial sustainability work can be seen on pages 11-20 of this report.



LGA Corporate Peer Challenge

5th – 8th June 2023

1. Executive summary (continued)

Governance

Overall, the Council continues to have appropriate governance arrangements in place. The Council has risk management and monitoring arrangements in place that are regularly reviewed to detect, update and mitigate risks.

Our work has not identified any significant weaknesses in the governance arrangements at the Council. This is also supported by our detailed review of the Council's 2022-23 Annual Governance Statement and 2022-23 Head of Internal Audit Annual Report.

We have also not identified any improvement recommendations during our 2022-23 work.

Further details can be seen on pages 21 to 24.

Improving economy, efficiency and effectiveness

The Council has demonstrated an appropriate understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our 2022-23 work has not identified any significant weaknesses in relation to Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

As the Committee is aware from our previous AARs, during our 2020-21 and 2021-22 VFM work, we reported a significant weakness and an associated key recommendation in respect of the Ofsted/CQC report issued in July 2021, on implementing SEND reforms as set out in the Children's and the Families Act.

Our VFM work in 2022-23 indicated appropriate progress has been made in terms of actioning the key recommendation. Due to the progress made and actions taken by the Council, including proactively working with all stakeholders such as Department for Education, NHS England, and South Yorkshire Integrated Care Board, we no longer consider there is a significant weakness in arrangements in relation to implementing SEND reforms in Rotherham. Therefore, we have lowered this key recommendation to an improvement recommendation. Further detailed information to support our conclusions are included at page 26 of this report.

However, we have raised two improvement recommendations (see pages 31 and 32) to further strengthen the Council's arrangements in relation to new procurement legislation implementation, and the Climate Change action plan challenges. This is to ensure they are more clearly linked to the Council's Corporate Strategic Risk Register.

Further details can be seen on pages 25-32 of this report.



We issued an unqualified 'clean' audit opinion on the Council's financial statements on 11 December 2023.

Our findings are set out in further detail on Section 2.

2. Opinion on the financial statements

Audit opinion on the financial statements

We issued an unqualified 'clean' audit opinion on the Council's financial statements on 11 December 2023. This was a good outcome for the Council considering the levels of delays and backlog in local authority accounts and audit finalisation in recent years in the public sector.

Other key findings

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

Audit Findings (ISA260) Report

In summary, there were material audit adjustments in relation to Council's share of South Yorkshire Pension Fund asset. This was a new issue for a number of 2022-23 local authority audits, including Rotherham Council. However, these adjustments and presentational changes did not have any impact on Council's usable or general fund reserves position as at 31 March 2023.

More detailed audit findings can be found in our ISA260 Report, which was reported to the Council's Audit Committee on 28 November 2023 and the final ISA260 Report dated and issued on 11 December 2023, coinciding with the date of our audit opinion on Council's financial statements.

Preparation of the accounts

We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The Council was in a minority of c30% local authorities that managed to achieve the draft accounts deadline. This represented a good achievement by the Council, given all other competing pressures.

The Council's finance team demonstrated a good level of engagement in the 2022-23 audit process and throughout the year. This is something we have come to expect from the Rotherham finance team. This helped to ensure the audit process progressed as planned and to the agreed timescale.

Whole of Government Accounts

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

The WGA audit guidance for 2022-23 was issued and, as in the prior year, the Council was below the threshold for detailed audit procedures.

We completed the high-level assurance statement on the WGA consolidation pack in line with the national guidance and submitted it to the NAO on 19 December 2023.

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

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

3. Use of auditor's powers

We bring the following matters to your attention of auditor's powers:

Statutory recommendations

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

We have not issued any statutory recommendations at the Council.

Public Interest Report

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

We have not issued any Public Interest Report at the Council.

Application to the Court

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

We have not applied to the Court for any purpose relating to the Council.

Advisory notice

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

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

We have not issued any advisory notices to the Council.

Judicial review

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

We have not made an application to court for a judicial review.

4. Key and statutory recommendations



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

As reported at page 3, our 2022-23 work has not identified any significant weaknesses in arrangements to secure value for money.

We did identify a potential significant weakness at the planning stage of our audit, in relation to the Ofsted/CQC report on SEND, issued in July 2021. This was reported as a significant weakness in both our 2020-21 and 2021-22 AARs.

However, as a result of continuing progress made by the Council since January 2022 to date, including proactively working with all stakeholders such as Department for Education, NHS England, South Yorkshire Integrated Care Board, we have concluded, there is no longer a significant weakness in SEND arrangements as highlighted in the Ofsted/CQC report in November 2021.

Therefore, we have lowered the key recommendation to an improvement recommendation during our 2022-23 VFM work. Further details are reported at page 28.

This is a positive outcome for the Council to have no significant weaknesses or resulting key recommendations arising from our 2022-23 VFM arrangements review.

Section 3 outlines the use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

As reported at Section 3, we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2022-23 audit year.

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



5. Securing economy, efficiency and effectiveness in the Council's use of resources

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties, including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 33.

6. The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. By January 2024, it has reduced to 4.2%. Overall, this highlights the volatility in the economic conditions and the markets forces, where public services are provided. This Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

7. Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifying significant financial pressures and building them into Council plans

As in previous years, the Council continues to use the Annual Budget and the Medium-Term Financial Strategy (MTFS) to capture the significant financial pressures. Once built into the budget, the financial plans are regularly monitored, scrutinised, reported and published. The Council's budgets and MTFS are presented, discussed and formally approved by full Council and the Cabinet prior to start of the new financial year in April.

It is clear from the budget report and MTFS, the funding settlements are appropriately captured as much as possible, and financial challenges are identified, as reported in this section.

As required by section 25 of the Local Government Act 2003, the s151 officer clearly indicates the robustness of the estimates made and the adequacy of the proposed financial reserves in the budget report.

For example, the 2024-25 budget, the latest available at the time of this report, highlights Council Tax increase of 1.5% in the basic rate of Council Tax (excludes precepting bodies) and a 2% Adult Social Care Precept on Council Tax. In terms of business rates, the budget highlights, the Government compensates the council for years in which they apply an indexation cap, (below the annual increase in the Retail Price Index). The associated Top-up Grant is reported in relation to business rates in the budget. This additional grant is c£2m for 2024-25 based on the indications in the Financial Settlement that compensates for the business rates freeze in 2024-25. These have been appropriately captured and reported in the budget.

The agreed Budget for 2024-25 and MTFS reflects the Council's priorities as set out in the Council Plan 2022-2025 and Year Ahead Delivery Plan.

The development of the Budget proposals for 2024-25 and the MTFS take into account prevailing economic factors and demand pressures, notably inflation fluctuations and its impact for Children and Young People Services (CYPS) placements. It also captures increase in food prices for schools catering and increased base costs across Council services, for example, significant increased demand for Home to School Transport and associated costs.

In common with a number of local authorities, CYPS placements continue to be a key challenge for the Council. The Council is committed to protecting the most vulnerable children and adults and delivering the improved cost effectiveness of these services. CYPS placements remain a budget risk with a projected overspend of £3.4m in 2023-24 due to rising market costs and challenges faced delivering the in-house residential homes programme.

The demand pressures that the Council has previously seen have reduced and the Looked After Children numbers continue to fall, greater than forecast when the 2023-24 Budget was set. Market pressures remain a budget risk whilst the Council is delivering its CYPS placement savings, as such, the Council has built in a Social Care Contingency of £3.4m in each of 2024-25 and 2025-26. budget plans.

The Council also continues to have a General Reserve Minimum Balance of £25m as a contingency for unforeseen events / exceptional situations. This can only be drawn-out with the agreement of the Leader of the Council, Chief Executive and the Strategic Director Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Council's Constitution.

Overall, the s151 officer responsibilities in relation to section 25 of the Local Government Act have been clearly highlighted in the annual budget report and we have not observed any significant weaknesses on such arrangements and reporting. This is clearly evident by the annual budget report, MTFS and regular budget monitoring activities that are reported to the Cabinet.

There is no evidence from our review that financial risks are being managed in the short term only. For example, from the budget reports, the Council is not seeking to make significant use of capital resources, such as asset sales, to relieve short-term revenue pressures. The budget and financial monitoring shows that short term revenue pressures are managed through revenue funding, efficiency programmes and, when necessary, use of general fund earmarked reserves, although not the utilisation of the £25m General Reserve Minimum Balance, which is earmarked for exceptional situations as mentioned above.

Financial sustainability

Plans to bridge funding gaps and identify achievable savings

As highlighted at page 10, the Local Government Association estimates that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by a further £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, with demographic pressures increasing the demand for services such as children’s services and adult social care.

Therefore, identifying and delivering achievable recurrent savings targets are essential part of, not only bridging the funding gaps but also sustainable financial management. The Council is fully aware that setting achievable and realistic savings targets are part of prudent financial and general fund reserves management in the medium to longer term. If not, bridging the budget gaps through general fund reserves is not financially sustainable.

Savings targets and achievements

The Council continues to progress in delivering the identified savings, under challenging economic and operational environment. Nationally, whilst inflation has more than halved from c11% in January 2023 to c4% in January 2024, economic growth is lower than what was expected. In the absence of an increase in non-ring-fenced departmental budgets, this is placing significant pressures on public services, including at this Council.

The Council has two sets of savings targets based on when they were approved /re-profiled by the Council. They are; (a) previously approved savings targets prior to 2023-24 budget, (see this page) and (b) savings approved as part of 2023-24 budget, see page 13.

Previously approved savings (prior to 2023-24 budget):

The Budget and Council Tax Report 2022-23 agreed at Council in March 2022 indicated that £11.5m of approved budget savings and cost reductions were still to be delivered. It was agreed by the Council to re-profile these savings delivery across the financial years 2022-23 to 2024-25. The Council successfully delivered £4.4m of this in 2022-23 as highlighted at page 4.

Therefore, the remaining £7.1m (Figure 1) is to be delivered across 2023-24 and 2024-25. These approved budget savings are an essential part of the Council’s approved MTFs position and bridging the funding gaps.

Figure 1 summarises the achievement of remaining previously approved savings targets of £7.1m (£11.5m - £4.4m delivered in 22-23), as at the end of December 2023.

Figure 1

Savings , agreed to be delivered	2023-24 (£'000)	2024-25 (£'000)	Total
CYPS	3,713	2,672	6,385
R&E	388	22	410
R&E, customer and digital	300	0	300
Total Savings	4,401	2,694	7,095
Delivered by 31 Dec 2023			
CYPS	1,594	N/A	1,594
R&E	24	N/A	24
R&E, customer and digital	300	N/A	300
Delivered by 31 Dec 2023	1,918	N/A	1,918
Remainder to be delivered	2,483	2,694	5,177
Delivered against the target	44%	N/A	

From Figure 1 , it is noted that 44% (£1,918k) of the total savings target for 2023-24 has been delivered by 31 December 2023, leaving over half of the savings to be delivered in the final quarter. Discussions with management indicates that further £364k of savings can be potentially achieved by end of 2023-24 and the remainder (£2,219k) to be reprofiled to 2024-25.

The key savings challenge is in relation to CYPS savings, where £1,594k (43%) has been delivered and the remining £2,119k (53%) still outstanding. This £2,119k is c85% of total outstanding savings as at 31 December 2023 and is a potential risk to be delivered by 31 March 2024.

According to senior management, whilst placement costs have been reduced in CYPS recently due to reduction in children numbers (see page 11) , market pressures are continuing. With an anticipated better economic outlook with less inflation in 2024-25 and greater progress on the creation of in house residential homes, management believes there is more scope to achieve these savings in 2024-25. However, any under-achievement of these savings will place further pressures on the Council’s reserves to cover this.

We will continue to monitor these as part of our 2023-24 VFM work.

Financial sustainability

Plans to bridge funding gaps and identify achievable savings (continued)

Savings approved as part of 2023-24 budget:

As part of the Budget and Council Tax Report 2023-24 a further round of savings were approved, totalling £4.344m. This is in addition to previously brought forward savings as reported at page 12.

See Figure 2 (in £'000) for such saving targets, approved for 2023-24 and 2024-25.

There has been good progress made against these new saving targets as at the end of December 23. From Figure 2 below, it is noted that c87% (£3,797k) of 2023-24 total savings have been delivered by December 2023. It is estimated that 97% of these savings (£4,214k) are on target for delivery by 31 March 2024 with the remaining 3% (or £149k) still expected to be delivered in 2024-25.

Directorate	2023/24	2024/25	Secured as at 31 st December 2023
Finance and Customer Services	308	238	362
Assistant Chief Executive	303	407	153
Children's and Young Peoples Services	1,348	1,059	1,348
Adult Care, Housing and Public Health	1,224	1,998	961
Regeneration and Environment	1,161	1,001	973
Total	4,344	4,703	3,797

Figure 2

2022-23 outturn position:

The Council set a balanced revenue budget position for 2022-23 of £259.7m, which was approved at Council meeting in March 2022. As reported to the Cabinet and Council, the global economic position significantly changed with rising inflation and substantial increases in energy prices. As a result, significant overspends were forecast during 2022-23 in line with many other local authorities across the Country.

The Financial Monitoring Report for Q3 of 2022-23 (December 2023) outlined the Council was predicting an overspend of £8.4m. Earlier Cabinet reporting in September 2022 indicated even higher overspend of £18.2m.

As a result of budgetary controls and financial management, the final outturn was an improvement at £7.3m but an overspend nonetheless. There was a call on reserves to balance the Council's outturn position from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m). As indicated at page 12, the Council delivered the agreed savings target of £4.4m during 2022-23.

2023-24 year to date position:

The Council approved a balanced budget of £302.2m in March 2023. According to the latest published finance monitoring report (Q3 - December 2023), the Council is predicting an overspend of £1.2m. Whilst this is another overspend with a resulting draw on reserves to fund it, the projection is reasonable in the context of economic challenges facing the local government Sector.

2024-25 Budget and MTFS:

The Council has set a balanced budget of £325.6m for 2024-25 with a savings target brought forward of £2,694k (see page 12, Figure 1) plus any unachieved savings from 2023-24 year (see page 12) as the year is yet to be completed at the time of this report.

In addition, there is a further savings target of £359k (see Figure 2 : £4,703-£4,344) which were approved when setting 2023-24 budget. In total, £3,053k of savings are required (£2,694k + £359k) to deliver the balance budget, although this could be increased, if there is any carried forward of savings not achieved in 2023-24.

The MTFS only includes the following year, 2025-26, at this stage. This is due to lack of government funding settlement announcements available beyond 2025-26. There is an unfunded gap of £6.6m for 2025-26 that yet to be determined how this will be addressed. Management is confident a balanced budget can be set for 2025-26 when more certainty on funding is made available.

The Council continues to have arrangements in place for medium-term financial planning. The SLT is aware that there are significant challenges in fully achieving savings targets in the future. This is due to increasing demand, lack of clarity on medium term central government funding and other economic constraints such as interest rates and energy prices.

Overall, there are adequate arrangements in place in terms of identification and delivery of savings targets and we have not identified any significant weaknesses in this area.

Financial sustainability

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

The Council’s key financial planning document of any year is the annual budget which highlights how key services are to be funded and costed. The proposals identified within the budget provide the foundation for the Rotherham Council Plan 2022-25 and Year Ahead Delivery Plan, which is published before start of the budget year.

The annual budget captures the spending plans for each of the six service directorates as indicated at Figure 3 – extracted from the 2024-25 budget report.

Such budget planning highlights an understanding of the cost of delivering core Council services to the local communities in Rotherham. The actual spend against these core services is then monitored and reported through quarterly financial monitoring reports to the Cabinet. These reports include any key variations against the budget as applicable, alongside respective reasons for such variations whilst highlighting any mitigating actions.

These six, core services (see figure 3) feed into Council’s longer-term strategy under five key themes as noted in Figure 4 below.



Figure 4

This is a clear indication that the Council continues to plan its finances to support sustainable delivery of key services in accordance with strategic and statutory priorities, that are clearly captured in figure 3.

Figure 3

	Proposed Budget 2024/25
	£'000
Adult Care, Housing & Public Health	122,096
Children & Young People's Service	65,060
Regeneration & Environment Services	54,825
Finance, Customer Services	21,349
Assistant Chief Executive	7,280
Central Services	55,445
TOTAL NET REVENUE BUDGET	326,054

Dedicated Schools Grant (DSG) deficit:

As reported in our previous AARs, the Council was awarded Safety Valve Funding of £20.53m over a five-year period starting from 2021-22. This is a programme which provides support to local authorities which have large DSG deficits. This was a positive outcome for the Council as a result of effective cooperation with various stakeholders, including the DfE.

The DSG deficit was £5.9m at the end of 2022-23. This is a reduction of £15.4m when the DSG deficit was at £21.3m at end of year 2020-21. The Council has already received £14.5m of this funding as at 31 March 2023. According to management, the DSG Management plan is on track with the initial financial assumptions specified by the DfE when the funding was provided. The estimated outturn for the DSG reserve 2023-24 is a £3m deficit (after including £2m of Safety Valve funding for 2023-24). As part of the Safety Valve process, the Council meets quarterly with DfE to present current progress on the management plan and the financial position over the duration of the programme. Like many other local authorities in England, Rotherham has key challenges when providing core services in accordance with key priorities. This is due to increasing demands and stretched funding. However, our work indicates the Council identifies these challenges promptly and puts in place arrangements to address them.

Overall, the council has arrangements in place to support sustainable delivery of services in accordance with its strategic objectives.

Financial sustainability

Financial plans are consistent with other plans such as workforce, capital, investment and other operational planning

The latest 2024-25 Budget report sets out the Capital Strategy and proposed Capital Programme up to 2027-28. This highlights the future capital investment strategy for Rotherham. These plans support investment decisions that are aligned with the Council's strategic priorities, vision for Rotherham and the Council Plan.

The Council's Capital Strategy and Capital Programme up to 2025-26 was initially approved by Council in March 2023, within the Budget and Council Tax 2023-24 Report. This Plan has been further refreshed and updated as part of above mentioned 2024-25 Budget.

The Capital Programme approved as part of 2023-24 budget was duly monitored and regularly reported to the Cabinet and Council throughout 2023-24.

The outturn on the Capital Programme for 2022-23 was £130.3m, an increase of £25.4m or 24% over 2021-22 (£104.9m). The approved Capital Programme for 2022-23 was £156.1m. Therefore, this was an underspend and slippage of £25.9m (or 16%). As reported to the Cabinet, the programme was ambitious, however, the impact and recovery from the pandemic along with rising inflation and an overloaded construction industry has impacted its 2022-23 delivery programme. The slippage is re-profiled into future year programmes (2023-24 onwards) and reported to the Cabinet and Council.

Our work highlighted that, the Capital Programme continues to be closely monitored, and its performance is reported quarterly to the Cabinet via Financial Monitoring Reports (FMR).



Our review of quarterly 2023-24 FMR has highlighted, the approved budget numbers of the Capital Programme are updated during a specific budget year.

For example, the 2023-24 Capital Programme was updated following the 2022-23 final outturn and also based on latest information on capital projects' actual delivery during the year. This is understandable - in any good budget monitoring process as changes are needed to initial estimates based on actual delivery and operational circumstances. However, the reports only provide the updated/revised position rather than any mention of the approved budget at the start of the year, making the link to the originally agreed programme unclear.

For example, the approved capital budget at start of 2023-24 was £252m. When this was revised during 2023-24, for perfectly valid reasons, the approved budget position of £252m is not mentioned in the FMR. The only mention is the revised updated Capital Programme position. For example, according to the latest 2023-24 FMR for Q3 (December 2023), the revised Capital Programme for 2023-24 is £152.3m. There is no mention of the original approved Capital Programme (£252m) for 2023-24.

Whilst the updated position is important to be reported, as part of transparency and accountability in financial reporting, it is also important to understand the changes / variations against the approved budget at the start of the year. This would provide more information for meaningful comparisons and future informed decision making. We have raised an improvement recommendation to include the approved budget numbers in the FMR, when changes are being made to the Capital Programme during the year.

People:

The Council recognises that its workforce is critical to delivering the Council's priorities. The workforce strategy aims to ensure that staff feel valued, supported and empowered as they continue to deliver the best possible services for local people.

These are measured through annual performance reviews and overall Council performance, including external recognition - such as the 'Most Improved Council' in 2022, awarded by the Local Government Chronicle. It is noted that staff satisfaction was a factor that was been considered as part of this assessment.

In addition, the Council was subjected to Local Government Association led Corporate Peer Challenge in June 2023 (see further details at page 23). The report indicated that:

"..the peer team met some really good quality staff from across the Council. They were motivated, dedicated and determined to deliver the best outcomes for residents. They knew the priorities of the Council and wanted to do their best to deliver against them..".

Financial sustainability

Financial plans are consistent with other plans such as workforce, capital, investment and other operational planning (continued)

Borrowings:

The annual treasury management report indicates that the Council continues to work within its borrowing limits for the year ended 31 March 2023. However, as reported in our previous VFM Reports, the Council has relatively higher levels of borrowing compared to similar metropolitan borough councils in England. This is demonstrated by figure 5 below which compares long term borrowings against long term assets (excluding Pension Asset which is not a cash related liquid asset and an unusable reserve) of similar entities. The information for this graph has been obtained from published accounts for 2022-23.

The % for Rotherham (blue vertical line) is 40.9% whereas the average is 28% (orange dotted line). It should be noted that long term and short-term borrowings have reduced by £26.2m and £87.7m respectively at the Council (a total reduction of £113.9m) compared to 2021-22. The Council continues to maintain an under-borrowed position against the capital financing requirement issued by CIPFA’s prudential code.

The Council borrowed £227m of long term PWLB funds during 2021-22 and took advantage of the low PWLB interest rates available at the time, before interest rates were increased. This was at an average 1.53% interest rate across the £227m borrowing, which now looks a good outcome in the current economic climate. This funding was replacing short-term borrowing as it matured. As a result, the Council did not need to borrow during 2022-23 (when interest rates have significantly increased) as the Council has held cash balances remaining from the borrowing undertaken in 2021-22. This has reduced the interest rate risk at the Council during a volatile economic period.

In terms of borrowing profile, 86% of Council’s total borrowing (£566m) at end of 2022-23 was at a fixed interest rate, with the remaining 14% (92m) at a variable rate. Again, this has reduced the Council’s exposure to variable interest rate risks.

We will continue to monitor Council’s borrowing patterns, possible risks associated with that and arrangements in place to mitigate those risks, as part of sustainable financial management and report to the Audit Committee in future VFM work.

We have not identified any significant weaknesses in relation to the Council’s treasury management arrangements.

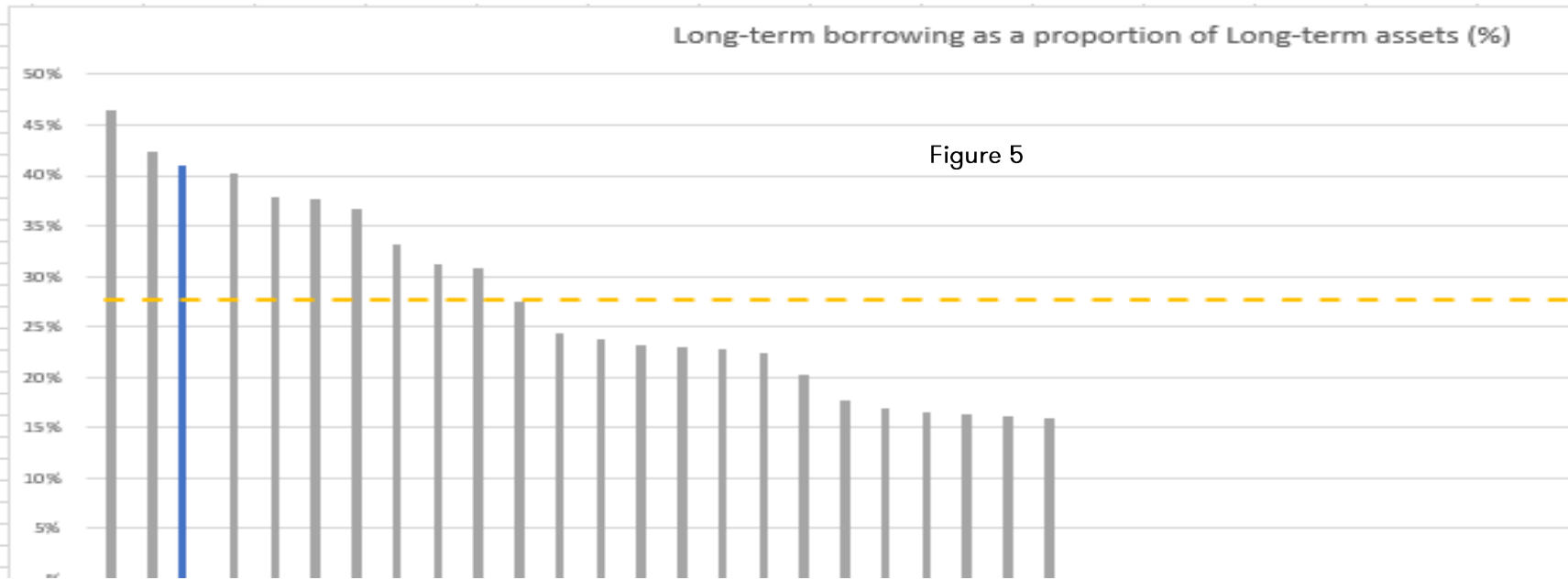


Figure 5

Financial sustainability

Identifies and manages risk to financial resilience

The key initial tool the Council uses to manage risk to financial resilience is the annual budget report. That is then followed by regular financial monitoring and reporting to the Cabinet via Financial Monitoring Reports (FMR).

The budget document is detailed, covering assumptions, risks, demographic and other cost pressures such as interest rates, inflation, savings targets and available reserves. The Section 25 report from the s151 officer captures the commentary on the robustness of the estimates included in the budget and the adequacy of the reserves.

In line with the performance and control framework, the Council is required to produce regular and timely reports for the Strategic Leadership Team and Cabinet to keep them informed of financial performance so that, where necessary, actions can be agreed and implemented to bring expenditure in line with the approved budget for the financial year. This is done through FMR. The reports monitor the performance against the budget, and contain the following:

- Key issues comparing the actual performance against the revenue and capital budget and reasons for the variations
- Performance and mitigating actions taken as and when necessary, on service delivery challenges, covering key service areas such as Children and Young People's Services, Adult Care, Housing & Public Health
- Key risks and assumptions to service delivery as applicable
- Savings targets, delivery to the date, risks to achieving savings targets and estimated delivery of savings at the year end
- Dedicated Schools Grant (DSG, see page 14) performances for the year
- Report implications (if any) for matters such as, Legal, Human Resources, Children and Young People and Vulnerable Adults, Equalities and Human Rights, CO2 Emissions and Climate Change and any other partner body/organisations.

Overall, we found this report to be comprehensive and identifies and manages risk to financial resilience.

We identified one reporting improvement in quarterly FMR, which would further enhance transparency of reporting in relation to the initially agreed budget allocations for the Council's Directorates.

Our review of quarterly 2023-24 FMRs on revenue budget highlighted that, whilst the FMR correctly and consistently captures the approved overall budget for 2023-24, for example, in this case, £302.2m in all quarterly reports, there is an inconsistency in individual directorate budgets compared to what was initially approved at the start of the year.

For example, the 2023-24 approved budget had allocated £64.5m for Children and Young People's (CYPS) Services. According to the latest Q3 (December 2023) FMR, this indicates a budget of £67m for CYPS.

Our discussions with management indicated this is due to a transfer of budgets within Council's directorates, due to demand pressures during the year. Whilst we do understand this and the Council is fully permitted to do this, we have raised an improvement recommendation to highlight this going forward and explain the reasons for any such significant inter-directorate budget transfers in the FMRs.

As reported in our previous AARs, the Council continues to have sufficient arrangements in place in relation to identifying and managing financial risks through the budget, strategic risk register (see governance section, page 21) and via regular monitoring and reporting (FMR).

Financial sustainability

General Fund Reserves:

The Council has managed to improve and stabilise its General Fund Reserves position over the last 5 years (see Figure 6), although the reserves remain low when compared to other metropolitan councils. Please note, 2023-24 to 2025-26 are estimated figures from the latest 2024-25 budget and the MTFs published. Considering the budget setting and monitoring process we have observed in the past few years at the Council, we have no evidence to suggest these estimations from 2023-24 to 2025-26 are not prudent.

Year	General Fund Reserves (excluding DSG and Covid Grants as relevant) £ million
2018-19 (actual)	38.1
2019-20 (actual)	34.0
2020-21 (actual)	53.9
2021-22 (actual)	65.8
2022-23 (actual)	62.6
2023-24 (estimated)	59.4
2024-25 (estimated)	53.1
2025-26 (estimated)	52.7

Figure 6

The Council also continues to hold a General Reserve Minimum Balance of £25m (which is within the General Fund Reserves balance of £62.6m for 2022-23) as a contingency for unforeseen events / exceptional situations. This can only be drawn-out with the agreement of the Leader of the Council, Chief Executive and the Strategic Director Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Council’s Constitution.

Whilst the Council has managed to improve and stabilise the General Fund Reserves position over the last five years as reported above, as previously noted in our AARs, the Council’s General Fund Reserves position, compared with net cost of services of similar councils, is below average.

According to Figure 7, the average for this ratio (general fund reserves as a percentage of net cost of services) is 48% (orange dotted line) whereas the Council has a ratio of 28% (Blue line). The Council is fully aware of this position and continues to manage its resources in a sustainable manner which has resulted the above stabilisation of general fund reserves position, over the last five years.

The Council acknowledges that continuous reliance on General Fund Reserves to fill the budget gaps and achieve a balanced budget position is not sustainable financial management. Therefore, the Council continues to work on savings programmes (see pages 12 and 13) which are continually reviewed and reported to the Cabinet. We will continue to review these in our future VFM work.

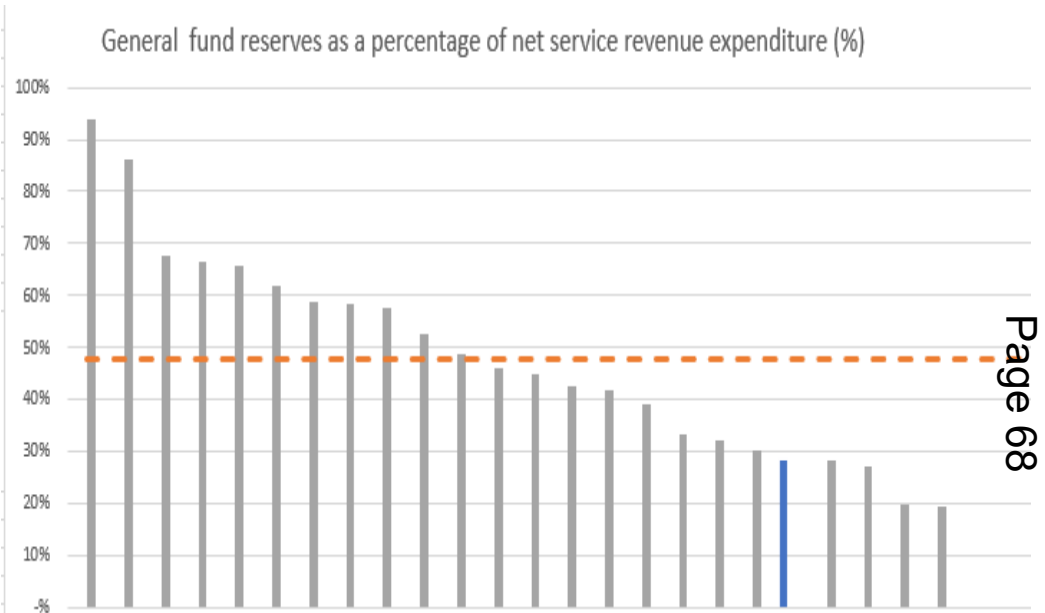


Figure 7

Conclusion – financial sustainability:

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of significant weaknesses. However, we have identified two improvement recommendations which are set out overleaf. In addition, we have followed up progress against our 2021-22 recommendations at Section 10 of this report.

Improvement recommendations

Recommendation 1	<i>When the approved Capital Budget Programme is updated during the year, we recommend the Council continues to report the initially approved Capital Budget Programme amount alongside the revised numbers in the quarterly Financial Monitoring Reports (FMR) – in order that stakeholders can track the changes from the original Programme approved by Members.</i>
Improvement opportunity identified	Improve transparency and accountability in financial reporting. This would also support meaningful comparisons and support informed decision making.
Summary findings	Our review of quarterly FMRs in 2023-24 has highlighted the approved budget value of the Capital Programme is updated during the year. For example, the 2023-24 approved Capital Budget Programme (originally totalling £252m) was revised to £152.3m in the latest 2023-24 Q3 FMR. This was following the 2022-23 final outturn and also based on latest information on capital projects actual delivery during the year. This is fully understandable in any good budget monitoring process as changes are needed to initial estimates based on actual delivery and circumstances. However, the reports only provide the updated or revised position rather than any mention of the approved budget at the start of the year.
Criteria Impacted	Financial Sustainability
Auditor Judgement	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
Management Comments	<i>Agreed. This is possible but the Council must be guarded against making the financial reporting a lengthy monologue of changes approved during the year. As such the Council can make an amendment to flag the original capital programme budget but keep the narratives in the financial monitoring reports to explaining the variations that need to be agreed as part of that Cabinet report only. This will need consideration to set in a sensible and helpful way but is felt to be a positive addition.</i>

Improvement recommendations

Recommendation 2	When transfer and virements of budgets between Council’s directorates occur during the course of the financial year, the Financial Monitoring Reports (FMR) should include the initially approved budget for relevant directorates, and the reason for the transfer, alongside the revised position.
Improvement opportunity identified	Improved financial reporting to the Cabinet members by enhancing consistency between key Council documents such as the Budget Report and quarterly Finance Monitoring Reports.
Summary findings	<p>Our review of the quarterly 2023-24 FMRs highlighted that, whilst the FMR correctly and consistently captures the approved overall budget for 2023-24, in all quarterly reports there is an inconsistency in individual directorate budgets compared to what was initially approved at the start of the year – with no clear narrative explaining the movement from the original approved directorate budget.</p> <p>Our discussions with management indicated this is due to transfer of budgets within Council’s directorates, due to demand pressures during the year. We do understand the Council is entitled to process such transfers based on demand pressures. Our work indicated, the FMRs do not currently highlight why inter-directorate budgets have changed during the year from the initially approved budget position - hence this recommendation.</p>
Criteria Impacted	Financial Sustainability
Auditor Judgement	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
Management Comments	Agreed. This can be factored into the Financial Monitoring reports to Cabinet and will be a helpful addition to the reporting structure.

8. Governance

We considered how the Council:

- monitors and assesses risks and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance / Audit Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests)

Assessing risks, monitoring and effective operation of internal control

The Council continues to have internal processes in place to assess and monitor risks as well as gain assurances over effective operation of internal controls, including arrangements to prevent and detect fraud.

The key such processes include:

- The Corporate Strategic Risk Register (CSRR)
- Internal Audit Function and progress reports to Audit Committee on effective operation of internal controls
- Annual Governance Statement (AGS) and Head of Internal Audit Annual Report.

Risk Management and Corporate Strategic Risk Register (CSRR)

The Council's Risk Management Policy and Guide states that risk management is the responsibility of all Council officers. This is further set out in the Policy where the specific responsibilities of all members and officers are detailed. All employees are required to:

- Understand risk and their role in managing risks in their daily activities, including the identification and reporting of risks and opportunities.
- Support and undertake risk management activities as required.
- Attend relevant training courses focussing on risk and risk management.

The Council has a group of Risk Champions. Each Directorate has at least one Risk Champion who leads on risk for their Strategic Director. The Risk Champions, Assistant Chief Executive and the Corporate Improvement and Risk Manager form the Risk Champions Group. This group is responsible for co-ordinating risk management across the Council.

There are Risk Champions in place for the following Directorates and Services:

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

In most cases, each Directorate also has a substitute or deputy Risk Champion who can stand in for the primary Risk Champion when required. The Risk Champions' Group meets bi-monthly and has done so consistently over the past twelve months.

The CSRR captures all the key Corporate Risks and is developed using a Red, Amber, Green (RAG) rated system and regularly reviewed by the Senior Leadership Team.

As of December 2023, there were 16 key risks in the CSRR. A risk report is presented to each Audit Committee for check and challenge. This would either cover a Directorate Risk Register or a Corporate Risk Register. The Corporate Improvement and Risk Manager runs through a summary of risks, focusing on any developments since the previous Audit Committee and takes questions alongside the s151 Officer who also attends each Audit Committee.

Our observations from attending Audit Committee meetings indicate there is good check and challenge system by the Members as well as open and transparent discussions to identify, control and mitigate key strategic risks to the Council. These processes would in turn provide assurances over effective operation of internal controls, including arrangements to prevent and detect fraud.

We have not identified any significant weaknesses in this area.

Governance

Internal Audit:

The Council has an established Internal Audit Function. The annual Head of Internal Audit (HoIA) report continues to provide assurances on anti-fraud work during the year. For 2022-23, the HoIA reported the Council had an “overall an adequate and effective framework of governance, risk management and control”.

Each Audit Committee is provided with an Internal Audit progress update against the Annual Internal Audit Plan. These reports include work completed since the previous Committee, recommendations arising, including any outstanding recommendations. Any red rated recommendations are clearly highlighted in these progress reports. We have observed constructive challenges by Members of these reports through our Audit Committee attendance. This helps to promote good governance.

A long standing HoIA retired during 2023-24. The Council appointed a new HoIA before that departure to help ensure a smooth handover. The current HoIA attended Audit committee meetings alongside the departing HoIA. From our knowledge and experience, there has been a good hand over of work to ensure the continued delivery of the 2023-24 Internal Audit Plan. We have no concerns to highlight in this report in relation to the Internal Audit function.

We have continued our relevant discussions with the new HoIA as part of our ongoing accounts audit and VFM work. Overall, there are arrangements in place within the Internal Audit Plan to capture the required work on effective operation of internal controls at the Council.

Annual Governance Statement (AGS):

The Council continues to produce an AGS which complies with required guidance. It captures and summarises the overall governance framework at the Council, assurances obtained, action plans on matters that need to be followed up, together with timescales for those actions.

The AGS is supported by Council’s Local Corporate Governance Code. The Local Code is the overall statement of the Council’s corporate governance principles and commitments. This is based on CIPFA’s publication “Delivering Good Governance in Local Government: Framework” (2016) – which sets out the standards for local authority governance in the UK.

As part of our financial statement audit and VFM work, we review Council's AGS and provide comments as necessary. There are no specific areas we need to report or include on this as part of our VFM work. We have not identified any significant weaknesses in Council's AGS reporting and the overall framework.

From our observations of attending Audit Committee meetings and conducting the Council’s financial statement audit, our view is the AGS further strengthens the Council’s arrangements around risk assessment, monitoring and effective operation of internal controls.

Budget setting process and budgetary controls

The Council’s budgetary controls and regular monitoring are covered under the financial sustainability section of this report and are not repeated here. This section covers some background on how the budget is set at the Council and the wider stakeholder participation.

The Council continues to consult the public and other stakeholders in the budget setting process. For example, for the 2024-25 budget, the public consultation took place from 8 December 2023 to 14 January 2024. The outcome is publicly available and published as an appendix to the 2024-25 Budget report to the Cabinet in February 2024. This is a demonstration of transparency and accountability by the Council and considered good practice.

The online budget consultation had five questions, which allowed for “free text” responses. They were:

1. What would be your spending priorities for the Council?
2. Where would you suggest the Council could reduce spending?
3. Do you have any concerns about the Council’s current budget?
4. Council Plan budget priorities
5. Do you have any other thoughts on the budget?

Question four was sub-divided into five separate questions, with respondents asked to give their budget priorities for the five themes in the Council Plan 2022-25:

- 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

A total of 112 people completed the online consultation, this was an increase on the 76 responses that were received on the budget consultation in the previous year (2023-24). For example, one area most commonly mentioned in the consultation feedback was, the maintenance of roads and pavements. These comments mostly related to repairing potholes and improving the condition of roads and pavements which were taken on board by the Council.

From our cumulative knowledge and experience as reported in previous AARs, the Council has sufficient governance arrangements in place regarding budget setting, monitoring and reporting.

Governance

Making properly informed decisions, supported by appropriate evidence

The Council continues to have a Committee Structure comprising:

- Full Council
- Cabinet
- Health and Wellbeing Board
- Nine Regulatory Committees, including the Audit Committee
- Four scrutiny committees, including the Overview and Scrutiny Management Board
- Three liaison meeting committees including, Rotherham Town Deal Board which comprises various stakeholder groups including South Yorkshire Mayoral Combined Authority
- Two joint committees, including the Barnsley, Doncaster and Rotherham joint waste board.

Minutes of these meetings are published on the Council's website. These minutes indicate that relevant information continues to be provided to decision makers before major decisions are made, alongside the impact of these decisions on key Council priorities.

The S151 Officer is a key member of the Council's Senior Management Team (SMT) and all key decisions are subject to legal approval by the Monitoring Officer. The SMT meets on a regular basis to discuss key decisions. These are then progressed to formal approval as necessary via the Council and the Cabinet.

Our observations from attending the Audit Committee meetings are that sufficient evidence is provided to Members to support proposed recommendations or seek approval of the Committee papers.

The Audit Committee is currently made up of four elected councillors and two newly recruited independent members, who are not elected councillors. Out of four elected councillors, one is an independent member with no affiliation to any political party. The recruitment of two independent members is a positive move by the Council and is in line with CIPFA's direction of travel and good practice for local authority audit committee membership.

Our attendance of Audit Committee meetings indicate that there is an environment of independent challenge and scrutiny on the Council's governance, risk management and assessing effective operation of internal controls, although attendance of some elected members could be more consistent throughout the year – something the Council has acknowledged and is keen to improve into 2024-25.

Overall, our work indicates, the Council continues to have arrangements in place, to make properly informed decisions, supported by appropriate evidence.

Local Government Association (LGA), Corporate Peer Challenge

The Council was subject to an LGA Corporate Peer Challenge review during June 2023. The peer challenge was undertaken by a team of six experienced reviewers drawn from the local government sector. The review included gathering information from a wide range of sources as well as attending various meetings, interviewing staff, councillors, external auditors and other stakeholders. The review was performed across a number of key areas, such as:

- Local priorities and outcomes
- Governance and culture
- Capacity for improvement.
- Organisational and place leadership
- Financial planning and management

The outcome and feedback of the review was published in September 2023, and was a positive report. Some highlights from the report are captured below:

- *"The Council serves the town well and is today an impressive organisation It highlighted that the Council is ambitious and has well-established and robust foundations, along with several notable and commendable practices that other councils can learn from*
- *There is strong and visible political and managerial leadership in the council at borough and sub regional level. The Leader and the Chief Executive have demonstrated drive in bringing about the necessary change across the Council to get it to the position it is today. There are excellent and effective Member and officer relationships built on mutual trust at a variety of levels*
- *The staff were motivated, dedicated and determined to deliver the best outcomes for residents. They knew the priorities of the council and wanted to do their best to deliver against them.*
- *There is also good evidence of effective governance and a positive and healthy organisational culture that supports the council in delivering some good quality services".*

As in any such inspection, there were some improvement recommendations to further enhance Council's arrangements. The Council was prompt to devise an action plan to implement these recommendations and this plan was reported to the Cabinet in September 2023, alongside the LGA report. These are available on the Council's website.

We will follow up the progress against these seven recommendations during our 2023-24 VFM work.

Governance

Maintaining and monitoring appropriate standards

The Council continues to have various means to monitor and ensure that appropriate standards are followed and reported to key committees. Some of these include:

- The Constitution
- Local Code of Corporate Governance
- Annual Governance Statement
- Health and Safety arrangements and compliance with legal obligations as a Council
- Customer Compliments and Complaints reporting to Cabinet and
- Register of Members interest and code of conduct for Members and all employees
- Head of Internal Audit work through the Internal Audit Plan
- Corporate Strategic Risk Register, identifying and monitoring key risks which include ensuring appropriate standards are monitored and reduce the risk of those adversely impacting the Council's objectives.

The Monitoring Officer (one of the three key statutory positions) continues to be responsible for ensuring that key standards are followed and complied with at the Council, including:

- promoting and maintaining high standards of financial conduct including maintaining the Register of Members' Interests which members and co-opted members are required to complete under the terms of the Council's Code of Conduct for Members and Co-opted Members
- ensuring that procedures for recording and reporting key decisions are operating effectively
- provide advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and the budget and policy framework, and will support and advise councillors and officers in their respective roles.

The Council has a Code of Conduct for officers and Code of Conduct for Members.

The Code of Conduct for officers is based on key principles arising from the work of the Nolan Committee on standards in public life; it outlines the minimum standards that all Council employees, casual workers, agency staff, contractors and volunteers must adhere to.

The purpose of this Code is to promote consistency and make all employees aware of their responsibilities whilst engaging in work for the Council, by specifying standards of behaviour and by clearly defining rules concerning official conduct.

The Members Code of Conduct, has been designed to support the Council's democratic role, encourage good conduct and safeguard the public's trust in local government and the Council. We made an improvement recommendation during our 2020-21 VFM work to further strengthen the management of Members Code of Conduct. Our follow up work during 2021-22 VFM work indicated that, management has actioned our recommendation.

Overall, the Council continues to have arrangements in place to monitor appropriate standards that promotes good governance.

Conclusion – Governance

Overall, we are satisfied the Council has appropriate governance arrangements in place and we have not identified any significant weaknesses in the Council's arrangements.

Our 2022-23 work has not identified any improvement recommendations. We have followed up the Council's progress against our 2021-22 governance recommendations in Section 10.

9. Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Management and monitoring

As reported in our previous AARs, the Council continues to have an established performance management framework in place. There have not been any significant changes to this process during 2022-23 and to date in 2023-24. Performance is reported to the Cabinet through six monthly progress Reports on Council Plan and Year Ahead Delivery Plan.

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

The Council Plan 2022-25 is a key document which sets out the Council’s vision for the Borough and priorities for serving residents and communities. The Plan provides the medium-term basis for targeting resources, informing the budget-setting process including planning cycles, and ensuring that residents can hold the Council to account for delivery.

The Year Ahead Delivery Plan (which is updated annually) for 2023-24 was approved by the Cabinet in April 2023.

The process for monitoring performance is set out in the Council’s Performance Management Framework (PMF) which is also unchanged from last two years. This explains how performance monitoring should be carried out. The PMF is linked to the five key themes in the Council Plan 2022-25 (Figure 8). There are Key Performance Indicators for each of these themes in the Council’s PMF.

The final yearly performance report for 2022-23 was reported to the Cabinet in July 2023. The 2023-24 half year performance was also reported to the Cabinet in January 2024. Therefore, there are regular reporting to the Cabinet on these performance targets.

We have reviewed the final performance report for 2022-23 and 2023-24 half year performance report. There are no performance issues that would indicate any significant weaknesses at the Council. This is in line with our cumulative knowledge of the Council that is supported by information gathered through our meetings with senior management and review of key meeting minutes such as Cabinet and the full Council. This is also supported by the LGA Corporate Peer Review, as reported at page 23.

From these Cabinet reports which are publicly available, there is sufficient evidence to conclude the Council has arrangements in place for performance monitoring to achieve its Council objectives. Further, the communication and reporting of the Council’s performance is open for check and challenge.



Figure 8

Improving economy, efficiency and effectiveness

Evaluates the services it provides to assess performance and identify areas for improvement

In addition to Council's own performance management and monitoring arrangements as reported at page 25, the Council also uses other means of evaluation of services, such as (not limited to):

- External inspections and reports
- Internal Audit reports in relation to the internal control environment linked to Council services – for example, Collection Fund internal audit may highlight control environment improvement areas such as control reconciliations and debt collection. Actioning these will further improve services related to revenue tax collections.

External inspections and reports:

Ofsted/CQC Report July 2021:

In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rotherham. This was to assess the effectiveness of the borough in implementing the SEND reforms as set out in the Children and Families Act 2014.

The inspection was led by Ofsted, supported by a team of inspectors from the CQC. The report was also issued in July 2021. As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector (HMCI) determined that a Written Statement of Action (WSOA) was required because of significant areas of weakness in the borough's practices and arrangements.

As a result of these findings from Ofsted and CQC, our view was there was a significant weakness in the Council's arrangements for 2020-21 and 2021-22 in relation to improving economy, efficiency and effectiveness in Rotherham, in implementing SEND reforms as set out in the Children's and the Families Act. As such, we raised a key recommendation on this issue in both our 2020-21 and 2021-22 VFM reports.

The key recommendation was:

- have a clear "Written Statement of Action (WSOA) in response to Ofsted and CQC report on joint area SEND inspection, which identified significant areas of weaknesses in implementing SEND reforms as set out in the Children and Families Act 2014
- a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC
- The action plan should be subject to formal monitoring and challenge by the Improving Lives Commission.

Our work in this area in 2022-23 indicates that good progress has been made in actioning Ofsted/CQC report recommendations. Some of those actions taken by the Council include:

- submitting a detailed WSOA in January 2022.
- creation of a SEND Executive Group that includes RMBC Directors of Children's and Adult Services, senior leaders from across a range of health partners and other leaders across education and health to deliver on the WSOA
- working with all key stakeholders to action the WSOA. This includes, DfE, CQC, NHS England, and Schools Forum
- monitoring the progress against the WSOA during regular meetings attended by all stakeholders, including representatives from key external stakeholders and senior officers from the Council
- reporting to the Cabinet and Improving Lives Commission, updating the progress in delivering the WSOA.

We have reviewed the meeting minutes prepared by the SEND and disability program adviser from the SEND and Alternative Provision division of DfE. Our minutes review has highlighted that:

- Rotherham Local Area continues to make sound progress with respect to their WSOA actions. Leadership is strong and shared across the Local Area including parents / carers and this is considered to be a strength in Rotherham
- The Local Area is already reporting on impact measures where this is appropriate, and this is evidenced in the written submissions. There are no significant delays in implementation. This is to be commended
- Improvements related to all areas are now established. In Rotherham there is much that is now securely established, especially in relation the Local Offer
- SEND Resources are now 'live' on the Local Offer and are available to all school/setting staff, families and young people. Development of SEND Champions within Social Care has increased knowledge of SEND processes and resources
- Rotherham's Preparation for Adulthood is now in a good position with WSOA implementation and implementation of SEND reforms
- 92.9% of actions are now completed as detailed within the WSoA, all WSoA areas have been presented to the Evidence Challenge Panel for formal sign off. Following support and challenge meeting 5 (June 2023) it was confirmed that Rotherham would not be subject to a re-visit inspection on implementing SEND reforms based on progress against the Written Statement of Action.

Further to our review of this evidence and discussions with Grant Thornton's public sector VFM consistency panel, we no longer consider there is a significant weakness in arrangements in relation to implementing SEND reforms in Rotherham. Therefore, we have now lowered this key recommendation to an improvement recommendation to be monitored in future VFM work. See section 10. This is a good outcome for the Council.

Improving economy, efficiency and effectiveness

As part of our 2022-23 VFM review, we have considered the following two Ofsted reviews.

(1) Inspection of Rotherham Metropolitan Borough Council local authority children's services by Ofsted – dates of visit 27 June – 1 July 2022 and report date July 2022.

In summary the overall rating was 'good', and Ofsted covered the following areas alongside awarding a rating:

- The impact of leaders on social work practice with children and families – good
- The experiences and progress of children who need help and protection – good
- The experiences and progress of children in care and care leavers – good
- Overall effectiveness - good

Overall, this was a very good outcome for the Council in terms of children's services provision, and demonstrates the progress made by the Council in this area in recent years.

(2) Inspection by Ofsted of Coleridge Children's Centre Day-Care – operated by the Council. Inspection date 28 November 2023

In summary, again the overall rating was 'good', and Ofsted covered the following areas alongside awarding a rating:

- The quality of education – Good
- Behaviour and attitudes – Good
- Personal development – Good
- Leadership and management – Good
- Overall effectiveness at previous inspection – Good

Again, this was considered a good outcome for the Council and a good indicator and feedback for the services it provides, from an independent and key public sector regulator.

Partnership working

Rotherham Council Plan 2022-25 continues to be a key demonstration of how the Council works with various partners to achieve its vision to improve services to its local residents. In the Council Plan, the 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 communities.

The Council continues to work in partnership with the following organisations and government departments to move forward its vision for the borough. For example, working with:

- Barnsley and Doncaster Councils which together run a Waste Partnership called BDR Partnership. This continues to manage waste recycling across the three boroughs
- The South Yorkshire Mayor and South Yorkshire Mayoral Combined Authority (SYMCA) senior executives to develop the borough infrastructure and access to required funding such as Gainshare.
- Government departments such as Department for Levelling Up, Housing and Communities (DLUHC), Department for Work and Pensions, Department for Education (DfE). Good examples of demonstrating the collaborative partnership working with government departments are the Council's successful access to Safety Valve Funding amounting £20.53m over five-year period started in March 2022 (page 14) and working with DfE regarding SEND reforms in Rotherham (page 26)
- South Yorkshire Integrated Care Board in respect of the response to the Written Statement of Action (WSOA) as a result of Ofsted/CQC report on SEND
- South Yorkshire Police and Fire and Rescue Services regarding Safeguarding Children
- As part of Rotherham Town development project, the Council has set up "Rotherham Town Deal Board" where various partners are included and working together to progress the town regeneration. Meeting minutes of the Town Deal Board are published on Council website. The Board includes prominent local business organisations, local MPs, key Councillors, SYMCA, NHS bodies in Rotherham, and Rotherham Chamber of Commerce.

The Council's partnership working was also highlighted in the LGA Corporate Peer Challenge (page 23), where the report highlighted that *"...the Council has forged robust partnerships and cultivated good working relationships that have stood the test of time..."*

Overall, the Council has arrangements in place for partnership working and continually demonstrates a good level of collaborative working with local and national partners.

Improving economy, efficiency and effectiveness

Procurement

More than a third of all UK government spending on goods and services is spent by local government, so it is important for local authorities to have effective arrangements in place for procurement and contract management.

The local authority sector's ongoing focus on efficiency, and other priorities, such as net zero and local growth, mean that local government procurement has a real opportunity to make a difference to the wider efficiency, growth and environmental agenda.

Strategic planning, internal controls, technical expertise, commercial awareness and contract management are all key attributes for effective procurement. Appropriate governance arrangements and deploying appropriate skills and resources are critical for successful procurement that is compliant with legislation. Where things go wrong, there are potentially significant risks to public money, service delivery and reputation.

The Council spends in excess of £350m per annum on a wide range of goods, works and services ranging from construction, transport and regeneration activity, to commissioned care services for vulnerable children and adults through to business and professional services such as food, consultancy and ICT. The Council's Procurement Strategy is included in Financial and Procurement Procedure Rules (FPPRs). There are regular updates that are presented to the Audit Committee on the Council's procurement arrangements, and we have not noted any significant weaknesses in these arrangements.

New Procurement Legislation - Transforming Public Procurement

Procurement rules and legislation are continually changing. In October 2023, the Procurement Act 2023 received Royal Assent and will act as the new framework for the Council when conducting most procurement activities. The implementation date of the Act is still to be confirmed but estimated as October 2024.

Until such a date is confirmed the current regime still applies. The Government has indicated that there will be a six months' notice period before the legislation goes into operation in local government. The Procurement Act 2023 moves procurement activity away from what can be considered as a transactional function into a strategic space, with focus now being given across the entire procurement lifecycle rather than just the procurement stage.

The Act introduces several new requirements for publishing notices throughout the procurement lifecycle from planning through to contract expiry. This is with a view to increasing transparency, but this may make aspects of the overall process more administratively burdensome, particularly during the life of a contract.

Some examples are:

- **Pipelines of future procurement opportunities:** As the Council spends over £100m per annum, there will be a new requirement to publish pipelines of future procurement opportunities (minimum 18 months – ideally 3-5 years) at the start of each financial year (as a minimum).
- **Transparency notices on the direct award of a contract:** In all instances of direct award, a mandatory transparency notice will be required to be published before the award is made, setting out the intention to make the award and the reasons for doing so without competition.
- **Mandatory contract change notices.** Whilst the provisions around when contract amendments are permissible are not significantly changing, there will be a requirement to publish contract change notices and a redacted copy of the modified contract.
- **New mandatory Contract Termination notices.** These are required for all contracts irrespective of whether the contract has expired naturally, or it has been terminated early. Where a supplier has breached contract, and this has resulted in termination of the contract, the award of damages or a settlement between the supplier and contracting authority must be included in this notice
- **Key Performance Indicators (KPIs) :** Another key and potentially administrative change is for contracts of £5m+ the Act will require the Council to publish a redacted copy of the contract and details of 3 KPIs that will be used in the management of the contract, those that are the most material to the performance of the core contractual obligations. During the term of the contract, there is an expectation that these KPIs are monitored and recorded, and the performance information is published annually via a new Contract Performance notice.

Public procurement policy

Improving economy, efficiency and effectiveness

Procurement (continued)

Our discussions with senior management indicates that the Council is working on getting 'match fit' for these key changes that may go live before the end of 2024. The Council is fully aware of the expected significant impact of the changes. In January 2024, the Senior Leadership Team (SLT) was presented with a detailed paper of key changes of the legislation and challenges for the procurement team.

The Council is working on:

- Reviewing current contracts, determine which fall in scope of the new regime for additional transparency reporting
- Reviewing internal guidance, policies, procedures and template documentation. A significant update to Finance and Procurement Procedure Rules will be required
- Ensuring procurement systems are updated
- Ensuring roles and responsibilities are clearly understood.

We know the Council is on a journey in implementing these changes and getting ready for the new legislation when it goes live.

One of the key findings from our discussions with senior management is the additional administrative tasks which could be more detailed and time consuming. In such a significant change, we consider identifying clear roles and responsibilities for the directorates is key for successful operation of these changes. It may be significantly challenging for the procurement team to cover the whole process from awarding a contract to expiry or termination.

For example, KPI monitoring may potentially be a service directorate related task, where senior officers from respective directorates would be more familiar with how the service provider is performing against the set KPIs. Our work indicated that currently there is no such operational plan with clear roles and responsibilities for the wider Council directorates.

We have raised an improvement recommendation, to develop an operational plan with clear roles and responsibilities to action the issues arising from the change in procurement legislation, allocated appropriately to directorates and senior management.

We believe this would support and strengthen the Council's arrangements in preparing for the new legislation and associated procurement activities at the Council.

Climate Change

During October 2019, the Council declared a Climate Emergency and set out its Climate Emergency Action Plan. In March 2020, the Cabinet approved the following targets:

- The Council's carbon emissions to be at net zero by 2030 (NZ30)
- Borough-wide carbon emissions to be at net zero by 2040 (NZ40)

The Council's action plans have been updated yearly to reflect the progress made. Annual progress reports are presented to the Cabinet alongside the revised Action Plans. The latest progress report was presented to the Cabinet in February 2024.

The Council's climate change strategy is captured by eight policy themes as follows:

- Monitoring and measurement
- Energy decarbonisation
- Transport
- Housing
- Waste
- Built & Natural Environment
- Influence & Engagement
- Adaptation.

The progress reports and action plans capture these eight themes in detail, including additional data and progress on following key areas which are also integral to achieving Council targets.

- Carbon Emissions Data Summary
- Single Use Plastic Action Plan
- Equalities Impact Assessment
- Carbon Impact Assessment.

Improving economy, efficiency and effectiveness

Climate Change (continued)

The Council continues to engage with regional and local partners to achieve its net zero targets, including the Rotherham Together Partnership, the Rotherham Growth Board, South Yorkshire Mayoral Combined Authority, South Yorkshire Sustainability Centre, the Yorkshire and Humber Climate Change Commission, the Local Government Association, and the Rotherham Youth Cabinet.

The latest climate action plan presented to the Cabinet highlights some red risks on delivery. A red risk means, “action will not be/has not been met within three months of the original target date”.

In summary, some key challenges according to the latest progress report and action plans are around themes such as Housing, Waste (red risks) and Energy Decarbonisation of Council buildings, where the risk is considered Amber.

According to the Council’s latest Corporate Strategic Risk Register (December 2023) the risk has not materially changed since July 2022, and there is no indication of any key challenges faced by the Council in achieving this Net Zero target by 2030 and potential red risks, where delivery is behind target.

Our review of reports and discussions with management indicate, some of these delays are in relation to increased budget requirements and funding to implement change and achieve the Net Zero 2030 targets. Considering the current local authority financial landscape, it is a balancing act between delivery of Council’s statutory services to the local population and achieving an ambitious Net Zero target. In Rotherham’s case, Net Zero for the Council in 2030 is only six years away.

We have raised an improvement recommendation in this area.

Considering the Council’s Net Zero target is only six years away, it is important to identify key challenges and risks to delivery. Based on that review, the Council should assess if it is on track to deliver this target by 2030. The Council needs to capture any risks to 2030 delivery, on a timely and appropriate basis in the Council’s Corporate Strategic Risk Register. This would provide essential information for Members and officers to make informed decision making around delivery targets as well as gaps in delivery.

Conclusion – Improving economy, efficiency and effectiveness:

Overall, we are satisfied the Council has appropriate arrangements in place in relation to improving economy, efficiency and effectiveness.

As highlighted at page 26, there is a positive direction of travel in terms of the key recommendation we have previously raised in relation to arrangements in implementing SEND reforms. Due to the progress made and actions taken by the Council, we no longer consider this as a significant weakness in arrangements in place at the Council. Therefore, we have lowered this key recommendation to an improvement recommendation to be monitored. This improvement recommendation is followed up at Section 10.

We have also raised two improvement recommendations which are set out overleaf.



Improvement recommendations

Recommendation 1	<i>We recommend the Council develops an operational plan with clear roles and responsibilities to implement the key changes and developments arising from the new procurement legislation (the Procurement Act 2023).</i>
Improvement opportunity identified	By identifying clear roles and responsibilities for the wider Council directorates and executing that at operational stage would improve the Council's preparedness and compliance with the new legislation and future procurement monitoring framework.
Summary findings	<p>As reported at pages 28 and 29, one of the key findings of this new legislation is additional administrative tasks which could be more detailed and time consuming. It may be significantly challenging for the procurement team to cover the whole process from awarding a contract to expiry or termination.</p> <p>For example, KPI monitoring may potentially be a service directorate related task, where senior officers from respective directorates would be more familiar with how the service provider is performing against the set KPIs. Our work indicated that currently there is no such operational plan with clear roles and responsibilities for the wider Council directorates.</p>
Criteria Impacted	Improving economy, efficiency and effectiveness.
Auditor Judgement	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
Management Comments	<i>Agreed. The Council recognises the need to respond proactively to the new procurement legislation and is actively planning for its implementation. The recommendation will help to focus the wider Council's attention on this key legislative update and recognise the role they need to play in delivery against this.</i>

Improvement recommendations

Recommendation 2	<i>We recommend the Council sets out the key actions and challenges in achieving Net Zero 2030 and updates the Council’s Corporate Strategic Risk Register (CSRR) accordingly on a timely basis. The Council needs to clearly articulate what actions are required in order to still deliver on this key environmental objective.</i>
Improvement opportunity identified	This action will play a key role in supporting the Council’s key objective of delivering net zero for the Council by 2030.
Summary findings	<p>Our review of reports and discussions with management indicate some of the challenges on delivering this target are in relation to increased budget requirements and funding to implement change and achieve the net 2030 targets.</p> <p>Considering the current local authority financial landscape, it is a balancing act between delivery of Council’s statutory services to the local population and achieving an ambitious Net Zero target. In Rotherham’s case, Net Zero for the Council in 2030 is only six years away.</p>
Criteria Impacted	Improving economy, efficiency and effectiveness
Auditor Judgement	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
Management Comments	<i>Agreed. The Council can add the key actions and linked challenges to the Risk in the Council’s Risk Register and will consider the inclusion of this risk at Corporate Strategic level in consultation with the Strategic Leadership Team.</i>

10. Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date from management:	Addressed?	Further action?
1	Financial Sustainability - monitoring the capital programme We recommend the Council refines its existing arrangements for monitoring the capital programme to ensure the spend profile and timing of capital expenditure remains accurate and supports delivery of the programme and Council Plan. Timely reporting of any significant slippage and delays within the capital programme should be made, together with any implications for service delivery and council tax payers arising from this, and actions to be taken to address the issues.	Improvement	March 2023	The Council continues to work hard to address the challenges in profiling capital expenditure and keeping major capital projects and programmes on track. The delivery of capital spend is increasing year on year reflecting the improvements being made but more is to be done. New business case risk adjusted spend profiles are not being used for all new projects and new funding is placed at the back of the programme until a fully designed scheme is brought forward. There is also a wider review of capital project/programme management underway to ensure the process is smooth and challenges can be escalated for resolution.	Ongoing	Complete the review of capital project governance and reporting. To be followed up further during our 2023-24 VFM work
2	Governance – Risk Management In line with the Council's own risk management guide, we recommend the Council draws out in the Corporate Strategic Risk Register and associated published risk management reporting, the degree of risk appetite and the possible upside of taking on a degree of managed risk. This should help highlight to Members the possible favourable benefits of a degree of managed risk, and impact this could have on the achievement of the Council's objectives.	Improvement	March 2023	The Council is beginning to draw out in risk reporting how the Council can pursue appropriate innovative opportunities with higher levels of risk because the risk has been understood and managed down to acceptable levels.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date from management:	Addressed?	Further action?
3	<p>Improving economy, efficiency, effectiveness – Enhancements in relation to Key Performance Indicators</p> <p>The Council should consider whether it can streamline the KPI performance report to provide more summarised and integrated performance, finance and risk reporting.</p> <p>The Council should consider reducing the volume of KPIs and targets to a more manageable level to assist clearer reporting of actions for any KPIs/ targets not delivering.</p>	Improvement	March 2023	<p>Management Response March 2023</p> <p><i>Noted. However, the Council has already amended the format and layout of the report at member’s request to gather all the Council Plan theme summaries into one section as such a further summary in front of that would not be suitable at this time.</i></p> <p><i>With regards to reducing the number of KPI’s, at present that also isn’t suitable as the Council is currently being asked to publish more rather than less. The Council recognises that some reduction in KPI’s might create efficiencies and perhaps therefore help to focus more clearly, as such this might be something that the Council revisits in the future.</i></p> <p>Management Response March 2024: The Council remains comfortable with its approach to the reporting of KPI’s.</p>	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date from management:	Addressed?	Further action?
4	<p>Improving economy, efficiency, effectiveness: Ofsted / CQC report on SEND - July 2021:</p> <p>Following the Ofsted and CQC SEND inspection, the Council should:</p> <ul style="list-style-type: none">• have a clear “Written Statement of Action (WSOA) in response to Ofsted and CQC report on joint area SEND inspection, which identified significant areas of weaknesses in implementing SEND reforms as set out in the Children and Families Act 2014• a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC• The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission.	Key (2020-21 and 2021-22]	March 2022 and March 2023	<p>The Council has work hard to build and develop stronger and more pro-active working relationships with all stakeholders such as Department for Education, NHS England and the South Yorkshire Integrated Care Board.</p> <p>The Council submitted a detailed WSOA in January 2022 as required, along with the creation of a SEND Executive Group that includes RMBC Directors of Children’s and Adult Services, senior leaders from across a range of health partners and other leaders across education and health to deliver on the WSOA. The Council continues to work with all key stakeholders to action the WSOA. This includes, DfE, CQC, NHS England, and Schools Forum.</p> <p>The Council continues to monitor the progress against the WSOA during regular meetings attended by all stakeholders, including representatives from key external stakeholders and senior officers from the Council and report to the Cabinet and Improving Lives Commission, updating the progress in delivering the WSOA.</p>	Yes – sufficient progress can be demonstrated by the Council in order to reduce this matter from a key recommendation. See page 26.	We will maintain a watching brief on this issue as part of our 2023-24 VFM work to ensure the progress is maintained.

Appendices

Appendix A – Responsibilities of the Council

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

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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No statutory recommendations have been raised in 2022-23.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No key recommendations have been raised in 2022-23. Our previous key recommendation on SEND issues following the CQC/Ofsted Report has now been downgraded.	See commentary on pages 3, 5, 8, 26 and 35, in respect of the downgrading of the previous key recommendation.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes. There are four improvement recommendations that have been raised in this report. Two on financial sustainability and two on improving economy efficiency and effectiveness.	Financial sustainability: pages 19, 20 3Es: pages 31, 32

Appendix C – Key sources of evidence

In undertaking our work, we have considered a range of key sources of evidence and obtained information from or met with various Council Officers, including the following:



Key Staff involved

- Chief Executive
- Section 151 Officer
- Assistant Director Financial Services
- Head of Internal Audit
- Head of Procurement
- Corporate Improvement and Risk Manager
- Climate Change Manager



Key Documents Reviewed

- Annual Budgets 2021-22, 2022-23, 2023-24 and 2024-25
- Quarterly Finance Performance Reports for 2022-23 and 2023-24
- Outturn report for 2022-23
- Treasury Management (TM) Strategy and TM reports to the Cabinet and Audit Committee
- Corporate Strategic Risk Register
- Council Constitution
- Council Plan and Year Ahead Plans 2022-23 and 2023-24
- Quarterly Finance Monitoring Reports for 2022-23 and 2023-24 to date
- Annual Governance Statement 2022-23
- Head of Internal Audit Annual Report 2022-23
- Mid-Year Report on Council Plan and Year Ahead Delivery Plan Progress for 2023-2024.
- Procurement Procedure Rules and paper to SLT on Changes in Procurement Legislation
- Ofsted / CQC report on SEND - issued in November 2021 and various evidence on progress made during 2022-23 to date including evidence from Ofsted/CQC
- Latest Climate Change Action Plans, past Climate Change Annual Reports and Climate Change Progress reports to the Cabinet



Key Meetings Observed

- Attendance of Audit Committee meetings by the Key Audit Partner and Senior Audit Manager during 2022-23 and 2023-24
- Minutes review of the Cabinet and Council 2022-23

Committee Name and Date of Committee Meeting

Audit Committee – 12 March 2024

Report Title

Asset Management Building Security Audit Update

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

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

The purpose of this report is to note the actions taken and implementation of the recommendations made with regards to the partial assurance internal Audit reports on Building Security.

Recommendations

That the Audit Committee note the contents of the report and the appendix attached.

List of Appendices Included

Appendix 1 Summary of Management Actions

Background Papers

Internal Audit Report - Building Security Regeneration & Environment 21/22-RE04
September 2022

Internal Audit Report - Building Security Follow Up Regeneration & Environment
22/23-R&E13 October 2023

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Asset Management Building Security Audit Update

1. Background

- 1.1 Under Corporate Landlord, Asset Management are (through the Operational Facilities Management Team), responsible for the maintenance and repair of its operational buildings and have a duty to manage its compliance with its statutory duties alongside having the necessary controls in place and keeping property records updated. This can only be achieved by regular scheduled visits to the properties by the designated Building Officers.
- 1.2 The service has undergone two Internal Audits, (Building Security 21/22-RE04 September 2022 and Building Security Follow Up 22/23-R&E13 October 2023) that are subject to this report.
- 1.3 The Building Security 21/22-RE04 September 2022 report was given a partial assurance that the controls were operating effectively based upon the results of the Internal Audit. Four recommendations were made to improve internal control arrangements surrounding building security across the Corporate Property estate. All four recommendations were agreed with implementation dates of 31st October 2022 (x3 agreed actions) and 31st December 2022 (x1 agreed action).
- 1.4 The Building Security Follow Up 22/23-R&E13 October 2023 report was again given a partial assurance that the controls were operating effectively based upon the results of the Internal Audit, due to the agreed Action ref 1 from the previous audit not being implemented in full. This resulted in a further 3 recommendations with agreed implementation dates of the 30th November 2023, 31st December 2023 and the 31st January 2024. All three recommendations have been implemented by the due dates.

2. Key Issues

- 2.1 Asset Management is a diverse Service covering a wide variety of professional areas contributing towards a number of key Corporate Priorities., with Operational Facilities Management being the main focus of the above internal audits.
- 2.2 Asset Management has been on an improvement journey over the last few years with the appointment of a new Head of Service in May 2020. Prior to this, there had been a number of substantial re-organisations and restructures which resulted in a considerably reduced but streamlined Service. However, in recent years the Service has faced a number of challenges, including the recruitment and retention of staff through increased competition due to a nationwide shortage of professional staff, an aging workforce and increasing workloads.

2.3 Therefore, in order to meet these challenges, and to address identified weaknesses, a further Service re-organisation was conducted and implemented on 1st October 2022. This included a dedicated Servicing and Compliance Team who order and monitor all the works and ensure that the CIPFA Asset Management system is updated with all compliance certification.

2.4 The Asset Management Service has been under the temporary responsibility of Finance & Customer Services since 7th August 2023, with considerable improvements made across the Service.

2.5 The agreed actions from the September 2022 Internal Audit Review of Building Security were completed but were not effective in resolving the issues identified in that report, and were also identified during the follow up report. As a result, stronger management action was required to address the issues raised. A summary of the action taken can be seen within Appendix 1. This action included the intervention of the Head of Asset Management with support from the Assistant Director Legal Services.

2.6 During the latter half of 2023, both the Operational Facilities Manager and Compliance Manager tendered their notice and have subsequently retired, leaving a considerable gap within the Operational Facilities Management Team as both posts are key the delivering and continuing with the recommendations. The Service has acted quickly in order to recruit to these roles.

2.7 However, with support from Assistant Director Legal Services, the Head of Asset Management has continued with the recommendations and will continue with the monitoring and sample testing on a monthly basis, taking the necessary action with the appropriate Building Officers. Once the vacant posts are recruited to, the Head Asset Management will ensure that the ongoing monitoring and work continues as this will form part of the new recruit's appointment brief.

3. Options considered and recommended proposal

3.1 No options considered.

4. Consultation on proposal

4.1 Not Applicable.

5. Timetable and Accountability for Implementing this Decision

5.1 Whilst all recommendations were implemented by the due dates, these will need to be monitored continuously.

5.2 The Head Asset Management will continue monitoring and sample testing on a monthly basis and will continue to be responsible for implementing the recommendations until the Operational Facilities Manager and Compliance Manager can be appointed. This continuous monitoring will be reported to the Assistant Director Legal Services.

5.3 Once the posts are appointed to the Head of Asset Management will continue to oversee the implementation of the recommendations.

6. Financial and Procurement Advice and Implications

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

7. Legal Advice and Implications

7.1 There are no legal implications arising from the Report.

8. Human Resources Advice and Implications

8.1 No HR Implications considered.

9. Implications for Children and Young People and Vulnerable Adults

9.1 No Children and Young People and Vulnerable Adults implications considered.

10. Equalities and Human Rights Advice and Implications

10.1 No Equalities and Human Rights Advice and Implications considered.

11. Implications for CO₂ Emissions and Climate Change

11.1 No CO₂ Emissions and Climate Change Implications considered.

12. Implications for Partners

12.1 No implications for Partners considered.

13. Risks and Mitigation

13.1 Staff Resources across Asset Management that have proven challenging for 2023/24 and look likely to continue through 2024/25 despite the improvements as a result of the Asset Management Re-Organisation.

- 13.2 There is a risk that the appointment of the key posts may be prolonged, which could impact upon the ongoing implementation of the recommendation, however this is being mitigated by the Head of Service monitoring this and taking the necessary action where appropriate.

Accountable Officer(s)

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

Summary of management action taken following the issue of the audit report

Building Security Follow Up Regeneration & Environment 22/23-R&E13 October 2023

The following table documents the original recommendations, the findings in the follow up report and the revised recommendations.

Reference number	Agreed action	Summary of findings in follow up audit	Recommendation raised	Update as at January 2024 By The Head of Asset Management
1	Facilities Manager to review inspection frequency with the Building Officers and to issue written reminder to Building Officers to ensure that inspections are recorded on CIPFA Asset Manager system in accordance with the inspection policy.	<p>The Facilities Manager did issue a written reminder to Building Officers on 17th October 2022 to ensure that inspections are recorded on the CIPFA Asset Manager system in accordance with the inspection policy, however Building Officers have not followed this instruction and the control weakness remains.</p> <p>The follow up audit identified that the inspection frequency record had been updated to reflect</p>	Compliance Manager to ensure that inspection frequencies are recorded on CIPFA Asset Manager system in accordance with the inspection policy.	<p>Both the Facilities Manager and Compliance Manager have reminded to all Building Officers of the importance of updating CIPFA records via email instructions, Building Officer Meetings and 1 to 1 individual meetings</p> <p>As a further measure the Facilities Manager conducted a number of random checks on frequency of visits on various properties covering all Building Officers, the results of which were reviewed by the Head of Service,</p>

		<p>properties no longer inspected, sold, demolished or let to third parties, however testing revealed that CIPFA Asset Manager had not been updated with the revised frequencies.</p> <p>Conclusion</p> <p>Agreed Action from the previous audit has not been implemented in full. Inspection frequency intervals on the inspection policy document do not agree to CIPFA Asset Manager</p>		<p>and further actions taken.</p> <p>Following the departure due to retirement of both Facilities Manager and Compliance Manager, the Head of Service gave further formal instructions to Building Managers on this (via email 16th January 2024) and discussed this requirement at a Building Officer meeting (18th January 2024)</p>
2	Facilities Manager to issue a written instruction to the Building Officers and to periodically monitor the frequency to ensure that inspections are taking place.	The written reminder to Building Officers mentioned above, also contained a reminder of the need to ensure that building inspections are carried out in line with the frequency of inspections and	Compliance Manager to ensure that inspection frequencies are recorded on CIPFA Asset Manager system in accordance with the inspection policy.	Both the Facilities Manager and Compliance Manager have reminded to all Building Officers of the importance of updating CIPFA records via email instructions, Building Officer

		<p>recorded on CIPFA AM, however Building Officers have not followed this instruction and the control weakness remains.</p> <p>Conclusion</p> <p>Agreed Action ref 1 from the previous audit has not been implemented in full. Inspection frequency intervals on the inspection policy document do not agree to CIPFA Asset Manager.</p> <p>Building inspections dates are not being adhered to.</p>	<p>Management should ensure that inspections take place to the required frequency.</p>	<p>Meetings and 1 to 1 individual meetings</p> <p>As a further measure the Facilities Manager conducted a number of random checks on frequency of visits on various properties covering all Building Officers, the results of which were reviewed by the Head of Service, and further actions taken.</p> <p>Following the departure due to retirement of both Facilities Manager and Compliance Manager, the Head of Service gave further formal instructions to Building Managers on this (via email 16th January 2024) and discussed this requirement at a Building Officers meeting (18th January 2024)</p>
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3	<p>Implementation of the new Asset Management structure, including a dedicated servicing and compliance team with responsibility for ensuring that all alarm, CCTV and access control servicing dates and certificates are placed under the compliance tabs on CIPFA Asset Manager. KPI reports are already being produced quarterly for DLT.</p>	<p>The new structure for Asset Management was implemented on 1st October 2022. This included a dedicated servicing and compliance team who order and monitor all the works and ensure that the CIPFA AM system is updated with all compliance certification on the compliance tab of the CIPFA AM system.</p> <p>Sample testing found improvements in the servicing regime.</p>	No further recommendation raised.	Recruitment to both the Facilities Managers Post and Compliance Managers post has taken place and appointment made to both posts. The new recruits will commence in post following their notice periods.
4	<p>The Facilities Manager will ensure that a security briefing reminder is issued via a staff briefing on a periodic basis, at least annually.</p>	<p>The Facilities Manager requested a briefing to be issued by the Corporate Communications team in October 2022, unfortunately the request was not progressed by the team. A second request by the</p>	No further recommendation raised.	Periodic briefings to be issued, next briefing due April 2024

		Facilities Manager has resulted in Building Security being added to Corporate Communications Monday Round-ups published on 17 th & 24 th April 2023.		
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Committee Name and Date of Committee Meeting

Audit Committee – 12th March 2024.

Report Title

Internal Audit Quality Assurance and Improvement Programme (QAIP) and review against Public Sector Internal Audit Standards (PSIAS).

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author

Louise Ivens, Head of Internal Audit

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Ward(s) Affected

Borough-Wide.

Report Summary

Internal Audit is a major source of assurance to the Council on the framework of control, risk management and governance. All Internal Audit departments in Local Government must comply with PSIAS. The standards include the need for a QAIP to provide continual improvement, based on ongoing quality assurance and an annual self-assessment, with an external assessment at least every five years.

An external assessment was completed in November 2020 which showed general conformance with those standards and was presented to the Audit Committee in March 2021. This is the highest classification of results from these assessments (generally conform, partially conform or do not conform). The QAIP was updated to address the areas where further improvement could be made, based on the suggested actions to consider in the report.

The Improvement Programme has continued to be implemented since then. The latest annual self-assessment has now been completed, still showing general conformance with the standards. However, in line with the concept of continual improvement, there are always actions that can be taken to maintain and improve performance. This paper shows the status of actions in previous year's QAIPs and the actions identified as being relevant for the coming year.

The new Global Internal Audit Standards were issued by the International Internal Auditing Standards Board (IIASB) in January 2024. They will become effective on the 9th January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) has begun its review of the new global standards and will determine the implications for PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements.

Recommendations

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

The Audit Committee is asked to note that the new Global Internal Audit Standards will become effective from 9th January 2025 and that the implications for the UK's PSIAS including any subsequent changes will be subject to consultation and appropriate transitional arrangements.

List of Appendices Included

Appendix A Quality Assurance and Improvement Plan.

Background Papers

Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Audit Committee Paper March 2021.

Global Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Internal Audit Quality Assurance and Improvement Programme.

1. Background

- 1.1 Internal Audit is required to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). Those standards require the existence of a Quality Assurance and Improvement Plan.
- 1.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. The periodic reviews normally comprise annual self-assessments, but external verification of that assessment must be obtained at least every five years. An external assessment was completed in November 2020 and the results reported to the Audit Committee in March 2021. Where suggestions for improvement were made actions were generated which in total comprised the Improvement Action Plan for 2021, together with four actions carried forward from the previous year.
- 1.3 Annual self-assessments have been completed using a checklist developed by the Chartered Institute of Public Finance and Accountancy. The self-assessment covers all standards and includes evaluating the ongoing procedures and progress against the Improvement Plan.
- 1.4 The new Global Internal Audit Standards were issued by the International Internal Auditing Standards Board (IIASB) in January 2024. They will become effective on the 9th January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) has begun its review of the new global standards and will determine the implications for PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements.

2. Key Issues

- 2.1 RMBC Internal Audit were found to conform overall with PSIAS, with conformance with all standards, the Code of Ethics, Core Principles, Definition and Mission Statement. All individual areas showed conformance except for one relating to the use of computer aided audit techniques.
- 2.2 The position against the Improvement Plan is given in Appendix A. The actions are to enhance performance and guard against a loss of capability and capacity if staff members leave. They do not affect the standard of work carried out by the team.
- 2.3 The Action Plan will continue to be implemented during 2024/25. An internal self-assessment will be undertaken against the new Global Internal Audit Standards later in the year to highlight any areas for further development. We will maintain a watching brief on developments from the IASAB and any changes which may be made to the PSIAS and relevant implementation dates.

3. Options considered and recommended proposal

- 3.1 There is no discretion on whether to comply with the PSIAS. The purpose of the report is to inform the Audit Committee of the QAIP and the relevant actions to develop and improve the Internal Audit Service.

4. Consultation on Proposal

4.1 None.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its 12th March 2024 meeting.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

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

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for Children and Young People.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for CO2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from this report.

12. Implications for Partners

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Council Plan.

13. Risks and Mitigation

13.1 The following risk has been identified.

Risk	Impact	Likelihood	Mitigation
Failure to meet the requirements of the standards set down in the UK Public Sector Internal Audit Standards (PSIAS) and the new Global Internal Audit Standards.	Low	Low	External and internal assessments show general conformance with PSIAS. Maintain quality assurance and implement the continuous improvement plan.

14. Accountable Officer

Louise Ivens, Head of Internal Audit.

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Rotherham Metropolitan Borough Council

Internal Audit Quality Assurance and Improvement Plan 2024

1 Introduction and Background

- 1.1 The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.
- 1.2 The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.
- 1.3 The QAIP must include both internal and external assessments.
- 1.4 Internal assessments must include:
 - Ongoing monitoring of the performance of the Internal Audit activity. This is an integral part of the day-to-day supervision, review and measurement of internal audit. Ongoing monitoring is incorporated into the routine policies and practices used to manage internal audit and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, Code of Ethics and Standards; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices, to evaluate conformance.
- 1.5 External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.
- 1.6 Within RMBC the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit assignment level as well as at a broader level covering the entire internal audit department.
- 1.7 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.8 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of RMBC that it:
 - Performs its work in accordance with its Charter, which is consistent with the PSIAS
 - Operates in an efficient and effective manner
 - Is adding value and continually improving its operations

2 External Assessment

- 2.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 2.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.
- 2.3 At the end of 2020 an external assessment of Internal Audit was completed by the Head of Internal Audit of Calderdale Council. The results showed General Conformance with PSIAS and were reported to the Audit Committee in January 2021. Eleven suggested actions for consideration were made to further develop the service. These actions, plus four carried forward from the previous year, became the QAIP for 2021.

3 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews.

- 3.1 Ongoing quality assurance arrangements
 - 3.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS. They include:
 - 3.1.2 At assignment level
 - The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
 - The objectives, scope and expected timescales for each audit assignment are subject to agreement with the client before detailed work commences
 - The results of all audit testing are documented using standard working papers
 - Documented reviews of files and working papers by a Principal Auditor to ensure that:
 - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
 - Audit files are complete and properly structured;
 - The objectives of the audit have been achieved;
 - Appropriate levels of testing have been carried out;
 - The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence;

- The audit report is complete, accurate, objective, clear, concise, constructive and timely
- Supervision of audit assignments
- Regular monitoring of progress of audit assignments
- Terms of Reference/Audit Briefs are reviewed and approved by the Head of Internal Audit
- Draft reports and recommendations are reviewed and approved by the Head of Internal Audit.
- Client View Questionnaires are issued with each final report to obtain feedback on the performance of the auditor and on how the audit was received.

3.1.3 At Internal Audit department level

- The Internal Audit annual plan is produced using a risk-based approach
- The audit procedures manual provides a detailed description of the work of the department and the way in which the work should be carried out. This is a point of reference for staff and guides them through the relevant procedures followed within the department
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility for Internal Audit
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including:
 - Job descriptions for each post
 - Annual performance appraisals, to include assessment against audit competencies
 - Individual development plans based on the results of the appraisals
 - Training plans and qualifications for individuals within the team
- Performance against agreed quality targets reported to the Audit Committee at each meeting

3.1.4 Integrated Audit Software

The department uses Pentana integrated audit software supplied by Ideagen. This enhances and enforces quality assurance at assignment level.

3.1.5 Reporting to the Audit Committee

Internal Audit provides the Audit Committee with a regular progress report summarising the audit activity undertaken since the previous meeting. This includes the following:

- Progress against the annual plan
- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations
- Performance Indicators for the department

3.2 Periodic Reviews

- 3.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS completed by the Head of Internal Audit. A checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) is used.
- 3.2.2 The results of the self-assessment are used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.
- 3.2.3 Results are also used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the Audit Committee.
- 3.2.4 Another self-assessment has now taken place which included an evaluation of progress against the previous actions, using the CIPFA checklist. The results are shown below. Where an action has been identified against a standard the whole of that standard and the current actions are shown to give context, even if the new suggested action only relates to part of the standard.
- 3.2.5 The actions will be progressed throughout the year and the results reported back to the Audit Committee.

Quality Assurance and Improvement Plan - Actions from 2022

Ref	Observations	Actions to Consider	Management Response/Action	Timescale	Current Position
1200	<p>Standards require that engagements are performed with proficiency and due professional care having regards to skills and qualifications.</p> <p>The self-assessment identified that there is a short-fall in IT audit knowledge and the use of computer assisted audit techniques (CAATs), although actions have been identified to manage this, such as buying a service from Salford Internal Audit. No reference is made to these arrangements in the Audit Manual or Internal Audit Charter.</p>	<p>Arrangements for IT audits and CAATs should be appropriately documented in the Audit Manual and Internal Audit Charter.</p> <p>Action should continue to be taken to address this gap in knowledge to ensure audits are performed in compliance with required standards</p>	<p>The Audit Manual and Charter have been updated to include the use of Salford IT Internal Audit.</p> <p>The use of Computer Aided Audit Techniques is being explored and they will be used during 2022/23.</p>	2022/23	<p>Complete.</p> <p>IT audits completed by Salford IAS.</p> <p>Audit Manual and Charter updated to reflect this.</p> <p>CAATs introduced.</p>
1300	<p>As part of the external review progress reports presented to each meeting of the Audit Committee were reviewed. It was noted that a number of audits showed the status 'WIP' (work in progress) for several meetings. From discussion with the Head of Internal Audit it was identified that there would be reasons for this, although the potential for "drift" is currently not being monitored.</p>	<p>In order to ensure efficiency, and that reports are reported in a timely manner, consideration should be given to introducing targets and monitoring the manage the risk of "drift" i.e. starting audits and not completing them in a timely manner.</p>	<p>Agreed.</p> <p>Targets for the timely completion of audits will be introduced.</p>	2022/23	<p>Complete.</p> <p>Targets for completion are held within the Pentana audit system.</p> <p>Audit KPI's will be reviewed and further developed during the 2024-25 year. See new action below.</p>

Quality Assurance and Improvement Plan 2023 – Actions from 2023

Ref	Standard	Assessment	Planned Action	Timescale	Current position
1210	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Data analytics software purchased during 2022. Usage needs development.	Considered for all audits. Arrangement with Doncaster IA to provide informal assistance.	2023/24	<p>All audits have considered the use of data analytics with mixed success.</p> <p>This will be further developed in 2024-25 and the use of alternative software/tools will be explored.</p>
1230	Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess each individual against the predetermined skills and competencies?	Skills assessment not completed formally.	Complete skills and competency assessments as part of the PDR process.	2023/24	<p>PDR's are completed in accordance with the corporate process using the standardised templates.</p> <p>A training and development plan for the Audit Service will be produced which will identify any audit specific training needs and how these will be addressed.</p>
2030	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Included in the plan. Potential issue of loss of skills and knowledge from the team as people near retirement.	Succession planning, training and development, recruitment.	2023/24	<p>Complete.</p> <p>Members of the team have undertaken counter fraud training during 2023-24, including involvement in investigations.</p> <p>Staff have also been involved in the audit planning process for the 2024-25 audit plan. This has extended the experience in this area across the team.</p>

					<p>The risk based plan explains the resource requirements that have been assessed.</p> <p>See link to training and development action above.</p>
2050	<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise or make use of assurance mapping carried out by other assurance providers.</p>	<p>Reliance not placed upon other sources of assurance.</p> <p>Assurance mapping exercise not completed.</p>	Review the need for assurance mapping, to improve audit planning.	2023/24	<p>The audit planning process was revised in 2024-25. The specific assurance mapping exercise has not been progressed. This will be reviewed during the 2024-25 year.</p> <p>Cipfa will be producing a detailed assurance framework guide in 2024 which will be used to take forward this development.</p>
Quality Assurance and Improvement Plan 2024 - New actions arising in 2024					
	New Global Internal Audit Standards	<p>A self-assessment will be undertaken against the new standards. An action plan will be produced to ensure we will be on track to meet the standards when they become effective on the 9th January 2025 noting that revised material for the public sector is yet to be issued.</p>	Undertake a self-assessment against the new standards and develop an action plan to capture any areas that need to be enhanced.		This will be undertaken in 2024/25.

1311	<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <p>Is there a set of comprehensive targets which between them encompass all significant internal audit activities?</p> <p>Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?</p> <p>Does the CAE measure, monitor and report on progress against these targets?</p> <p>Does ongoing performance monitoring include obtaining stakeholder feedback?</p>	<p>A series of KPI's are currently in use and are reported to the Audit Committee in regular progress reports. These will be reviewed and enhanced in year.</p>	<p>A review of our KPI's will be undertaken, benchmarking with other local authorities and having due regard to best practice.</p>	<p>This will be undertaken in 2024/25.</p>
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Council Report

Audit Committee Meeting – 12th March 2024.

Title

Internal Audit Plan 2024/25.

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)

Louise Ivens, Head of Internal Audit
Internal Audit, Finance and Customer Services
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Ward(s) Affected

All wards.

Report Summary

This report refers to the Internal Audit Plan for 2024/25. The report explains Internal Audit's approach to the development of the plan, as well as detailing the specific activities we plan to review during the year. The plan reflects a comprehensive risk assessment process, which has also included consultation with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage. It is designed to enable the Head of Internal Audit to give their annual opinion at the end of the year on the adequacy and effectiveness of governance, risk management and the control framework. The plan will remain flexible and will be reviewed during the year to ensure it remains relevant.

Recommendations

1. The Audit Committee is asked to consider the Internal Audit Plan and to comment on its content with regards to the areas covered and the level of audit resources.
2. The Audit Committee is requested to approve the Internal Audit Plan for 2024/25.

List of Appendices Included

Appendix 1: Internal Audit Plan 2024/25.

Background Papers

Public Sector Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No

Internal Audit Plan 2024/25

1. Background

- 1.1 Internal Audit is required to comply with the Public Sector Internal Audit Standards (PSIAS). The Standards require Internal Audit's plans to be risk based and to take into account the need to produce an annual Internal Audit opinion. It needs to be flexible to reflect changing risks and priorities of the organisation.

2. Key Issues

- 2.1 In line with the PSIAS the proposed audit plan has been devised adopting a risk based approach using the following sources:
- the Council's risk management processes and the strategic and directorate risk registers;
 - reports by management to the Audit Committee on the management of risks and the outcomes of external inspection reports;
 - the results of previous Internal Audit work and our ongoing assessment of the auditable entities within the authority;
 - planned work deferred from 2023/24;
 - Council Plan and Year Ahead Delivery Plan;
 - knowledge of existing management and control environments;
 - professional judgement on the risk of fraud or error;
 - consultation with all Directorate Leadership Teams and the Strategic Leadership Team taking into account feedback from Assistant Directors, Strategic Directors, the Monitoring Officer and the Chief Executive;
 - awareness of relevant local and national issues; and
 - regular dialogue with authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other councils so that they can be considered during audit planning.
- 2.2 The outputs from the planning process have been prioritised to produce a plan that balances the following:
- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
 - the time required for anti-fraud and corruption activity;
 - the requirement for Internal Audit to add value through improving controls, streamlining processes and supporting corporate priorities; and
 - the need to retain a contingency element to remain responsive to emerging risks;
- 2.3 As well as identifying all of the proposed pieces of work to be carried out during the year, the plan:
- Explains the statutory requirements for Internal Audit
 - Describes the approach and methodology adopted in producing the plan
 - Shows the level of resources available to deliver the plan is 1005 days
 - Includes a contingency for responsive work

- 2.4 In line with auditing standards, the plan does not become fixed when it is approved. It remains flexible and will be revised to take into account any significant emerging risks facing the Authority. It will be subject to a half year review in consultation with Strategic Directors and Assistant Directors.

3. Options Considered and Recommended Proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit, in particular to review and approve the risk-based plan.
- 3.2 The Audit Committee is asked to support the Internal Audit Annual Plan for 2024/25.

4. Consultation on Proposal

- 4.1 As part of the process for producing this Audit Plan, the Head of Internal Audit has held discussions with the Council's Strategic Directors and their teams to obtain their views of key risks and areas for audit coverage.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 12th March 2024 meeting.

6. Financial and Procurement Advice and Implications

- 6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. This states:

“A relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector Internal Auditing Standards or guidance.”

- 7.2 PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual Internal Audit opinion.”

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

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

9.1 This document constitutes a report of the Internal Audit Plan for 2024/25. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People's Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for CO2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risks have been identified.

Risk	Impact	Probability	Mitigation
Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work). Insufficient resources to complete work to support the annual opinion.	Low	Low	Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. As a minimum half-yearly meetings with all Directorate Leadership Teams to ensure plan is up to date. Progress reports provided to Audit Committee.

14. Accountable Officer

Louise Ivens, Head of Internal Audit.
Tel 01709 823282. E mail louise.iven@rotherham.gov.uk



Rotherham Metropolitan Borough Council

Internal Audit Plan 2024/25

1.0 Introduction

- 1.1 This document provides details of the Internal Audit Plan for 2024/25.

Definition of Internal Audit

- 1.2 The UK Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as follows:-

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

Requirement for Internal Audit

- 1.3 The requirement for Internal Audit is set out in the Accounts and Audit (England) Regulations 2015:

“A relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector Internal Auditing Standards or guidance.”

PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual Internal Audit opinion.”

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

S.151 Officer responsibility

- 1.4 Internal Audit also has an important role to support the Strategic Director of Finance & Customer Services in discharging her statutory responsibilities, which include:-
- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
 - S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

2.0 Approach to delivery of the plan

- 2.1 The Internal Audit function will be delivered in accordance with the Internal Audit Charter, as presented to the Audit Committee in November 2023. The Charter defines the role, scope, independence, authority and responsibility of the Internal Audit Service. Audits will be delivered in accordance with that Charter.

3.0 Methodology

3.1 A summary of our approach to the development of the Audit Plan for 2024/25 is set out below. The Plan is driven by the Council's organisational objectives and priorities and the risks that may prevent the Council from meeting these objectives. In line with the PSIAS the proposed audit plan has been devised adopting a risk based approach using the following sources:

- the Council's risk management processes and the strategic and directorate risk registers;
- reports by management to the Audit Committee on the management of risks and the outcomes of external inspection reports;
- the results of previous Internal Audit work and our ongoing assessment of the auditable entities within the authority;
- planned work deferred from 2023/24;
- Council Plan and Year Ahead Delivery Plan;
- knowledge of existing management and control environments;
- professional judgement on the risk of fraud or error;
- consultation with all Directorate Leadership Teams and the Strategic Leadership Team taking into account feedback from Assistant Directors, Strategic Directors, the Monitoring Officer and the Chief Executive;
- awareness of relevant local and national issues; and
- regular dialogue with authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other councils so that they can be considered during audit planning.

4.0 Basis of the annual audit opinion for 2024/25

- 4.1 Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN). The service was externally assessed in early 2021 as Generally Conforming with PSIAS. This is the highest assurance level that can be given.
- 4.2 Our annual Internal Audit opinion will be based on the Internal Audits we have completed over the year and the control objectives agreed for each individual Internal Audit. Progress against our Plan will be reported to the Audit Committee during the year.
- 4.3 In producing this plan, we have carefully considered the level of audit coverage required to be able to form an evidenced annual Internal Audit opinion. The outputs from the planning process have been prioritised to produce a plan that balances the following:
- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
 - the time required for anti-fraud and corruption activity;
 - the requirement for Internal Audit to add value through improving controls, streamlining processes and supporting corporate priorities; and
 - the need to retain a contingency element to remain responsive to emerging risks;

In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council, while ensuring it fulfils its statutory obligation to review and report on the Council's internal control environment, risk management and governance processes.

- 4.4 The work of other assurance providers has been considered as part of the audit planning process, to identify any areas where coverage may be required, and to prevent any duplication of work.
- 4.5 It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary. A half yearly review will be undertaken in consultation with Directorate Leadership Teams. Any significant changes to it will be reported to the Audit Committee for consideration and approval.

Audits covered within the plan

- 4.6 Outline areas of coverage for each review are given in the table below. The following types of audit work will be completed.

1. Risk based work

This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls to mitigate those risks.

2. Follow up audits

Specific follow up audits will be completed where there has been a partial or no assurance audit opinion.

3. Advisory work

Audit time to take part in specific projects or developments, as already requested / agreed with management.

4. Grant claims

Time has been assigned to carry out reviews of grant claims.

5. Schools

During 2024/25 we will consider the outcomes from the Control and Risk Self-Assessment for all maintained schools in 2023/24 and the audit visits undertaken. The specific approach for gaining assurance on schools will be determined during the year. As a minimum, a sample of schools will be visited as in previous years.

6. IT Audit

The Internal Audit team completes audits of the IT section but does not have the expertise to carry out technical audits of IT systems. Salford City Council Internal Audit Services specialise in this area and provide audit services to councils in Greater Manchester, the north-west and north-east of England and north Wales. These are also shown in the Plan although they will be completed by the Salford team.

7. Counter Fraud work

Time is set aside in the plan to conduct investigations during the year. We have also included a number of days to undertake proactive counter fraud work which will incorporate the use of data analytics, where applicable, to identify areas of potential weakness that may require further investigation. We will also review the matches from the National Fraud Initiative (NFI) in this section of the plan. The NFI matches data across organisations to help identify potentially fraudulent or erroneous claims and transactions.

8. Contingency

There is a contingency of 60 days which allows flexibility in the audit plan to respond to new risks and priorities as they emerge.

5.0 Resources

- 5.1 The audit plan will be delivered by the in-house team with the exception of some specialised IT audits completed by Salford City Council Internal Audit, and has been based on the current complement of the team.
- 5.2 The Internal Audit team comprises 7.72 FTE's. The number of days allocated in the plan for 1st April 2024 to 31st March 2025 is 1005 days and is based on a full establishment for the team. The achievement of the plan depends on maintaining the current level of resource. The plan is considered sufficient to allow the Head of Internal Audit to give the annual opinion at the end of the year.

6.0 Internal Audit Plan 2024/25

- 6.1 The Internal Audit Plan has been derived as shown below to reflect the core areas of our Internal Audit programme determined by our risk assessment and consultation process.

Audit Area	Days in the 2023/24 Revised Plan	Days in the 2024/25 Plan
Assistant Chief Executive	81	85
Adults Housing and Public Health	96	155
Childrens and Young Peoples	115	95
Finance and Customer Services	153	110
Regeneration and Environment	126	85
Asset Management	40	50
Corporate/Crosscutting	15	55
Grants	100	60
Reactive investigations	150	140
Proactive fraud	40	40

Other counter fraud work including policy review and anti-money laundering assurances	0	30
Contingency	60	60
Follow Up	20	20
Project Boards/Groups	*	20
Total	996	1005

*20 days was previously included in Finance and Customer Services directorate for Project Boards and Groups in 2023-24

- 6.2 The full plan is shown in the document below. The work is grouped at directorate level or functional area to align with risk registers and accountabilities. An overview of the assurance that each audit aims to achieve is provided together with the corresponding risks.

Internal Audit Plan 2024-2025

Adult Care, Housing and Public Health					
No	Risk Register Ref	Title	Brief Description	QTR	Days
1	ACHPH-R33 H-R18 HR25	Review of gas servicing compliance in council tenanted properties	Cyclical review of key areas of health and safety compliance to give assurance on the Consumer Standards 2023.		10
2	ACHPH-R33 H-R18 HR25	Review of lift servicing compliance in council tenanted properties	Cyclical review of key areas of health and safety compliance to give assurance on the Consumer Standards 2023.		10
3	ACHPH-R31 H-R11	Temporary Accommodation Management	This will include reviewing controls over the initial triage and acceptance into temporary accommodation and 'move on' actions.	Q2 / Q3	15
4	ACHPH-R36 H-R21	Repairs and Maintenance Contract	Assurance on the performance monitoring of the contract including identification and escalation of issues.		20
5	ACI-R4	Safeguarding	A review of the processes for the receipt, triage and investigation of safeguarding enquiries from all sources including home care support.	Q3 / Q4	20
6	ACSC-R18 & 19	Contract monitoring including contract concerns.	Contract monitoring processes including the contract concerns processes and visits to care homes by staff. Effective liaison with the CQC regarding any adverse inspections.		20

7	ACSC – R21	Customer pathway audit	Decision making pathways for care package approval. Review to assess whether they are clear & applied consistently.		20
8	ACI-R4	Waiting Lists	This will include a review of the use of triage tools.		15
9	ACI-R22	Community Dols	To provide assurance on the management of DoLS cases following the increase in demand.		15
10		Drug and Alcohol partnership working arrangements	Review of drug and alcohol working partnerships including needs assessment and plans.		10
Total number of days					155

Assistant Chief Executive					
No	Risk Register Ref	Title	Brief Description	QTR	Days
1	ACX 32 HR07	Workforce plan (including a focus on workforce engagement)	Review the council's response to the 2023 employee opinion survey including the communication, support and challenge given to services. A wider review of workforce priorities will also be included.	Q2&3	15
2	ACX20 HR01 HR05	Payroll	Specific coverage to be agreed.	Q4	20
3	HR12	HR Policies - Recruitment (pre employment checks including DBS)	Review compliance across the council with the pre-employment checks. Assurance that all staff requiring a DBS check have been identified and renewals are completed in accordance with the policy. Disclosures are appropriately reviewed and actioned.	Q2	20

4	Facilities RE44 & 45	Catering	Traded services and contract management review. Scope to be confirmed.	Q3-4	20
5	ACX 33	Equalities Standard	Compliance with Equalities Framework.	Q3	10
Total number of days					85

Childrens and Young People's Service					
No	Risk Register Ref	Title	Brief Description	QTR	Days
1	CYPS06 CPQ42	Looked After Children (LAC) Sufficiency	A review of progress with the LAC Sufficiency Strategy. This would include specific areas where management have requested assurance (TBC).		20
2		S17 payments and reduction in cash payments project	Review of the need, authorisation and delivery of the S17 funds to clients and compliance with the policy.		15
3	CSC 06	Unaccompanied Asylum Seeking Children Follow Up	Follow up of possible partial assurance review.	Q2	5
4	CSC 08	Joint Funding of Care Packages Follow up	Follow up of partial assurance review.	Q1	5
5	EI16	SEND Sufficiency	A review of the progress with the SEND sufficiency Strategy. This would include specific areas where management have requested assurance (TBC).		20

6		Schools assurance	Approach to be determined but will include at least one audit visit to a school.	Q3-4	30
Total number of days					95

Finance and Customer Services					
No	Risk Register Ref	Title	Brief Description	QTR	Days
1		Cash and banking system and reconciliations	Review the timeliness and accuracy of cash and bank reconciliations and key controls. Review the effectiveness of the project management of the switchover of the banking provider.	Q3/Q4	15
2		Purchasing Cards	Assurance regarding compliance with the system controls and confirmation regarding appropriateness of expenditure and that this is supported with receipts.		10
3		Revenues and Benefits Business Continuity and Disaster Recovery Plan	Review of the robustness of the business continuity arrangements and the disaster recovery plan in the event of an IT failure.	Q3/Q4	15
4	FCS 6	Litigation Service	Review of the Legal support provided to Adult Care and Child Protection.	Q4	15
5	FCS15	Record of Processing Activities	Assurance on the arrangements for information security and management (specifically ROPA).		15
6		IT Governance Strategies & Policies	Governance arrangements surrounding the IT strategies & policies.		15
7		Reprographics	Review of reprographics expenditure and assurances regarding value for money.		5

8	Salford ANA	IT Business Continuity / Disaster Recovery	Assurance on IT business continuity and disaster recovery arrangements.	Q1	10
9	Salford ANA	Application Management (HR/iTrent)	Review of maintenance & support controls, access control management, system availability etc.		10
Total number of days					110

Asset Management					
No	Risk Register Ref	Title	Brief Description	QTR	Days
1	PRT 38 RE 25	Fire Safety Follow Up	Follow up of partial audit opinion.		5
2	PRT 39 RE 26	Building Security Follow Up	Follow up of partial audit opinion. This will also include a review of ID card issuing/cancelling and the building security arrangements once the NHS have moved into Riverside House.		15
3		Asset Management Estimates and Capital Programme Follow Up	Follow up of partial audit opinion.		10
4	PRT 10	Review of gas servicing compliance across corporate landlord properties (and LEA schools)	Cyclical review of key areas of health and safety to give assurance on compliance with health and safety legislation.		10
5	PRT 10	Review of lift servicing compliance across corporate	Cyclical review of key areas of health and safety to give assurance on compliance with health and safety legislation.		10

		landlord properties (and any LEA schools if applicable)			
Total number of days					50

Regeneration and Environment					
No	Risk Register Ref	Title	Brief Description	QTR	Days
1	RE52 CST9	Tree Service Review	Review of the implementation of the actions following the 2023-24 audit, to ensure that controls are embedded and they are being complied with.	Q3	10
2		Trading Standards Follow Up	Follow up of possible partial audit opinion.	Q2	5
3	RE56	Hellaby Stores Follow Up	Follow up of partial audit opinion.	Q1	5
4		CCTV Review	Follow up of recommendations.	Q1	15
5	R&E 9 CSS28	Home to school transport	Provide assurance on the effectiveness of the home to school transport service.	Q3	15
6		Music Service	Review of financial controls including receipt, recording and reconciliation.	Q3/4	5
7	CSS 24	Hand Arm Vibration Follow up review	Follow up review to determine implementation of actions.	Q1	5
8	CSS 14	Waste operations health and safety	Compliance of vehicle crews with health and safety requirements.	Q4	10
9	RE51 PRT53	Highway structures	Assurance regarding compliance with the inspection regime and a review of the adequacy of	Q4	15

		the follow up process where issues have been identified.		
Total number of days				85

Counter fraud and other corporate coverage				
No	Title	Brief Description	QTR	Days
1	Investigations	Time set aside for investigation of whistleblowing and other referrals received.		140
2	Anti-Fraud and Corruption Policy Updates	Review and update of Anti Fraud and Corruption Policies <ul style="list-style-type: none"> • Anti-Money Laundering (AML) Policy • Anti-Fraud and Corruption Policy and assessment against best practice 	Q2&3	15
3	Anti-Fraud and Corruption Proactive Work	Risk-based work to prevent and detect fraud including:- <ul style="list-style-type: none"> • Review and investigation of NFI matches • Awareness raising and communication of fraud risks and internal reporting arrangements (International Fraud Awareness Week and World Whistleblowers Day) • Proactive exercise using data analytics to identify/detect fraud 	Q1-4	40
4	Anti Money Laundering Assurances	Testing on key systems/controls to gain assurance on Anti Money Laundering arrangements (Right to Buy, land and property and refunds to customers).	Q3	15
5	Sundry Debtors	Cross directorate review of implementation of recommendations.		15

		This will identify if authority wide debt has reduced and confirm if action is being taken to proactively reduce debt.		
6	Cash controls	Review to identify the controls in place over the use of cash authority wide, to include the receipting, recording and the value being held, including a review of the safe limits.		15
7	Health and Safety	Review directorates implementation of the Council's Health and Safety policy and the support provided by Health and Safety.		15
8	Social Value	Compliance with the Social Value Policy regarding obtaining quotes from suppliers.		10
9	Independent review of grants	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.		60
10	Follow Ups	Time set aside for the follow up of any partial or no assurance opinions completed within the year.		20
11	Project Boards and groups	Internal Audit attendance at project boards or groups to give advice on internal controls. Initially this will include the new financial system project group, Customer Services Efficiency Board and EDRMS Governance Group (Housing).		20
12	Contingency	Time set aside for audit review of any new and emerging risks, unplanned work identified as being required during the year.		60
Total number of days				425
Overall Plan Total				1005 days

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Committee Name and Date of Committee Meeting

Audit Committee – 12th March 2024.

Title

Internal Audit Progress Report for the period 1st December 2023 to 31st January 2024.

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)

Louise Ivens, Head of Internal Audit

Tel: 01709 823282 Email: louise.iven@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 December 2023 to 31st January 2024 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 December 2023 to 31st January 2024, 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 2023/24

Appendix B – Summary of work completed since the last meeting

Appendix C – Internal Audit Performance Indicators

Appendix D – Responsive Audit work

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

Yes – partially exempt.

An exemption is sought for Appendix D under Paragraph 7 (Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

Internal Audit Progress Report for the period 1st December 2023 to 31st January 2024**1. Background**

- 1.1 CIPFA guidance for Audit Committees in Local Authorities gives the Audit Committee a clear role in supporting the effectiveness of the internal audit process. This role is reflected in the Terms of Reference of the committee. To fulfil this role the committee receives updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. In addition, it receives information on performance relative to the audit plan.
- 1.2 Public Sector Internal Audit Standards require that the Head of Internal Audit reports periodically to the Audit Committee. This is reflected in the Audit Charter which provides for Progress Reports to be presented to the Audit Committee regarding the audit plan and progress against it; resource requirements; the results of audit activities; the tracking of audit recommendations; and the performance of the audit team.
- 1.3 This report includes the position up to the end of January 2024 on the completion of the annual plan for 2023/24, the reports finalised in December 2023 and January 2024 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 2023/24 and presented it to the Audit Committee at its meeting on 14th March 2023. A revised plan was presented at the January 2024 meeting. The plan was updated following discussions with DLT colleagues to ensure it remains relevant and is focused on current risks. The revised plan provides sufficient coverage for the Head of Internal Audit to provide their annual opinion at the end of the year and will be kept under review during the remainder of the year. The plan is attached, showing the position at the end of January 2024. In the year to date the service has delivered 822 days of productive work, showing it is on target for the year as a whole.

2.2 Audit Work Undertaken During the Period

Internal Audit provides an opinion on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall annual opinion on the Council's control environment. There are four possible levels of assurance for any area under examination, these being "Substantial Assurance", "Reasonable Assurance" "Partial Assurance" and "No Assurance". Audit opinions and a brief summary of all audit work concluded since the last Audit Committee are set out in **Appendix B**. Five audits have been finalised since the last Audit Committee.

- 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 has been one investigation report issued since the last committee meeting. This is set out in **Appendix D**.

2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is 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.

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 is one action that has been deferred from its original due date, which is due for implementation at the end of March.

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 December 2023 to 31st January 2024 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 12th March 2024 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

Louise Ivens, Head of Internal Audit.
Tel 01709 823282 Email louise.iven@rotherham.gov.uk

Internal Audit Plan 2023/24 Revised November 2023

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

<u>ASSISTANT CHIEF EXECUTIVE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll 22/23	ACX20	Systems Based	Provide assurance on key processes for carrying out reconciliations and error resolution and prevention.	5	FINAL
Big Hearts Big Changes (BHBC)	ACX23	Risk Based	Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme.	9	FINAL
Council Plan	ACX27	Risk Based	Provide assurance on the governance arrangements and that performance measures are being accurately reported.	7	FINAL
Payroll 23/24	ACX20	Systems Based	Annual review of payroll as a fundamental system.	20	WIP
Establishment Control		Risk Based	Review of the management of vacancies and their disestablishment, and the match between HR and Finance establishments.	15	WIP
Risk Management		Risk Based	Review of the effectiveness of Risk Management.	15	WIP
Declarations of Interest		Risk Based	Review of officers' Declarations of Interest, after the introduction of new procedure.	10	FINAL
Total planned days – Assistant Chief Executive				81	

ADULT CARE HOUSING AND PUBLIC HEALTH					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Housing Management System		Risk Based	Review and provide assurance on the adequacy of the new housing management system.	1	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.	9	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.	1	FINAL
Liberty Protection Safeguards.	ACHPH R3 (ACI R5)	Risk Based	Provide an assurance on the Council's readiness to transfer to the new Liberty Protection Safeguards regulations.	20	DRAFT
Health & Safety Legislation and Corporate Responsibilities for Council Homes.	ACHPH R9 (H-R12)	Risk Based	To review compliance with Health and Safety regulations with regard to smoke and carbon monoxide alarms.	10	4
Housing and Estates – Anti Social Behaviour	H – R10	Risk Based	Review of current procedures and to ensure compliance with legislation.	10	DRAFT
Housing and Estates – Management of Estate Environment	H – R11	Risk Based	Review of procedures in place to ensure effective management of the estate environment.	10	WIP
LGA Peer review		Risk Based	To review the robustness of the response to the findings of the LGA peer review and action plan.	15	4
Health Funded Clients		Follow Up	Follow up of Partial Assurance audit in 2022/23	5	WIP

Housing Rents		Risk Based	To review compliance against the 2023 Rent Standard.	10	WIP
Homes England		Risk Based	Review of grant funding drawdowns after new processes have been implemented.	5	WIP
Total Planned Days – Adult Care and Housing				96	

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.	5	WIP
Youth Offending		Risk Based	Review of progress after HMIP review and peer review	1	FINAL
Supporting Families		Risk Based	Management request – addition to the plan. Review of new systems being developed to prepare for changes to government requirements.	9	Ongoing advice
Early Help Provision	ES6	Risk Based	Consider the recently published independent review of children's social care report and where areas of concern could be applicable to RMBC. Review to also consider Universal and targeted help.	15	WIP
Social; Emotional and Mental Health Needs (SEMH)	ES17	Risk Based	Scope of the audit to be finalised with CYPS, based upon Local Area Provision and inclusion pathways.	15	WIP
Safeguarding	SCF3	Risk Based	Review of procedures for placing 16+ children with external provider regulated accommodation	10	DRAFT
Unaccompanied Asylum-Seeking Children (UASC)	SCF6	Risk Based	Review of procedures for age assessments of UASC.	10	DRAFT
Special Education Needs and Disability (SEND)	CYPS03	Risk Based	Review of Education, Health and Care Plans (EHCP) across all the domains, including Health and Social Care Partners.	20	WIP
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to	10	Complete

			form the basis for school visits.		
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.	20	4
Total Planned Days - Children and Young People's Services				115	

FINANCE AND CUSTOMER SERVICES

Finance

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.	1	FINAL
Procurement Governance	Operational Risk.	Risk Based	Review procurement procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	13	WIP
Debtors		Systems Based	Review debtors procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	2	FINAL
Rebate Scheme		System Based	To review the processes used to pay the one-off Council Tax Energy rebate payment to RMBC residents	1	FINAL
Council Tax		Systems Based	Fundamental System. Scope of the audit to be agreed with Assistant Director Finance, to include core systems not currently being externally stored.	10	WIP
Contract Renewals and Expiry		Systems Based	Review of Directorate compliance with procedures for planning for renewing contracts, in line with Cabinet Office Best Practice.	20	WIP
Creditors		Systems Based	Fundamental System. Audit resources to examine procedures regarding move towards "faster payments", scope to be finalised with the Assistant Director Finance.	10	4
Capital Programme		Systems Based	Review the updated capital procedures and provide assurance that they are being complied with and that expenditure is appropriately approved, controlled and monitored.	15	WIP

<u>Customer Information & Digital Services</u>					
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.	1	FINAL
Application Management	Salford Risk Assessment	Risk Based	Review of controls around access control, system availability (Housing NEC system).	10	WIP
PCI/DSS	Salford Risk Assessment	Risk Based	Technical audit to be carried out by Salford IAS	10	DRAFT
Customer Digital Programme			Audit contribution to projects designed to increase efficiency.	20	Ongoing Advice
<u>Legal Services</u>					
Registrars		Risk Based	Review of processes and controls after external inspection	15	FINAL
Land Terrier		Risk Based	Review of the registration of Council land	10	WIP
Governance		Risk Based	Review of the operation of processes around decision-making within the Council.	15	4
<u>Asset Management</u>					
Asset Management - Estimates and Capital Programme		Risk Based	To provide assurance on the accuracy of valuations, calculated as estimates for capital schemes that are to be included on the Capital Programme, to ensure that final costs do not excessively exceed the original estimates.	15	DRAFT
Asset Management – Health and Safety Compliance		Risk Based	Review key aspects of statutory compliance within the Council's operational property estate managed by Facilities Management.	10	4
Asset Management - Acquisitions		Risk Based	Provide assurance on the end to end management of properties once acquired by the Council.	15	4
Total Planned Days – Finance and Customer Services and Asset Management				193	

REGENERATION AND ENVIRONMENT					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Waste	CSS13	Risk Based	To provide assurance on the efficient and effective management of waste collection data, reporting and invoicing.	17	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.	13	DRAFT
Building Security Follow Up		Follow Up	Follow Up of Partial Assurance audit.	1	FINAL
Vehicle Operators Licence	R&E39 & CSS44	Risk Based	Review compliance with regulatory requirements	10	WIP
Fire safety	R&E25 & PRT38	Risk Based	Provide assurance that RMBC as the corporate landlord has an effective fire safety.	10	FINAL
Building Control		Risk Based	Provide assurance after changes in regulations around payments and inspection visits.	10	4
Trading Standards		Risk Based	Review of the operation of Trading Standards.	15	WIP
Green Spaces		Risk Based	Review over the Health and Safety controls around Green Spaces.	15	4
Tree Service follow-up	R&E52 & CST9	Risk Based	Follow up of No Assurance audit in 2022/23	10	FINAL
Museum Collections follow-up	CST11	Risk Based	Follow up of Partial Assurance audit in 2022/23	5	FINAL
Hand Arm Vibration		Risk Based	To review compliance with the Vibration at Work Guidance	10	FINAL
Hellaby Stores		Risk Based	To assess the adequacy of the internal control arrangements surrounding the operation of the stores at Hellaby depot	10	FINAL
Children's Capital of Culture		Request from contingency	To provide assurance on the governance arrangements and compliance with FPPR's for expenditure incurred to date on the Children's Capital of Culture.	10	WIP
Total Planned Days – Regeneration and Environment				136	

<u>OTHER</u>	Provision	Used
Grants	100	52
Provision for investigations	150	70
Pro-active fraud	40	23
Contingency	60	60
Follow Up	20	33
Other Work Total	370	186
Overall Plan Total	1000	

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 issued	Overall Audit Opinion	Summary of Significant Issues
Adult Care and Housing				
Transitions from children’s care to adult care	Review the progress in implementing agreed actions in the Written Statement of Action relating to transitions and continued application of the Preparing for Adulthood guidance and checklists.	12.01.24	Reasonable	Low priority recommendations were raised regarding documentation of opening a case, ensuring feedback is received on the work of the transitions team and embedding lessons learnt exercises into future approaches.
Sundry Debtors	To review the debtors procedures, specifically the Sundry Accounts Billing and Collection Guide and assess adherence to them.	5.12.23	Reasonable	Controls were generally in place. Recommendations were raised regarding compliance with the Billing and Collection Guidance and improvements to the reporting and recovery of outstanding debt.
Regeneration and Environment				
Hand arm vibration	Provide assurance on the management of hand-arm vibration and confirm compliance with Council internal procedural guidance.	4.12.23	Reasonable	Recommendations were raised regarding the delivery of staff refresher training and the documentation of training records, the completion of job vibration exposure assessments and training on undertaking risk assessments.
Tree Management follow up	This was a follow up review to establish the level of implementation of actions from	30.1.24	Substantial	All recommendations had been implemented with the exception of one which had been partially implemented. This was regarding the finalisation of the SLA with the

Audit Area	Assurance Objective	Final Report issued	Overall Audit Opinion	Summary of Significant Issues
	the no assurance audit report.			planning service in advance of the commencement of the new financial year.
Asset Management				
Fire Safety	Provide assurance that RMBC as the corporate landlord has an effective fire safety strategy.	20.12.23	Partial	<p>A number of recommendations were raised regarding:-</p> <ul style="list-style-type: none"> the updating of training undertaken in logbooks with evidence that training has been completed ensuring all fire related signage is available/in place reports from management to be presented to the Health and Safety Panel Formally recording mystery shopper visits and outcomes Fully completing fire logbooks Undertaking weekly fire alarm tests and annual fire drills and the recording of these in the logbooks All fire extinguishers to be serviced on an annual basis

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. 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. 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 C

Internal Audit Performance Indicators

Performance Indicator	Target	April to June 2023	July to August 2023	Sept to October 2023	Nov 2023	Dec to Jan 2024
Draft reports issued within 15 working days of field work being completed.	90%	80%	100%	89%	75%	80%
Chargeable Time / Available Time.	80%	83%	75%	74%	71%	70%
Audits completed within planned time	90%	90%	88%	83%	100%	100%
Client Satisfaction Survey.	100%	100%	100%	100%	100%	100%

Comments received in the Client Satisfaction Surveys

One survey was received during the period.

Good

The professionalism, detail and accuracy in which the audit was conducted. The auditor is a skilled and knowledgeable officer who is clearly an asset to the audit team.

Suggested improvements

None identified.

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Committee Name and Date of Committee Meeting:

Audit Committee – 12th March 2024

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):

Louise Ivens (Head of Internal Audit).

Tel: 01709 823282 Email louise.iven@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:

Louise Ivens, Head of Internal Audit
01709 823282 – louise.iven@rotherham.gov.uk

Audit Committee Forward Work Plan

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

Meeting Date	Key Responsibility	Agenda Item	Author
July 2024		Training	
	Governance Risk and Control	Chief Executive Presentation	Sharon Kemp
	Treasury Management	Annual Treasury Management	Rob Mahon
	Governance Risk and Control	Dedicated Schools Grant	Neil Hardwick
	Governance Risk and Control	Risk Management Annual Report and Strategic Risk Register	Simon Dennis
	Governance Risk and Control	External Audit and Inspection Recommendations	Simon Dennis
	Governance Risk and Control	Review of Surveillance and use of Regulation of Investigatory Powers	Bal Nahal
	Audit Committee Accountability	Audit Committee Annual Report	Louise Ivens
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens

Meeting Date	Key Responsibility	Agenda Item	Author
September 2024	Financial Reporting	Training Final Statement of Accounts	Rob Mahon
	Governance Risk and Control	Final AGS	Judith Badger
	Internal Audit / Governance Risk and Control	IA Progress Report	Louise Ivens
	Governance Risk and Control	Risk Management Directorate Presentation – Assistant Chief Executive	Jo Brown
	Governance Risk and Control	Anti-Fraud and Corruption Policy and Strategy review and update	Louise Ivens
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens
November 2024	Financial Reporting	Training Audited Final Statement of Accounts	Rob Mahon
	Governance Risk and Control	Audited Final AGS	Judith Badger
	External Audit	External Audit Findings (ISA 260)	Grant Thornton / Rob Mahon
	Treasury Management	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	Louise Ivens
	Internal Audit	IA Charter review and update	Louise Ivens
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens
January 2025	Financial Reporting	Training Final Accounts closedown and accounting policies	Rob Mahon
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance, Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	Judith Badger
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens

March 2025	External Audit	Training – Internal Audit Value for Money Opinion	Grant Thornton / Rob Mahon
	Internal Audit / Governance Risk and Control	IA Progress Report	Louise Ivens
	Internal Audit	IA Annual Plan	Louise Ivens
	Governance Risk and Control	Procurement Update	Karen Middlebrook
	Governance Risk and Control	Risk Management Directorate Presentation – Children and Young People’s Service	Nicola Curley
	Internal Audit	Public Sector Internal Audit Standards/ Internal Audit Quality Assurance and Improvement Plan	Louise Ivens
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens

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