

AUDIT COMMITTEE

Date and Time:- Tuesday 14 January 2025 at 2.00 p.m.

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

Membership:- Councillors Marshall (Chair), Baggaley (Vice-Chair), Blackham, Elliott and McKiernan.

Ms. A. Hutchinson and Mr. M. Olugbenga-Babalola, Independent Members

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

Rotherham Council advocates openness and transparency as part of its democratic processes.

Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair or Governance Advisor of their intentions prior to the meeting.

AGENDA

1. Apologies for Absence

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

2. 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.

3. Declarations of Interest

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

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.

Under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for:-

Agenda Item 14 (Corporate Strategic Risk Register – Appendix 1) on the grounds that the appendix involves the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

Agenda Item 15 (Finance and Customer Services Directorate Risk Register) on the grounds that the report involves the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

5. Minutes of the previous meeting held on 26th November, 2024 (Pages 5 - 16)

To consider and approve the minutes of the previous meeting held on 26th November, 2024, as a true and correct record of the proceedings.

6. Governance, Audit and Risk

Presentation by the Chief Executive

7. Auditors Annual Report on Value for Money (Pages 17 - 60)

8. External Auditor - Transparency Report (Pages 61 - 155)

9. External Auditor - Minimum Revenue Provision (Pages 157 - 158)

10. Final Accounts Closedown and Accounting Policies (Pages 159 - 187)

11. Procurement Governance Audit Progress (Pages 189 - 194)

12. Health & Safety Legislation and Corporate Responsibilities for Council Homes: Smoke and CO Alarms Audit Progress Report (Pages 195 - 198)

13. External Inspections, Reviews and Audits Update (Pages 199 - 219)

14. Corporate Strategic Risk Register Update (Pages 221 - 237)

15. Risk Management Directorate Presentation - Finance and Customer Services (Pages 239 - 260)

16. Audit Committee Forward Work Plan (Pages 261 - 267)

17. Items for Referral for Scrutiny

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

18. Urgent Business

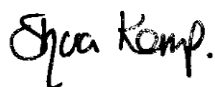
To consider any item which the Chair is of the opinion should be considered as a matter of urgency.

19. Date and time of next meeting

The next meeting of the Audit Committee will be held on Tuesday, 11th March, 2025, commencing at 2.00 p.m. in Rotherham Town Hall.

The next meeting of the Audit Committee will be held on:-

**Tuesday 11 March 2025
commencing at 2.00 p.m.
in Rotherham Town Hall.**



Sharon Kemp OBE,
Chief Executive.

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AUDIT COMMITTEE
26th November, 2024

Present:- Councillor Baggaley (in the Chair); Councillors Blackham, Elliott and McKiernan, Alison Hutchinson and Michael Olugbenga-Bababola (Independent Persons).

Michael Green, Key Audit Partner and Engagement Lead, and Thilina de Zoysa, Engagement Senior Manager, Grant Thornton, were also in attendance.

An apology for absence was submitted from Councillor Marshall.

42. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

No questions had been received in advance of the meeting and no members of the public or press were present at the meeting.

43. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

44. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute No. 47 (Regeneration and Environment Directorate Risk Register Appendix 1) and Minute No. 49 (Asset Management Estimates and Capital Programme Audit Update Appendix) as defined in those paragraphs indicated below of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

45. GRANT THORNTON, EXTERNAL AUDITORS

Reference was made to a question asked at the 6th November Council meeting (Minute No. 88(1) refers) with regard to the errors in the South Yorkshire Police accounts/forecasts and the role of Grant Thornton as External Auditor. Given that Grant Thornton was also the Council's External Auditor, it was suggested that the Committee ascertain whether the Council still had confidence in the company's ability to conduct a thorough audit of the Council's finances.

Resolved:- That Grant Thornton, External Auditor, submit a report to the January meeting of the Audit Committee setting out their audit compliance as required by International Standards on Auditing (UK) and the quality assurance arrangements in place.

46. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH SEPTEMBER, 2024

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26th September, 2024.

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

47. REGENERATION AND ENVIRONMENT DIRECTORATE RISK REGISTER

Andrew Bramidge, Strategic Director of Regeneration and Environment, presented a report providing details of the Risk Register and risk management activity within the Regeneration and Environment Directorate.

The Committee was advised that the risk register currently had 18 risks listed, 3 of which were also included on the Strategic Risk Register.

A regular scheduled programme of reviewing and updating Service area and Directorate level risk registers had been implemented across the Directorate. Risks were regularly discussed and reviewed at Senior Management Team and Directorate Leadership Team meetings and, where necessary, risks were escalated to the next strategic level for inclusion on the risk register.

As part of the programme to embed risk management into the culture of the Council, managers from Regeneration and Environment had attended the mandatory Risk Management Training for Managers workshops as well Risk Champions attending individual service area Senior Management Teams to provide an overview to support and advise managers in relation to risk register development and maintenance.

The report also included an update on the implementation of the Household Support Fund (Minute No. 27 of the 26th September, 2024 refers) which had been extended by Government to cover the period from October 2024 to March 2025. A report had been considered by Cabinet at its meeting on 18th November, 2024 (Minute No. 76 refers).

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

(Appendix 1 was Exempt under Paragraph 3 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime, of Part 1 of Schedule 12A))

48. TRADING STANDARDS UPDATE

In accordance with Minute No. 35(3), Sam Barstow, Assistant Director Community Safety and Street Scene, presented an overview of the audit activity conducted within the Trading Standards Service as well as an overview of the actions taken in order to improve service delivery in line with the requirement of the audit report.

The Trading Standards function was audited between September and December 2023 with a draft report released on 14th May, 2024. It had made 13 recommendations with a number of sub-clauses relating largely to evidence storage and procedure with a completion timeline of up to 31st March 2025. It was anticipated that all actions would be completed 3 months ahead of schedule.

Resolved:- That the progress in completing the actions of the audit be noted.

49. ASSET MANAGEMENT ESTIMATES AND CAPITAL PROGRAMME AUDIT UPDATE

Kevin Fisher, Assistant Director Property and Facilities Services, presented a report setting out the actions taken and implementation of the Audit recommendations made with regard to the Partial Assurance Internal Audit report on Asset Management Estimates and Capital Programme.

The audit had included an indepth review of process, procedures, resource and training within the Building Design Team. The aim was to review the management and delivery arrangements for capital projects to ensure they were robust and to provide assurance that projects were delivered on time and within budgets. Arising from the audit and identification of issues, 7 recommendations were made and 7 key actions identified to be completed with an overall end date for closure of all actions by April 2025.

6 of the 7 actions were focused on the need to improve process and documentation through the life of the project ensuring both the Business Development Team and their clients were clear on roles and responsibilities, consultation and communication.

Work was underway to improve process and documentation with good progress being made. Once in place it would be a further requirement to embed them fully within the Service and the Council.

Discussion ensued with the following issues raised/clarified:-

- The issue had come to light through a number of project overspends. On investigation it revealed that when an “estimate” had been requested, full details of the projects had not been provided resulting in the “estimate” not being for the complete project. There had to be a very clear specification at the outset to enable the correct costings to be provided
- The Building Design Service had new staff members coming into the Service. Work was taking place on the induction into the Service

Resolved:- That the report be noted.

(The Appendix was Exempt under Paragraph 3 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime, of Part 1 of Schedule 12A))

50. INFORMATION GOVERNANCE ANNUAL REPORT 2023-24

Paul Vessey, Head of Information Management, presented the annual report on the Council’s compliance with Data Protection and Freedom of Information legislation.

Appendix 1 of the report provided Freedom of Information and Right of Access Requests performance for the last 4 financial years.

90% of Freedom of Information requests were responded to within the statutory time limits with the number of requests received during 2023/24 increasing to 1,307 compared to 1,145 in 2022/23.

Despite a 2% drop in performance compared to 2022/23, there had been a numerical increase in the number of requests responded to within the statutory time to 1,177. This was more than in each of the previous 3 years.

No Freedom of Information requests had been formally refused as invalid. There was one individual who was vexatious on a specific line of enquiry. However, should a vexatious request be received it still received a formal response under the Act.

Overall 41% of Right of Access requests (RoARS) were completed within the statutory time limits. The number of requests received during 2023/24 remained the same at 214. Performance fell by 15% compared with 2022/23 and this was reflected by a numerical decrease in the number of requests responded to within the statutory time to 87.

Performance was affected by a smaller proportion of the RoARS received that were classed as ‘simple requests’ which were easier and quicker to process. However, the number of large and complex RoARS had increased and now made up the majority received by the Council. These were resource intensive as they involved reviewing large volumes of historical data, specialists within Children’s Services and were often linked

to CSE. Additional resources had been added to the team's capacity to improve performance.

Appendix 2 provided a breakdown of the number and classification of Information Security Incident for 2023/24.

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

One data breach was reported to the Information Commissioner's Office (ICO) in the 2023/24 financial year. This was a cyber security related incident and reported as a precaution. Following an internal investigation, it was ascertained that no data was lost or exposed and no action was taken by the Information Commissioner.

Discussion ensued with the following issues raised/clarified:-

- It would be useful to have a similar breakdown to that which the Fire Authority provided i.e. summary of the FOI data received, the number of questions received/refused, number of hours spent collating the information, details of the individual data protection breaches
- The counting of Fols was in accordance with the ICO reporting requirements i.e. one FOI request with 3 questions was counted as one request
- Rotherham's performance rate compared favourably with that of most local public services
- The 2 additional posts were making inroads into the RoAR response waiting times
- The more complex requests took time due to the historical nature of the documentation and the manual finding of the information
- A number of the low risk breaches were down to user error
- Currently there was no information held as to how long staff spent on a FOI and on the costs involved. However, there was a cost threshold of £50

Resolved:- (1) That the Data Protection/FOI Annual Report 2023/24 be received and the contents noted.

(2) That the requirement of the Council to continue its maintenance of its Information Governance policies and processes in compliance with legislation be noted.

51. AUDITED FINAL STATEMENT OF ACCOUNTS

Further to Minute Nos. 7 and 32 of 25th June and 26th September, 2024, respectively, Natalia Govorukhina, Head of Corporate Finance, and Michael Green, on behalf of Grant Thornton, presented the Audited Final Statement of Accounts and the ISA 260 report.

The Committee noted that under the Accounts and Audit (amendment) Regulations 2022, local authorities were required to publish their unaudited accounts no later than 31st May 2024, for the financial year 2023/24, accompanied by a Narrative Report and draft Annual Governance Statement.

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

- A balance of £5.991M was held as Assets Under Construction in the Note 19 (PPE) for Century Business Park Phase 2. As this asset was an investment property, this balance should have been included in Note 20 (Investment Property). Opening balances for 2022/23 and additions in 2022/23 had been amended so that this balance was shown under investment properties in Note 20 rather than Note 19 (PPE) in the 2023/24 opening balance;
- An overstatement of £3.18M had been corrected on the land and buildings revaluations. This related to the valuations of Riverside House £2M and Bramley Sunnyside Primary School £1.18M. The balance of Other Land and Buildings in the Note 19 and the Revaluation reserve had been corrected. Other notes in the accounts had been amended as appropriate;
- S75 funding (population health funding) of £13.905M had been misclassified as Grants Received in advance. This has been reclassified as creditors under receipts in advance. The change did not impact the Council's financial position or balance sheet as both fell under creditors. It was a categorisation issue.

Grant Thornton intended to issue an unqualified opinion on the Statement of Accounts subject to formal completion of their audit. The Value for Money work had not concluded as yet and as such was not able to confirm an unqualified opinion in respect of the Council's Value for Money arrangements.

Michael Green stated that the work was substantially complete and Grant Thornton expected to issue an unqualified opinion on the financial statements before Christmas. Once again, Rotherham would join a small number of authorities to receive an opinion in 2024 which reflected the hard work of Rotherham's Finance Team and the engagement with Grant Thornton.

A number of small of disclosure/classification adjustments had been recommended and accepted by the Council with adjustments made to the Council's accounts but had no impact on the Council's available useable resources.

Work was taking place on finalising the findings of the Value for Money work. It was expected to identify 2 significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. These were in relation to arrangements around health and safety and compliance relating to the Housing Revenue Account and wider asset management and compliance arrangements. These were issues that were not unknown to the Council.

Thilina de Zoysa, Grant Thornton, presented the ISA 260 report setting out the overall conclusions from the 2023/24 audit, key findings and other matters arising from the statutory audit and preparation of the Council's financial.

The key points were set out in detail as part of Appendix 4 with attention drawn to the following:-

- Materiality was reconsidered on receipt and review of the 2023/24 draft accounts. It had been included that the most appropriate benchmark/criteria was gross expenditure in surplus/deficit on the provision of services rather than gross expenditure on the cost of services. This resulted in a minor change to the set materiality figures
- The 3 significant risks identified had not changed i.e. management override of controls, value of land and buildings and valuation of defined benefit pension scheme
- IFRS16 implementation. A recommendation had been made that the Council should accelerate the progress of identifying such assets as a priority and ensure full impact was determined well before the 2024-25 closedown. This had no impact on the 2023-24 audit
- Non-significant deficiencies identified during the Information Technology assessment but would further strengthen the Council's IT control environment when implemented
- Sufficient appropriate audit evidence to enable conclusion that a material uncertainty related to going concern had not been identified and that management's use of the going concern basis of accounting in the preparation of the financial statements was appropriate

Resolved:- That, having taken due regard of the external audit findings detailed within the ISA 260 report, the 2023/24 Statement of Accounts, attached as Appendix 1, be approved for publication as final along with the 2023/24 Narrative Report attached as Appendix 2.

52. FINAL ANNUAL GOVERNANCE STATEMENT 2023/24

Further to Minute No. 8 of the meeting of the Audit Committee held on 25th June 2024, Simon Dennis, Policy Improvement and Risk Manager, presented the Council's draft Annual Governance Statement (AGS) for the 2023/24 financial year. The draft AGS was published alongside the Council's draft financial statements.

This was further reviewed on 26th September 2024 ready to be published alongside the Council's financial statements. Each Directorate had returned the required Statements of Assurance and supporting documents with the Corporate Governance Group having reviewed the evidence contained therein. The Group had also considered which issues were of sufficient significance to require reports in the AGS. The document presented to the Committee had been reviewed by the Monitoring Officer and Strategic Director of Finance and Customer Services,

The AGS outlined the governance arrangements in place throughout the year and how their effectiveness was monitored recognising the improvements made in the Council throughout the financial year. It also highlighted areas for further developments in 2024/25.

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

Resolved:- That the 2023/24 Annual Governance Statement be approved.

53. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT - 2024/25

Consideration was given to the report presented by Natalia Govorukhina, Head of Corporate Finance, which detailed how the regulatory framework of treasury management required the Council to produce a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury outturn report. It was also now a requirement that the prudential indicators as at the end of June 2024/25 were reported.

This mid-year review for 2024/25 incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It was also a requirement that any proposed changes to the 2024/25 prudential indicators were approved by Council.

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

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

Whilst the Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, had generated significant savings for the Council, essential to achieving balanced budgets, the future outlook was more challenging. The current strategy was to delay all new borrowing as late as possible and to only enter into short term borrowing in order to minimise the interest cost to the Council. There was a discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which was available until March 2026. The borrowing position would remain under review and an update of the strategy would be presented to Members within the budget and Council Tax 2025/26 report to Council in March 2025.

The underlying economic and financial environment remained difficult for the Council; on investment the main challenge related to concerns over investment counterparty risk. This background encouraged the Council to continue maintaining investments short term and with low risk counterparties. The Bank of England base rate dropped from 5.25% to 5% during the first half of 2024/25 and was cut to 4.75% on 7th November, 2024.

The Council's use of long term PWLB borrowing during 2021/22 resulted in the level of short term borrowing gradually falling as short term borrowing matured. The proceeds of this borrowing had since been fully utilised and further financing has been required. With interest rates expected to be cut in the coming months, the Council has delayed as much borrowing as possible and only committed to short term borrowing.

The continuing approach to treasury management had been discussed with the Council's external Treasury Management Advisers, Link Asset Services, who had confirmed this was a prudent approach given current market conditions. Link Asset Services would continue to monitor borrowing rates and inform the Council if there were opportunities to borrow at advantageous rates.

It was noted that information with regard to the Minimum Revenue Provision (MRP) was part of the Treasury Management Strategy which was considered by Council when setting the Budget and Council Tax for the forthcoming financial year. Discussion would take place as to what could be presented to the Audit Committee and the timing thereof due to the linkage with Capital Programme investments and the associated commercial/confidentiality issues.

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

(2) That a report be submitted to a future meeting of the Committee on the Minimum Revenue Provision.

54. CODE OF CORPORATE GOVERNANCE

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

It was good practice to review and revise the Council's Code on an annual basis and in Rotherham monitored quarterly. Although there had been no subsequent changes to the guidance, an annual review of the Code had been completed to ensure it remained up-to-date and relevant to the Council. The changes this year were very minor in nature and could be seen on Appendix 1.

Resolved:- That the refreshed version of the Code of Corporate Governance be approved.

55. ANTI-MONEY LAUNDERING POLICY REVIEW

Consideration was given presented by Louise Ivens, Head of Internal Audit, proposing an update to the Council's Anti-Money Laundering Policy to ensure that it was in line with current best practice and took into account any changes to the Council's organisational structure. It was last updated in 2017.

The amendments to the Policy have been made in accordance with the updated legislation and the CIPFA publication "Combatting Financial Crime, Practical Advice for the Public Sector" (2020). The amendments did not change any of the underlying responsibilities or requirements of staff.

Alongside the Policy review, Internal Audit were examining controls within higher risk areas within the Council and would assess whether there were appropriate and proportionate anti-money laundering arrangements in place. This included staff awareness of the risks, customer due diligence, record keeping, monitoring, reporting lines and general awareness and training. The outcomes of the reviews would be included in the Internal Audit progress report once the final reports were issued.

Discussion ensued on the £10,000 cash payment limit and whether or not this needed to be revised due to the reduced amount of cash payments. It was anticipated that a better understanding of the amount of cash payments that took place would be gained during the Internal Audit review.

Resolved:- That the revised Anti-Money Laundering Policy be noted together with the actions being undertaken to review the Council's anti-money laundering arrangements.

56. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST AUGUST TO 31ST OCTOBER 2024

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 August to 31st October, 2024, and the key issues that had arisen.

The plan attached as part of the report showed the position up to the end of October 2024, the progress of the 2024/25 audit plan, the reports finalised between August and October 2024 and performance indicators for the team. Since the last report there had been 5 audits deferred, one removed and one addition to the plan.

Internal Audit provided 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 summary of all audit work concluded in the last quarter. 8 audits had been finalised since the last Audit Committee, 4 of which had received Reasonable Assurance and 4 received Partial Assurance opinion.

A review of the current performance indicators was detailed in Appendix D and client satisfaction survey responses attached at Appendix E.

Historically, progress against the Quality Assurance and Improvement Plan had been reported on an annual basis. This would form part of the quarterly Internal Audit progress report and was attached at Appendix F of the report.

The new Global Internal Audit Standards (GIAS) were issued on 9th January, 2024, and would become globally effective from 9th January, 2025. They would then replace the International Professional Practice Framework the mandatory elements of which were the basis for the current UK Public Sector Internal Auditing Standards (PSIAS). The Relevant Internal Audit Standard Setters (RIASS) has agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. The

AUDIT COMMITTEE - 26/11/24

IASAB had determined that if GIAS was applicable to the internal audit of UK public sector bodies, subject to a small number of additional requirements and interpretation. The IASAB had developed the "Application Note: Global Internal Audit Standards in the UK public sector".

CIPFA was consulting on a Code of Practice for the Governance of Internal Audit from the perspective of the organisation i.e. local government responsible for internal audit. The Code complemented the standards which applied to the practice of internal audit from the perspective of the Head of Internal Audit.

The effective date of the new material developed by IASAB was 1st April 2025 to align with requirements for annual opinions and other relevant aspects of UK public sector governance which lined up with the financial year. Until then, the existing PSIAS based on the old Internal Professional Practices Framework would continue to apply.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st August to 31st October, 2024, and the key issues that have arisen from it be noted.

(2) That the performance objectives of Internal Audit and the actions being taken by audit management in respect of meeting the performance objectives be noted.

57. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for January to November 2025. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

It was noted that the External Audit Value for Money opinion was listed for the March 2025 meeting when in fact it should be January.

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

58. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

59. URGENT BUSINESS

There was no urgent business for consideration.

Rotherham Metropolitan Borough Council

14 January 2025

Auditor's Annual Report for the
year ended 31 March 2024

Contents



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.



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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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Rotherham Metropolitan Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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 in Appendix A.

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

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

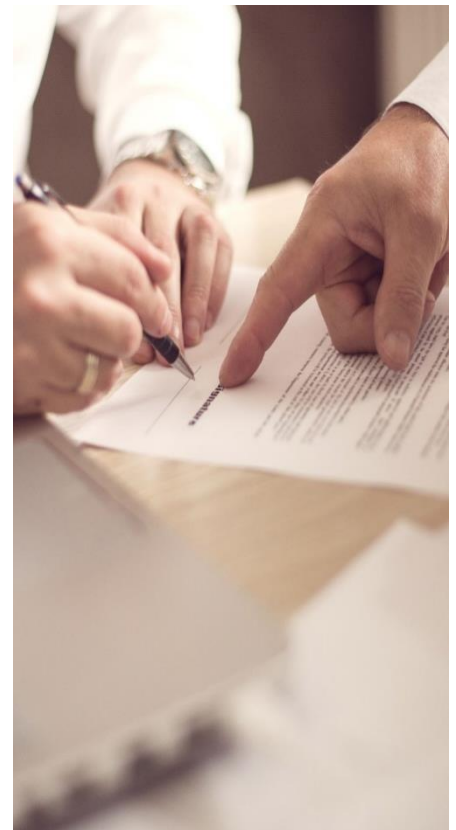
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

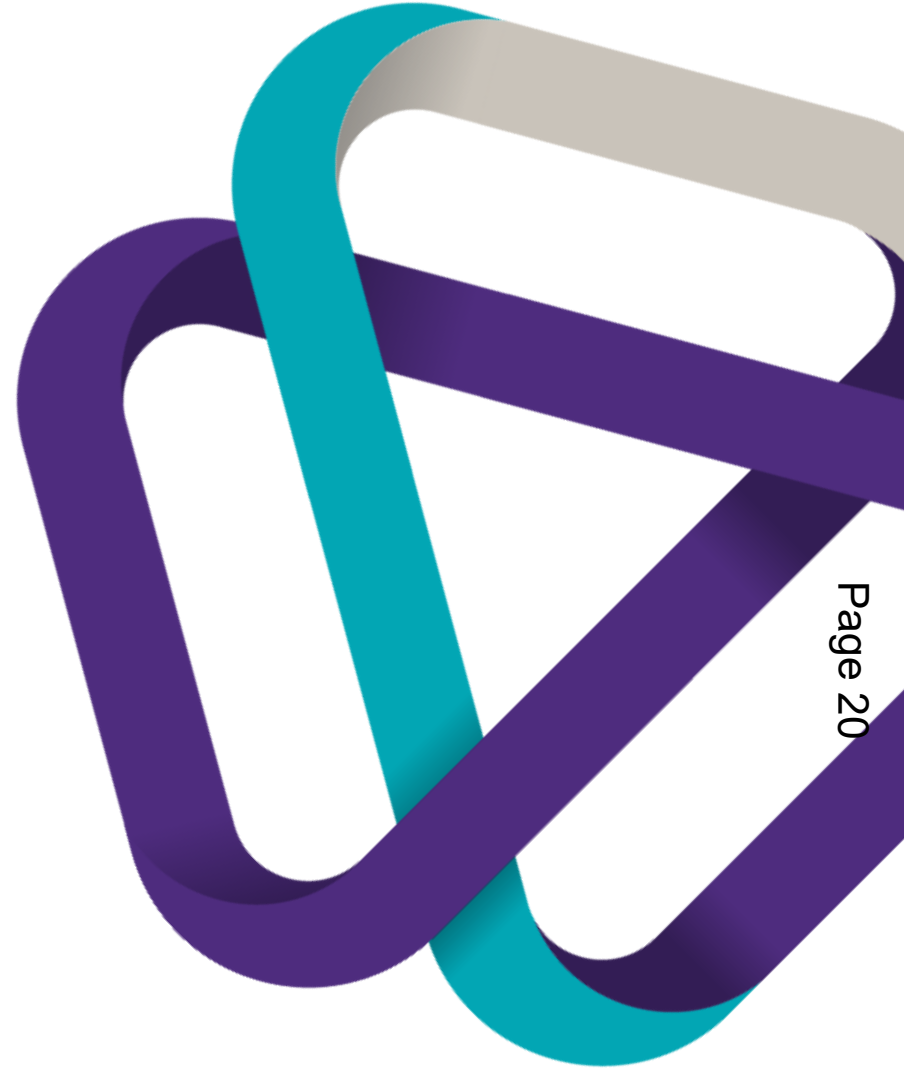
Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 31.



Financial sustainability

On 1 March 2023 Full Council set the net revenue budget for 2023/24 of £302.24m. The Council delivered an overspend of £0.1m in 2023/24. Key cost pressures included inflation, and demand led pressures on children's placements and Home to School Transport. The Council set a balanced net revenue budget for 2024/25 at £325.6m.

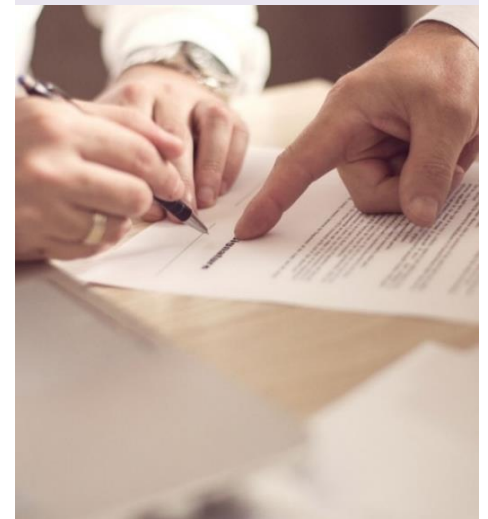
The 2024/25 - 2025/26 Medium Term Financial Strategy (MTFS) identified a funding gap of £6.6m in 2025/26 for which the Council has yet to develop savings plans to address. The MTFS includes savings planned for delivery in 2023/24 and 2024/25 agreed when setting the 2022/23 and 2023/24 budgets. Planned savings in children's placements will not be fully delivered by the end of 2024/25, however £3.4m social care contingency and a Corporate Budget Provision of £3.5m have been built into the 2024/25 budget to support anticipated pressures across Social Care and Home to School Transport, helping mitigate this. We note that in December 2024, the Cabinet were told there is a projected overspend of £5.3m but steps were being taken to mitigate this. The report also identified gaps in 2025/26 of £6.543m, £7.121m in 2026/27 and £11.652m in 2027/28. We note there are no new savings proposals yet formalised in respect of these, but that management anticipate addressing the position as part of the 2025-26 budget setting process and after communication of the Local Government Settlement. In addition, the Council does currently have a strong level of general fund and corporate reserves - £59.4m on 1 April 2024.

The Council's financial reporting demonstrates strong and coherent links between its corporate priorities and its budget and medium-term financial plans.

In conclusion and based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for ensuring financial sustainability, however we have raised one improvement recommendation on page 18.



We have substantively completed our audit of your financial statements and intend to issue an unqualified audit opinion on following the Audit Committee meeting on 14 January 2025. Our findings are set out in further detail on page 12.



Executive summary



Governance

The Council has a well-developed approach to risk management. On 23 January 2023, the Cabinet approved the Council's Risk Management Policy. The Policy requires the Strategic Risk Register (SRR) to be reviewed at regular intervals by the Strategic Leadership team (SLT) and for Directorate and Service level risk registers to be reviewed at least quarterly. Risks are escalated to the strategic level as necessary. We note the policy does not identify escalation arrangements between the tiers of risk or set out different risk types and the Council's accepted risk appetite for each of these.

On 25 June 2024, the Audit Committee received an adequate and effective framework of governance, risk management and control opinion from the Head of Internal Audit for 2023/24, this included 48 final audit reports and seven completed audit reviews with draft reports: 90% of audits resulted in a substantial or reasonable assurance opinion. There were also five partial assurance opinions. On 26 September 2024, the Audit Committee received the annual update of its Anti-Fraud and Corruption Policy and Strategy and self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) Fighting Fraud and Corruption Locally Checklist. The Council recognises it needs to improve its counter-fraud plan and enhance its counter-fraud controls by developing a counter-fraud risk register and by updating counter-fraud risks in departmental risk registers.

The Council consults on its budget including dialogue with strategic directors and elected members and used an external public consultation exercise to gather feedback prior to budget setting. The Cabinet receives regular financial monitoring reports which include the forecast outturn against the budget, variance analysis, and explanations for underspends and overspends by directorate. There was clear reporting on the forecast outturn and the potential consequences for reserves. We identified some areas where the Council could further improve its financial monitoring reporting.

The Council invites the public to ask questions at Cabinet and Cabinet decisions are recorded for each meeting. Cabinet decision-making is informed by pre-scrutiny discussion. The Council has two independent members on its Audit Committee in line with good practice.

The Council has a robust process for exemptions to contract rules. In 2023/24 the Council used 43 exemptions with a value of £7.049m compared with 44 exemptions with a value of £16.228 in 2022/23. We note the Council does not have a procurement strategy.

In conclusion and based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for governance. However, we have identified areas where the Council could improve arrangements and as such, have raised five improvement recommendations on pages 22-23.



Improving economy, efficiency and effectiveness

The Council Plan 2022-2025 is supported by annual Year Ahead Delivery Plans. These plans have five themes: Every neighbourhood thriving, People are safe, healthy, and live well, Every child able to fulfil their potential, Expanding economic opportunity and a cleaner, greener local environment.

Council's own Annual Governance Statement (AGS) identified housing compliance risks facing the Council. As part of our VfM work, we further expanded our work in this area based on AGS reporting. Our work indicated, In 2023/24 the Council's housing had a combination of weaknesses in Housing Revenue Account (HRA) health and safety compliance arrangements. These are reported in more detail at pages 9, 27 and 28 including actions taken to mitigate the risks. We recognise that during 2023/24, the Council identified these risks and put in place a Housing Regulatory Assurance Board chaired by the Chief Executive. This Board meets monthly and includes the Cabinet Portfolio Member, Monitoring Officer and Deputy Section 151 Officer and the Housing Management Team. The Cabinet has been kept up to date on the progress of this work. Since identification of these risks, the Council has developed plans to address these and is taking actions to mitigate these in a proactive manner which is a positive observation to report in this summary. However, there is a need to improve underlying data and to understand housing stock conditions before fully mitigating the compliance residual risk that remains. Again, measures have been taken to mitigate the risks whilst stock condition surveys are fully completed. Overall, taking all these into account (see pages 9, 27 and 28) we consider there is a significant weakness in arrangements around HRA health and safety compliance during 2023-24 within the scope of our VfM work. As a result, we have made a key recommendation relating to this on pages 9 and 28. We will re-visit this area as part of our 2024/25 VfM work

During 2023/24 the Council had identified concerns over building compliance, asset data, reporting processes and the right capability and capacity in the teams. These are captured at page 29 of this report in more detail. As a result, the Council commissioned an improvement plan to review property, facilities management, asset management, catering and facilities services. Since May 2024, a new, experienced and qualified compliance team are in post, which includes a new Head of Facilities and Compliance. This role will include statutory and duty holder responsibilities for compliance which the Council did not previously have in place. The team are working to introduce a new compliance and asset data system and are currently reviewing systems and are in pre-procurement market testing. Whilst there are action plans, new resources, processes, procedures and policies in place now (during 2024/25), these were not fully operational during 2023/24. Overall, taking all these into account, we consider there is a significant weakness in Asset management and building compliance arrangements during 2023/24 within the scope of our VfM work. As a result, we have made a key recommendation relating to this on pages 10 and 29. We will re-visit this area as part of our 2024/25 VfM work

In our Auditor's Annual Report for 2022/23 we raised an improvement recommendation that following the Ofsted and Care Quality Commission (CQC) Special Education Needs and Disabilities (SEND) inspection, the Council should have a clear "Written Statement of Action (WSOA) in response to the joint report which identified significant areas of weaknesses in implementing SEND reforms and an action plan to implement this WSOA, working with stakeholders. The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission. Ofsted and the CQC inspected SEND in September and early October 2024. The independent inspectors from Ofsted and CQC praised services for their 'genuine shared determination across the partnership (Rotherham Council, NHS South Yorkshire Integrated Care Board and Rotherham Parent Carers Forum) that all children and young people with SEND are happy, successful and thrive' The report also found 'most children's and young people's needs are identified and assessed quickly and accurately' and they 'enjoy attending a range of mainstream schools and specialist provisions'. The report identified that, out of 75 WSOA actions 73 are complete, and this was closed off on 4 October 2024 by Ofsted and CQC. This was a very positive outcome for the Council and clear demonstration of Council's good partnership working. As a result of these findings, we closed our prior year improvement recommendation.

The Council Leader chairs the Rotherham Together Partnership to deliver improvements for local people and communities. The Partnership works to deliver the Rotherham Plan 2025 which has five key themes which are highlighted above.

The Council has a contract management dashboard which includes key performance indicators (KPIs) description and narrative for key contracts. Some of these KPIs have scope for improvement in relation to performance measures. We have made an improvement recommendation related to this at page 30.

In conclusion we made two key recommendations and two improvement recommendations for improving economy, efficiency and effectiveness.

Executive summary



Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	No significant weaknesses in arrangements identified, but two improvement recommendation were made to support the Council to improve arrangements for financial sustainability.	In our risk planning we identified a possible risk of significant weakness for the Council's savings programme	No significant weaknesses in arrangements identified, but one improvement recommendation made (Page 18) regarding development of a standalone capital strategy.
Governance	No recommendations were made for Governance.	In our risk planning we identified a possible risk of significant weakness for Hellaby Stores.	No significant weaknesses in arrangements identified, but five improvement recommendations are made (Pages 22 and 23) to support the Council in improving arrangements for governance. These relate to risk management, internal audit progress reports, counter-fraud controls, financial monitoring and procurement strategy.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified, but four improvement recommendation were made to support the Council to improve arrangements for improving economy, efficiency and effectiveness.	In our risk planning we identified a possible risk of significant weakness for housing compliance and operational building assets.	Significant weakness in arrangements around improving economy, efficiency, and effectiveness were identified and two key recommendations were made (pages 9,10, 27,29) relating to housing compliance and operational building assets. We also raise two improvement recommendations (page 30) for data quality and for contract management.

Executive summary

Significant weakness identified in Improving economy, efficiency and effectiveness arrangements

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. Significant weakness in arrangements were identified and two key recommendations were made (see pages 9,10, 27, 28 and 29)

Housing Revenue Account (HRA) health and safety compliance

In 2023/24 the Council's HRA arrangements had certain key weaknesses (see further details at pages 27/28) which we have summarised below:

- Our reviews indicated, in 2023/24, 2,390 council homes did not meet the 'decent homes' standard (12% of the stock). We note that by 30 September 2024, the Council had improved housing standards. However, still, 1,230 homes still did not meet the 'decent homes' standard.
- Our reviews of Council's own reports also highlighted some compliance issues relating to lift and hoist servicing for vulnerable people along with inconsistent follow-ups on high and medium risks associated with Fire Risk Assessments (FRAs). The Council fully recognised these matters and self-referred to the Regulator for Social Housing due to lift and hoist compliance. As a result, the Council has considered the areas of health and safety, identifying further risks concerning inconsistent follow-ups of fire risk assessments, poor-quality compliance data and issues in contract management. All compliance policies are now in place including fire safety, apart from lifts and water safety which are being developed by the corporate asset management service. We also noted additional investment capacity is in the HRA Business Plan over the next five years, which is a positive step in the right direction.
- We also noted through our reviews that there was no HRA management strategy in place during 2023-24 but that the Council plans to commission a HRA asset management strategy in January 2025.
- The Council had not completed a stock condition survey for many years. We acknowledge that the Council has made arrangements for this survey to commence from January 2025 and is expected to take 2.5 years. Until the full survey is complete, the Council has no accurate record of category 1 hazards (damp and mould) or a full accurate assessment of decent home standards. However, actions have been taken in the short to medium term to reduce and mitigate key risks until the full completion of stock condition surveys.
- In 2023/24 the Council did not have all the required compliance policies and processes across the HRA including gas, electricity, and lifts. We note most of these were now in place as of November 2024.

As further reported in more detail at pages 27/28, we recognise, during 2023/24 and 2024-25, the Council identified these risks and implemented action plans proactively, including putting in place a Housing Regulatory Assurance Board ("the Board") chaired by the Chief Executive, Housing Safety and Quality Improvement Panel and Safety and Quality Action Plans. It has also taken steps to increase fire safety procedures of the HRA assets. The Board meets monthly and includes the Cabinet Portfolio Member, Monitoring Officer, Deputy Section 151 Officer and the Housing Management Team. The Cabinet has been kept up to date on the progress of this work. However, there is a need to improve underlying data and to understand housing stock conditions before fully mitigating the residual compliance risks that remain. Again, measures have been taken to mitigate the risks whilst stock conditioned surveys are fully completed. All these are positive actions undertaken by the Council.

However, taking all these weaknesses into account, we consider there is a significant weakness in HRA health and Safety compliance arrangements during 2023/24 within the scope of our VfM work. As a result, we have made a key recommendation relating to this (see below) and on page 28. We will re-visit this area as part of our 2024/25 VfM work

Key recommendation 1

The Council needs to:

- continue improving HRA compliance data robustness and validity.
- ensure contract management arrangements are put in place with housing contractors.
- improve compliance with decent homes standards
- work to improve its understanding concerning category 1 hazards in its housing stock.
- continue improving vulnerability policies for the HRA in line with emerging best practice from the regulators
- use the stock condition data to inform its asset management and capital investment plans.



Significant weakness identified in Improving economy, efficiency and effectiveness arrangements

Asset management and building compliance

In our risk planning work through various reviews of Council's own reports, we noted a risk of potential significant weakness for asset management related to building compliance, asbestos, fire, capability and capacity in the teams. This was also reported in Council's 2023/24 Annual Governance Statement. As a result of these findings by the Council, it commissioned an improvement plan to review property, facilities management, asset management, catering and facilities services

In addition, Internal Audit Team made some recommendations relating to building security (access, alarms, CCTV) which were followed up in October 2023. Overall, in 2023/24 the Council's asset management and facilities service had a range of weaknesses (also see page 29) which we have summarised below:

- In 2023/24 there was a significant gap in compliance across the operational estate. The Council did not carry out contractor compliance checks on a consistent basis, there was limited communication with sub-contractors and certain contractor follow-ups were missed.
- There was a lack of consistent fire risk assessments (FRAs) across the Council's operational estate. There is now a full plan of carrying out FRA's, with some being prioritised on a risk basis where high and medium FRAs are now completed as of November 2024 leaving a residual small number of low risk building assets FRAs to be completed. We note that the Council has a new policy in place on FRAs and has processes and management controls in place to ensure the buildings remain safe, specifically on fire safety aspects.
- In 2023/24 the Council did not have an accurate understanding of the number of operational building assets it was responsible for and since May 2024, the overall number of operational building assets has increased due to more robust checks on the portfolio.
- The Council has no recent Disability Discrimination Act data for its buildings. This work has now started and forms part of a new compliance regime.
- We also identified through our report reviews and management discussions that the Council did not always have management plans in place for properties leased to third parties and that landlord inspections or audits were not always carried out. The Council has identified this as a risk and work is underway to audit all leased out buildings that are mainly used for education or community-based activities.

Since May 2024, a new, experienced and qualified compliance team are in post, which includes a new Head of Facilities and Compliance. This role will include statutory and duty holder responsibilities for compliance which the Council did not previously have in place. The team are working to introduce a new compliance and asset data system and are currently reviewing systems and are in pre-procurement market testing.

We acknowledge the work the Council is undertaking and already completed in certain areas to date. However, overall, based on the work undertaken and evidence reviewed, taking all these above matters into account, we concluded, there is a significant weakness in asset management and building compliance arrangements during 2023-24 within the scope of our VfM work.

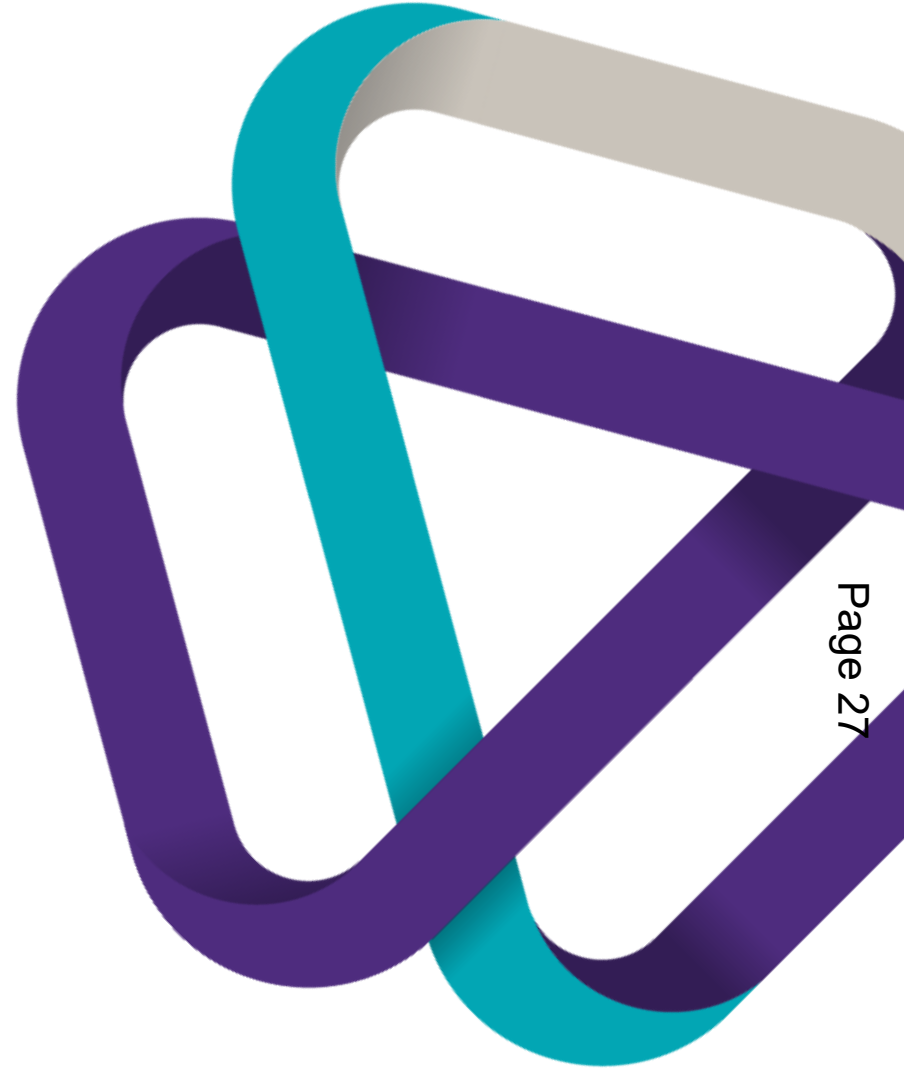
As a result, we have made a key recommendation relating to this (see below) and on page 29. We will re-visit this area as part of our 2024/25 VfM work

Key recommendation 2

The Council should:

- undertake stock condition surveys to develop an understanding of its assets, their state and their level of health and safety compliance.
- put in place management plans and landlord inspections where required and ensure it is getting value for money for its assets.
- ensure it has an assets management system for its properties and other assets and that data in the system is accurate, enabling management of health and safety compliance.
- ensure compliance contract management is put in place and regular performance monitoring of these contracts is put in place.

Opinion on the financial statements and use of auditor's powers



Opinion on the financial statements



Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council's financial statements following the meeting of the Audit Committee on 14 January 2025.

The full opinion is included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a good standard and supported by detailed working papers.

There were no significant findings to report in the Audit Findings Report (ISA260) and the small number of adjustments made to the draft financial statements did not impact on the reported financial performance of the Council or its useable reserves position.

Audit Findings Report

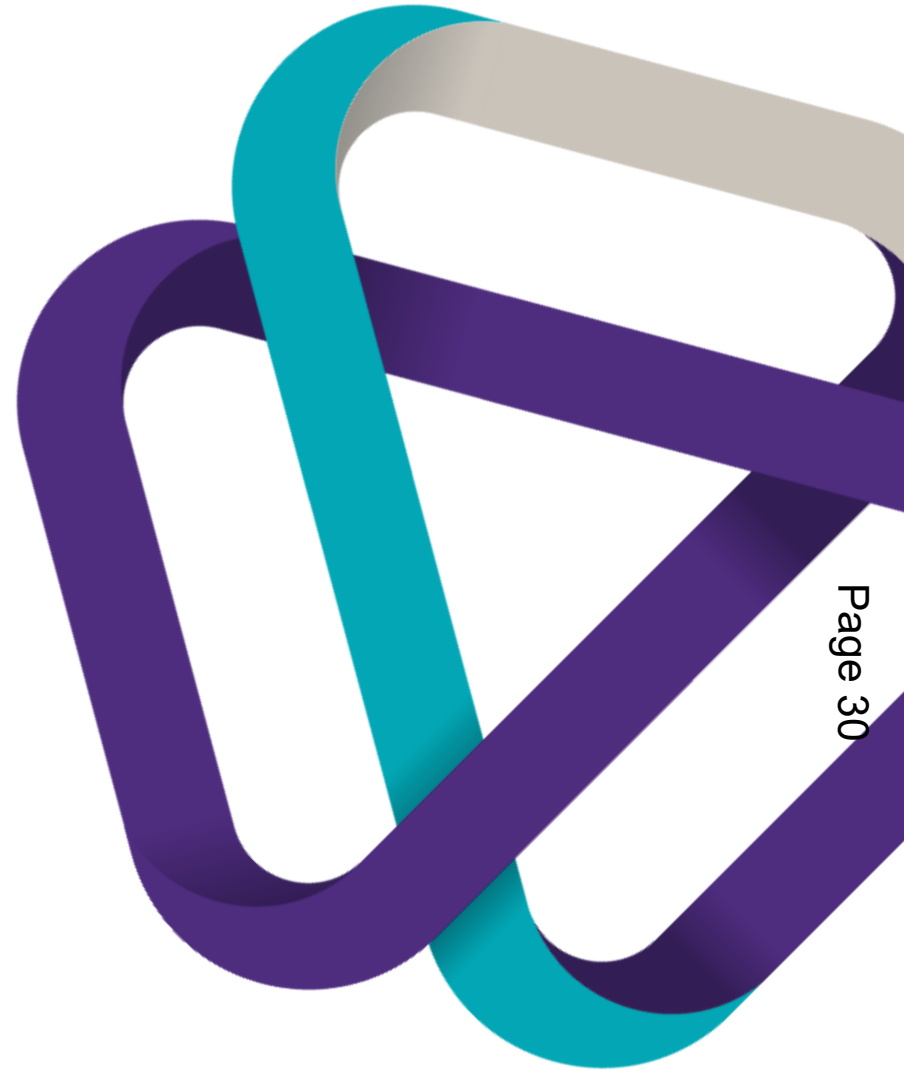
We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit Committee on 26 November 2024. Requests for this Audit Findings Report should be directed to the Council.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p>Statutory recommendations</p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report. The Chancellor's Budget on 30 October 2024 confirmed the Government's plans for greater devolution in England and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by the Government in December 2024.

Local context

The Council is a unitary council with a population of 268,400 in 2022.



The Council has had a Labour majority since 1974. It has 59 councillors, and its next election is in May 2028.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by overview and scrutiny.

The Council Plan 2022-2025 is framed around five themes: Every neighbourhood thriving, People are safe, healthy, and live well, Every child able to fulfil their potential, Expanding economic opportunity and a cleaner, greener local environment. These five themes are underpinned by a cross-cutting strand - 'One Council' - which sets out how the Council operates to achieve the vision.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The Council delivered an overspend of £0.1m against a net revenue budget of £302.2m in 2023/24. Key cost pressures included inflation, and demand led pressures on children's placements and Home to School Transport. The Council has set a balanced net revenue budget for 2024/25 of £325.6m. The Council's MTFS aligns to the Corporate Plan and therefore for the 2024/25 budget only covers a two-year planning period to 2025/26. The MTFS 2024/25 - 2025/26 includes a funding gap of £6.6m for which the Council has yet to develop savings plans. The Council reverted to three-year medium-term planning for 2024/25.

In our 2022/23 Auditor's Annual Report (AAR), we raised an improvement recommendation regarding slippage in the capital programme and recommended the Council should complete its planned review of capital project governance and reporting. While the capital programme underspent by £11.7m in 2023/24, the Council took positive steps to address our recommendation, and the level of capital spend has increased. We have closed our prior year improvement recommendation and will assess progress in 2024/25.

The Council is part of the DSG safety valve programme. It performs well compared with the national picture but forecasting a deficit of £1.8m in 2024/25 and £0.9m in 2025/26 (final year of the Safety Valve programme). The forecast deficit in 2025/26 presents a financial risk to the Council, if the statutory override is not extended beyond 2025/26. Mitigating options are being explored to alleviate the demand and financial challenges in the SEND and high needs budget and reduce the deficit.

plans to bridge its funding gaps and identifies achievable savings

The Council had planned savings for 2022/23 to 2024/25 agreed as part of the budget setting process. These savings total £11.5m. Of these £4.4m were delivered in 2022/23 and the Council needed to deliver £7.4m by 2024/25. The Council delivered a further £1.894m in 2023/24. It also delivered £4.398m of the £4.344m of temporary and permanent savings identified at the start of 2023/24. The undelivered savings were mainly in children's services.

The Council built a £3.4m social care contingency and a Corporate Budget Provision of £3.5m to support anticipated pressures across Social Care and Home to School Transport into its 2024/25 budget which will help to mitigate this. The Council does not anticipate meeting its children's services savings target in 2024/25.

The Council's 2024/25 - 2025/26 MTFS approved in February 2024 identified a £6.6m funding gap for 2025/26, which will increase if any undelivered savings in 2024/25 are reprofiled into later years. The Council did not develop any additional savings plans to address this gap as part of setting the 2024/25 budget.

We note that in December 2024, it was reported to Cabinet that there is a projected overspend of £5.3m requiring the use of reserves to achieve a balanced financial outturn position for 2024/25. The Council also reports gaps of £6.543m in 2025/26, £7.121m in 2026/27 and £11.652m in 2027/28. We note there are no new savings proposals yet formalised in respect of these, but that management anticipate addressing the position as part of the 2025-26 budget setting process and after communication of the Local Government Settlement. In addition, the Council does currently have a strong level of general fund and corporate reserves - £59.4m on 1 April 2024.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

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

The Council's financial reporting demonstrates strong and coherent links between its corporate priorities and its budget and medium-term financial plans. Budget papers include details of investments the Council is making to support delivery of its vision under the Plan. The Council's capital investment proposals are also grouped by corporate priority.

The Council considers statutory and discretionary spending when developing budget savings, including the use of check and challenge sessions within the service lines to determine whether discretionary elements can be reduced within each service line. The Council uses trend analysis and benchmarking to forecast demand and understand costs. For example, the Council used benchmarking to support its operational review of Home to School transport, which was a key cost pressure in 2023/24 which has resulted in an improved unit cost position.

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

The Council has arrangements in place to ensure financial plans are aligned with other plans such as workforce and treasury management. The Council does not have an overarching asset management plan but manages this via separate plans within the service lines which are linked to financial plans via the capital strategy and capital programme planning. However, we identified the Council does not have an asset management plan for HRA - we have considered this in more detail in the improving economy, efficiency and effectiveness section, where we have raised a key recommendation in relation to Housing on page 28. The Council does not have a separate capital strategy which we would expect to see, and we make an improvement recommendation on page 18.

The capital programme has continued to slip, although the level of capital expenditure increased from 2022/23 by 8%. We raised an improvement recommendation in our 2022/23 AAR and have reported on progress against this on page 41.

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council produces regular financial monitoring reports which are presented to Cabinet throughout the year. These include escalation of significant issues so that the Cabinet is sighted on key risks. In 2023/24, the Council has demonstrated that it identified risks to its financial position and took mitigating actions to reduce these. This resulted in a lower overspend and reduced call on reserves compared with the forecast position in late 2023. The Council's 2024/25 budget highlights key risks and mitigations.

The Council use scenario planning/sensitivity analysis around key budget assumptions when developing the MTFS, however this is not included in the publicly available reports to Cabinet and Council.

Financial sustainability



Areas for improvement

Capital Strategy

The Council does not have a standalone Capital Strategy which we would expect to see. The Prudential Code for Capital Finance in Local Authorities (2021), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), requires each Local Authority to produce a Capital Strategy on an annual basis. It should set out how capital investment will play its part in delivering the ambitious long term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.

Improvement recommendation 1: The Council needs to develop a Capital Strategy.

Governance



We considered how the Audited Body:

Commentary on arrangements

monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

On 23 January 2023, the Cabinet approved the Council's Risk Management Policy. The Policy requires the Strategic Risk Register (SRR) to be reviewed at regular intervals by the Strategic Leadership team (SLT) and for Directorate and Service level risk registers to be reviewed at least quarterly. Risks are escalated to the strategic level, as necessary. We note the policy does not identify escalation arrangements between the tiers of risk or set out different risk types and the Council's accepted risk appetite for each of these and we make an improvement recommendation.

Risk management training is a fundamental element of the Council's approach to risk management which we identify as good practice. The Council has a policy improvement and risk manager and an established risk champions group which meets bi-monthly. On 30 July 2024, the Audit Committee received the annual update on risk, it also received quarterly updates in 2023/24. Cyber security is not on the Council's risk register, which we would expect, although it is on the Finance and Customer Services risk register. We include corporate assurance for cyber security in our risk management improvement recommendation on page 22.

In our AAR 2022/23 we made an improvement recommendation for the Council to set out the key actions and challenges in achieving Net Zero 2030 and update the Council's Corporate Strategic Risk Register (CSRR) accordingly on a timely basis. The Council needs to clearly articulate what actions are required to deliver on this key environmental objective. We note this is outstanding and this recommendation is retained (page 41).

On 12 March 2024, the Audit Committee received the Internal Audit Quality Assurance and Improvement Programme (QAIP) and review against Public Sector Internal Audit Standards (PSIAS). The latest annual self-assessment has now been completed, still showing general conformance with the standards. An internal self-assessment is plan against the new Global Internal Audit Standards. On 25 June 2024, the Audit Committee received an adequate and effective framework of governance, risk management and control opinion from the Head of Internal Audit for 2023/24, this included 48 audits final reports and seven completed audit reviews with draft reports: 90% of audits resulted in a substantial or reasonable assurance opinion. There were also five partial assurance opinions. Internal audit progress report details are limited in Part 1 papers for the Audit Committee, and we make an improvement recommendation on page 22.

On 26 September 2024, the Audit Committee received the annual update of its Anti-Fraud and Corruption Policy and Strategy and self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) Fighting Fraud and Corruption Locally Checklist. The Council recognises it needs to improve its counter-fraud plan and enhance its counter-fraud controls by developing a counter-fraud risk register and by updating counter-fraud risks in departmental risk registers. In 2023/24 there was one staff related fraud that led to the Council strengthening its annual PDR process to include assurance over conflicts of interest. We make an improvement recommendation to strengthen counter-fraud controls.

Governance



We considered how the Audited Body:

Commentary on arrangements

approaches and carries out its annual budget setting process

The Council has taken a consistent approach to budget setting in agreeing its 2024/25 budget. The budget process builds on the previous year's budget and factors in relevant changes. The Council consults on its budget including dialogue with strategic directors and elected members and used an external public consultation exercise to gather feedback prior to budget setting. The budget aligns with the updated MTFS which sets the context for the annual budget.

The Council's MTFS approved alongside the 2024/25 budget in February 2024 only covered a 2-year planning period in contrast with the Council's usual medium-term approach. In preparing the updated MTFS, the Council is moving back to a three-year plan.

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

The Cabinet receives regular financial monitoring reports which include the forecast outturn against the budget, variance analysis, and explanations for underspends and overspends by directorate. There was clear reporting on the forecast outturn and the potential consequences for reserves.

We identified some areas where the Council could further improve its financial monitoring reporting and have raised an improvement recommendation. These include a prior year improvement recommendation which is not yet addressed.

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Council invites the public to ask questions at Cabinet and Cabinet decisions are record for each meeting. Cabinet decision-making is informed by pre-scrutiny discussion. The Council has two independent members on its Audit Committee in line with good practice.

The Local Government Association (LGA) Corporate Peer Challenge (CPC) in June 2023 identified that people speak highly of the Leader and the Chief Executive, commending their dedication and determination in bringing about the required transformations in the Council. They are supported by a capable and effective top-team made up of Cabinet Members and the strategic leadership team.

Governance



We considered how the Audited Body:

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

Commentary on arrangements

In June 2023, the LGA found evidence of excellent and effective Member and officer relationships built on mutual trust and evidence of effective governance and a positive and healthy organisational culture.

In our AAR 2022/23 we made an improvement recommendation for the Council to develop 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). On 12 March 2024, the Audit Committee received an annual procurement update. This report provides an update to members on the Procurement Act changes including the requirement to publish pipelines of future procurement opportunities at the start of each financial year. The team was also developing a Contract Management dashboard for services to use for the top three key performance indicators initially for contracts over £5m. The Council had an up-to-date contracts register. We close our prior year recommendation.

The Council has a robust process for exemptions to contract rules. In 2022/23 the Council used 43 exemptions costing £7.049m compared with 44 exemptions costing £16.228 in 2022/23. In Quarter 1, 2024/25 the Council used 12 exceptions, costing £1.507m. We note the Council does not have a procurement strategy, and we make an improvement recommendation on page 23.

Governance



Areas for improvement

Risk management

On 23 January 2023, the Cabinet approved the Council's Risk Management Policy. The Policy requires the Strategic Risk Register (SRR) to be reviewed at regular intervals by the Strategic Leadership team (SLT) and for Directorate and Service level risk registers to be reviewed at least quarterly. Risks are escalated to the strategic level as necessary. We note the policy does not identify escalation arrangements between the tiers of risk or set out different risk types and the Council's accepted risk appetite for each of these and we make an improvement recommendation.

Improvement recommendation 2: The Council could strengthen its risk policy by including risk escalation and de-escalation arrangements between the tiers of risk registers and including risk types and applying risk appetite to each risk type.

Internal audit progress reports

Internal audit progress reports have limited details in Part 1 published papers for the Audit Committee. It would be helpful to provide an executive summary of each report completed in the period with reasons for partial or no assurance opinions and agreed actions.

Improvement recommendation 3: The Council should consider enhancing internal audit progress papers by giving more detail on completed audits including an executive summary of each report completed in the period in part 1 papers to the Audit Committee.

Counter-fraud

The Council has a limited counter-fraud plan in place which needs developing. It also has no corporate risk register for counter-fraud which we would expect to see, and counter-fraud risks have not been updated in departmental risk registers which we note the Internal Audit team started to address in November 2024.

Improvement recommendation 4: The Council should consider strengthening its counter-fraud controls by developing a corporate counter-fraud risk register and ensuring counter-fraud risks in departmental risk registers are updated. It also needs to enhance its counter-fraud plan.

Governance



Areas for improvement

Financial monitoring

In our 2022/23 AAR, we raised an improvement recommendations regarding the Council's financial monitoring report. When the approved Capital Budget Programme is updated during the year, we recommend the Council continues to report the initially approved Capital budget alongside the revised budget in the quarterly financial monitoring reports so stakeholders can track the changes from the original Programme. This recommendation was accepted by management in our 2022/23 AAR, however, management has advised these changes are not made as adding the extra information to the report leads to the report being too large which risks detracting from the key messages about the in-year position. It is important to strike an appropriate balance between sufficient information for key decisions to be made, without too much information and providing information for members to track changes from the original approved budgets. This is particularly important for the capital programme where the Council has worked to improve its delivery.

Our review of the 2023/24 financial monitoring reports also identified that reports do not include the year-to-date position.

We have therefore raised an improvement recommendation to support the Council to improve its financial monitoring reports in line with good practice.

Improvement recommendation 5: The Council could improve its financial monitoring reporting in line with good practice by considering:

- when the approved Capital Programme is updated during the year, continuing to report the initially approved Capital budget alongside the revised numbers in the quarterly monitoring reports to track changes from the original Programme approved by Members.

Procurement Strategy

We note the Council does not have a Procurement Strategy in November 2024 which we would expect to see published and reviewed annually.

Improvement recommendation 6: The Council should develop and publish a Procurement Strategy. This should set procurement strategic priorities that align with the Council's priorities such as net zero and capture changes to procurement following the Procurement Act (2023) and the national Procurement Policy Statement (2024). It should include measurable actions and indicators with clear accountabilities and an annual review process. The Strategy should be widely communicated to staff and members to raise awareness of their responsibilities.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

uses financial and performance information to assess performance to identify areas for improvement

The Council Plan 2022-2025 is supported by the annual Year Ahead Delivery Plans. These plans have five themes: Every neighbourhood thriving, People are safe, healthy, and live well, Every child able to fulfil their potential, Expanding economic opportunity and a cleaner, greener local environment. These five themes are underpinned by a cross-cutting strand - 'One Council' - which sets out how the Council will operate to achieve the vision. In April 2023, the Cabinet agreed the 2023/24 Year Ahead Delivery Plan. During 2023/24 SLT received quarterly Plan updates and Cabinet received these bi-annually. The Council also has a range of directorate and service plans in place.

We did not receive a data quality policy and identified ongoing data quality weaknesses across HRA compliance and corporate operational building assets resulting in a lack of compliance. We make an improvement recommendation to develop a corporate data quality policy and ensure this is used to inform a data quality review.

The AGS identified that housing compliance risks facing the Council are high and we have identified weaknesses in housing compliance health and safety and building asset management. We have set out these weaknesses on page 28. Taken together these present a significant weakness in the Council's arrangements for its council homes. We recognise that during 2023/24 the Council identified these risks and put in place a Housing Regulatory Assurance Board chaired by the Chief Executive. This Board meets monthly and includes the Cabinet Portfolio Member, Monitoring Officer and Deputy Section 151 Officer and the Housing Management Team. Whilst the Council has plans in place to address identified risks, and is taking action to do so, there is a need to improve and understand underlying data including housing stock condition. We will return to this in our future work on VFM in 2024/25 and make a key recommendation on page 28.

During 2023/24 the Council had identified concerns over building compliance, asset data and reporting processes and the right capability and capacity in the teams. The AGS for 2023/24 identified that an improvement plan was commissioned to review property and facilities management, asset management and catering and facilities services. In 2023/24 the Council's asset management and facilities service had a range of weaknesses which we set out on page 29. Taken together these present a significant weakness in the Council's arrangements for asset management and building compliance. The new Assistant Director joined in May 2024 and a new compliance team has since been introduced. However, risks remain and the Council has yet to fully put in place robust systems across the property portfolio. We make a key recommendation on page 29 and will return to this area in our VFM for 2024/25.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

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

In our Auditor's Annual Report for 2022/23 we raised an improvement recommendation that following the Ofsted and Care Quality Commission (CQC) Special Education Needs and Disabilities (SEND) inspection, the Council should have a clear "Written Statement of Action (WSOA) in response to the joint report which identified significant areas of weaknesses in implementing SEND reforms and an action plan to implement this WSOA, working with stakeholders. The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission. Ofsted and the CQC inspected SEND in September and early October 2024. The independent inspectors from Ofsted and CQC praised services for their *'genuine shared determination across the partnership (Rotherham Council, NHS South Yorkshire Integrated Care Board and Rotherham Parent Carers Forum) that all children and young people with SEND are happy, successful and thrive'* The report also found *'most children's and young people's needs are identified and assessed quickly and accurately and they enjoy attending a range of mainstream schools and specialist provisions'*. The report identified that, out of 75 WSOA actions 73 are complete, and this was closed off on 4 October by Ofsted and CQC.

This was a very positive outcome for the Council and clear demonstration of good partnership working. As a result of these findings, we closed our prior year improvement recommendation

The LGA CPC took place between 5 to 8 June 2023 and the findings were received in August 2023. The report made seven recommendations, and the Council produced a high-level action plan approved by the Cabinet in September 2023. The LGA held a progress review in December 2023 and found good progress. The findings were received in February 2024. As part of this action plan, by March 2025 the Council committed to developing an outcome-focussed Council Plan for 2025-29 and refreshed performance management framework informed by good practice. Performance reporting arrangements will also be reviewed to focus on evidencing outcomes and impacts. We will return to this in our VFM work for 2024/25.

The Council improves the quality of service offered to residents by learning from its complaints. Complaints' information is included in service-level performance reports and is used alongside other key performance indicators to help services improve.

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

The Council Leader chairs the Rotherham Together Partnership to deliver improvements for local people and communities. The Partnership works to deliver the Rotherham Plan 2025 which has five key themes partners are working together to deliver.

In 2023, the Rotherham Place Plan 2023-25 was refreshed taking account of the changed landscape following the Health and Care Act 2022 and the establishment of the statutory Integrated Care System from 1 July 2022. The Place Plan aligns with the Rotherham Health and Wellbeing Strategy and considers the regional health agenda. The Rotherham Place Board, which also includes the integrated care board business, is held publicly monthly. The Chief Executive represents the Council.

The Council also works with regional partners, including the South Yorkshire Mayoral Combined Authority focused on transport improvement and with the South Yorkshire, Derbyshire and Nottinghamshire Joint Health Overview and Scrutiny Committee.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

commissions or procures services, assessing whether it is realising the expected benefits

The Council has a procurement business case that includes a section on contract management, contract ownership and KPIs and management information. However, there is no corporate oversight for contract management compliance this sits with the individual services.

The Council has a contract management dashboard which includes KPIs description and narrative for key contracts. In areas there are contract weaknesses, HRA and building compliance, these KPIs are underdeveloped, and more work is needed to improve performance measures. In some service areas we identified a lack of contract management and make an improvement recommendation on page 30.

Improving economy, efficiency and effectiveness

Significant weakness identified – HRA health and safety compliance

In our risk planning we identified a potential significant weakness related to HRA building, compliance concerning asbestos, fire and a lack of capability and capacity in these areas. Council's own AGS for 2023/24 also reported on these housing compliance risks facing the Council.



In 2023/24 the Council's HRA arrangements had a certain weaknesses which we have set out below. Taken together these present a significant weakness in the Council's arrangements for its council homes.

We recognise that during 2023/24 the Council identified these risks and has put in place a Housing Regulatory Assurance Board chaired by the Chief Executive. This Board meets monthly and includes the Cabinet Portfolio Member, Monitoring Officer and deputy Section 151 Officer and the Housing Management Team. The Board receives regular updates in progress against Housing Safety and Quality Improvement Plan which includes cross-cutting actions such as creation of a dedicated Compliance Team, improvements in the performance and assurance framework and the investment in IT systems. As noted, the Council has plans in place to address risks identified and is working to fully understand the issues and gather underlying data to support this, including a stock condition survey. We will return to this as part of our 2023/25 VFM work.

- In 2023/24, 2,390 council homes did not meet the 'decent homes' standard (12% of the stock). We note by 30 September 2024, the Council had improved housing decency, but 1,230 homes still did not meet the 'decent homes' standard. We note additional investment capacity is earmarked in the HRA Business Plan over the next five years to address this.
- During 2023/24 the Council self-referred to the Regulator for Social Housing regarding the issues references in our AAR. This followed reviews of health and safety compliance, including an external review conducted by Campbell Tickell, which identified some historically poor-quality compliance data and the need for improvement in contract management in some areas. The actions from these reviews fed into the Housing Safety and Quality Improvement Plan.
- In 2023/24 there was no HRA asset management plan. The Council plans to commission HRA asset management strategy in January 2025.
- In 2023/24 the Council had not completed a stock condition survey for many years. In January 2025, the stock condition survey contract is expected to commence and Council aims to fully complete with in 2.5 years. Until the survey is fully complete the Council has no accurate record of category 1 hazards (damp and mould) or an accurate assessment of decent homes standards
- In line with the national picture on Council Dwellings, damp and mould reporting increased significantly over the last three years from 1236 reports in 2022 to 2976 in 2023 and 3423 by end October 2024. During the year, the Council implemented a new process to triage damp and mould calls. Each call gets visited by a technical officer and issues are risk rated for response by different teams. In October 2024 98% of referrals are inspected in 10 working days with an average of a further 9 working days to complete the work. More work is needed to focus on vulnerable people and repeat callers, which the Council has identified as the next phase of improvement later in 2024/25. All these actions are positive to reduce the risks and improve arrangements in this area.
- In 2023/24 the Council did not have consistent compliance policies and processes across the HRA assets including gas, electricity, and lifts. All compliance policies are now in place apart from lifts and water safety which are being developed by the corporate asset management service. These are work in progress.
- In 2023/24 there was inconsistent follow-up on high and medium risks associated with Fire Risk Assessments (FRAs). During 2024/25 regular improvement updates were provided to the Regulator for Social Housing. In August 2024, the Council told the Regulator for Social Housing that FRA actions were incorrectly recorded which missed the volume of outstanding actions. We note the Council corrected this error by October 2024 and that performance monitoring has now improved, including evidence-based closure of actions and audit of all actions by the compliance officer. In addition, a full audit of all actions forms part of the fire risk review which is scheduled at the one-year anniversary of FRA. These are notable improvements conducted proactively by the Council.

In 2024/25, the Council created a Housing Safety and Quality Improvement Panel chaired by the Head of Housing Property Services which meets monthly to scrutinise and monitor the safety and Quality Action Plan and to deep dive areas of compliance for further assurance..

In October 2023, the Council developed a Safety and Quality Action Plan following a deep dive on housing property compliance. Recruitment to the compliance team was slower than anticipated, which delayed the progress of some actions. Recruitment is now complete apart from the Compliance Manager and Service Manager, the post is covered on an interim basis from July 2024.

Improving economy, efficiency and effectiveness



Significant weakness identified – HRA health and safety compliance (continued)

The Council has made positive progress in improving governance, assurance and performance mechanisms as part of the Safety and Quality Action Plan and we note that the Council has internally recognised the issues that it is taking action to address. As an ongoing process, there remain risks and matters to tackle as part of the ongoing improvements being made.

- In November 2024, a new action was added to the Housing Compliance action plan to ensure a Safety Case Report, Mandatory Occurrence procedure and resident engagement strategy are in place in line with legislation for high rise building. The Safety Case report is partially created, and we understand that will be complete by January 2025.
- In November 2024, the Asbestos Contractor is not under contract. This is due for completion by 31 January 2025, and client quality assurance processes are not being undertaken for asbestos inspections and do not give sufficient assurance. However, we note inspections were carried out.

Overall, based on the work undertaken and evidence reviewed, taking all these above matters into account, we concluded, there is a significant weakness in HRA health and safety compliance arrangements during 2023-24 within the scope of our VfM work.

As a result, we have made a key recommendation relating to this (see below). We will re-visit this area as part of our 2024/25 VfM work

Key Recommendation 1:

The Council needs to:

- continue improving HRA compliance data robustness and validity.
- ensure contract management arrangements are put in place with housing contractors.
- improve compliance with decent homes standards.
- work to improve its understanding of category 1 hazards in its housing stock.
- Continue improving vulnerability policies for the HRA in line with emerging best practice from the regulators
- use the stock condition data to inform its asset management and capital investment plans.

Improving economy, efficiency and effectiveness



Significant weakness identified – Asset management and building compliance

In 2023/24 the Council identified concerns over building compliance, asset data, reporting processes and the right capability and capacity in the teams. In addition, Internal Audit Team made recommendations relating to building security (access, alarms, CCTV), which they followed up in October 2023. The initial report identified actions were required by October 2022 and these were outstanding in October 2023 which led to a partial assurance opinion from Internal Audit. The actions outstanding in October 2023 were, the failure to record inspections onto the CIPFA Asset Manager system in accordance with the inspection policy, a failure to monitor the frequency of inspections and the implementation of the new Asset Management structure, including a dedicated compliance team.

The Asset Management service was moved under the temporary responsibility of Finance and Customer Services from August 2023 and a new Assistant Director joined in May 2024. Since then, the Council has introduced a new compliance team. Compliance is shared across this new team and the housing team. The corporate team continued to lead on lift, hoist compliance and fire safety.

As reported at page 10, during 2023/24 the Council's asset management and facilities service had a range of weaknesses which we set out below. Taken together these present a significant weakness in the Council's arrangements for asset management and building compliance.

- In 2023/24 there was a significant gap in compliance across the operational estate. The Council did not carry out contractor compliance checks on a consistent basis, there was limited communication with sub-contractors and some contractor follow-ups were missed.
- There was a lack of consistent fire risk assessments (FRAs) across the Council's operational estate. There is now a full plan of carrying out FRA's, with some being prioritised on a risk basis where high and medium FRAs are not completed as of November 2024 leaving a residual small number of low-risk building assets. We note that the Council has a new policy in place on FRAs and has processes and management controls in place to ensure the buildings remain safe, specifically fire safety aspects.
- In 2023/24 the Council did not have an accurate understanding of the number of operational building assets it was responsible for and since May 2024, the overall number of operational building assets has increased due to more robust checks on the portfolio.
- The Council has no recent Disability Discrimination Act data for its buildings. This work has now started and forms part of a new compliance regime.
- We also identified through our report reviews and management discussions, that the Council did not always have management plans in place for properties leased to third parties and that landlord inspections or audits were not always carried out. The Council has identified this as a risk and work is underway to audit all leased out buildings that are mainly used for education or community-based activities.

Since May 2024, a new, experienced and qualified compliance team are in post, which includes a new Head of Facilities and Compliance. This role will include statutory and duty holder responsibilities for compliance which the Council did not previously have in place. The team are working to introduce a new compliance and asset data system and are currently reviewing systems and are in pre-procurement market testing.

We acknowledge the work the Council is undertaking and already done in certain areas to date. However, overall, based on the work undertaken and evidence reviewed, taking all these above matters into account, we concluded, there is a significant weakness in this area during 2023-24 within the scope of our VfM work.

As a result, we have made a key recommendation relating to this (see below). We will re-visit this area as part of our 2024/25 VfM work

Key Recommendation 2:

The Council should:

- undertake stock condition surveys to develop an understanding of its assets, their state and their level of health and safety compliance.
- put in place management plans and landlord inspections where required and ensure it is getting value for money for its assets.
- ensure it has an assets management system for its properties and other assets and that data in the system is accurate, enabling management of manage health and safety compliance.
- ensure compliance contract management is put in place and regular performance monitoring of these contracts is put in place.

Improving economy, efficiency and effectiveness



Areas for improvement

Data quality

The Council does not have data quality policy, and we identified ongoing data quality weaknesses across HRA compliance and corporate operational building assets resulted in a lack of compliance. Poor or unknown quality data weakens evidence, undermines trust, and ultimately leads to poor outcomes.

Improvement recommendation 7: The Council should develop a corporate data quality policy and ensure this is used to inform a data quality review. It could look to the national data quality framework to guide this work.

Contract management

The Council has a contract management dashboard which includes KPIs description and narrative for key contracts. In areas where we have identified contract weaknesses, HRA and building compliance, these KPIs are underdeveloped, and more work is needed to improve performance measures.

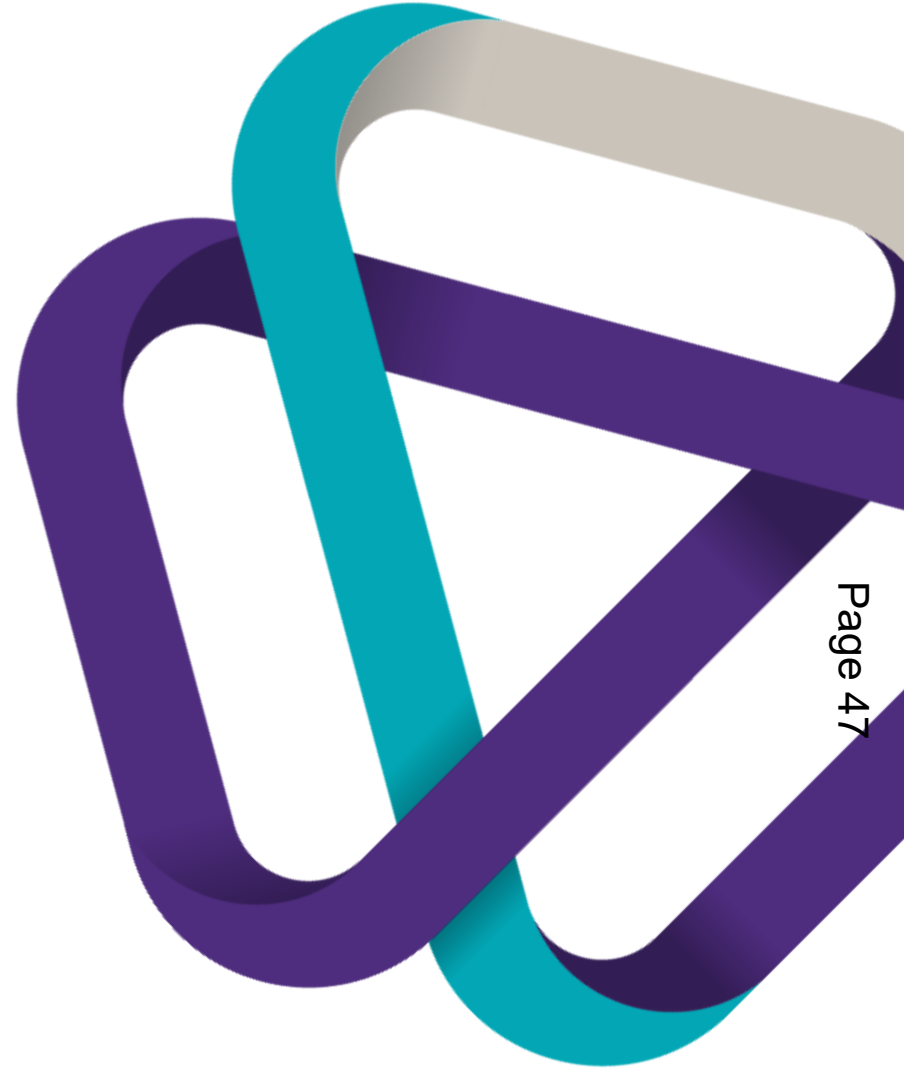
In assets and facilities, the system recorded jobs as completed when it raised orders with the contractor to start a job and there was no checking jobs were completed. Compliance fell between the assets team and housing and the assets team did not do any performance checking on its contractors.

Prior to May 2024 the assets team has lost touch with its contractors. There was very little communication with sub-contractors and missing contractor follow-ups. The new AD property and facilities and his new compliance team has put in place regular contractor meetings, but this will take time to embed.

Highways lacked processes and procedures relating to planings and the Council was using hauliers waste transfer notes. We note two new contracts were in place for road surfacing in Q4 2023/24, but these did not cover planings. The asphalt tender will include a directive regarding the removal of planings to a designated site, and the plant hire tender will instruct the hauliers where the planings need to be taken to for disposal. In November 2024, the Head of Internal Audit confirmed the asphalt and the plant hire contracts are still being developed and had not yet been awarded.

Improvement recommendation 8: The Council should put in place a corporate process to improve contract management and ensure contractor performance is effectively managed, and data is verified across the Council's contracts and ensure contracts are in place in highways.

Value for Money Recommendations raised in 2023/24



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Actions agreed by Management (KR1)
<p>The Council needs to:</p> <ul style="list-style-type: none"> continue improving its HRA compliance data robustness and validity. ensure contract management arrangements are put in place with its HRA contractors. improve compliance with decent homes standards. work to improve its understanding of category 1 hazards in its housing stock. continue improving vulnerability policies for the HRA in line with emerging best practice from the regulators use the stock condition data to inform its asset management and capital investment plans. 	Key	Improving economy, efficiency and effectiveness	<p>The Council welcomes this report and its acknowledgement of the significant improvements that have been made since the reporting period (2023/24). The health and safety of council homes is taken very into and considerable resources have been deployed in the last eighteen months to strengthen our systems, processes and assurance mechanisms in response to issues we identified through our own reviews and the external review referenced in the report. The Council is also in dialogue with the Regulator of Social Housing about the findings of this work.</p> <p>In 2024/25, which falls outside of the reporting period of this report, the Council has recruited to and embedded a dedicated compliance team within Housing Services, which has consolidated and expanded existing functions and has enabled the bulk of the improvement actions identified in the Safety and Quality Action Plan to be completed. New compliance software has been procured and is in the process of being implemented: once fully in place, the software will enable swifter reporting and quality assurance of certificates, and free up officer time to focus on other compliance areas. Several new or refreshed policies have been agreed and the quality and timeliness of performance reporting has improved markedly. This includes the information published and shared with our tenants. The mid-year Tenant Satisfaction Measures (TSMs) for 2024/25 show an improvement in tenant satisfaction with the safety of their homes compared with 2023/24.</p> <p>The Council earmarked funding to carry out a 100% stock condition survey, which will now commence in early 2025. In addition, the HRA Business Plan for 2025/26 allocates significant additional investment to support decency, thermal efficiency and other aspects of safety and quality in our council housing stock. The Council is also proactively preparing for consumer regulations and the introduction of Awaab's Law, including the emphasis on tenant vulnerabilities and managing health and safety hazards. New call scripts will be introduced into the Contact Centre in early 2025 and a framework for collecting and utilising information about tenant vulnerabilities is currently being developed. This will compliment existing processes that ensure reasonable adjustments are made in service delivery to accommodate the diverse needs of our tenants.</p> <p>We are also pleased to inform that these recommendations are captured into our improvement plans.</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Actions agreed by Management (KR2)
<p>The Council should:</p> <ul style="list-style-type: none"> undertake stock condition surveys to develop its understanding of its assets, their state and their level of health and safety compliance. put in place management plans and landlord inspections where required and ensure it is getting value for money for its assets. <p>KR 2</p> <ul style="list-style-type: none"> ensure it has an assets management system for its properties and other assets and that data in the system is accurate, enabling management of health and safety compliance. ensure compliance contract management is put in place and regular performance monitoring of these contracts is put in place. 	Key	Improving economy, efficiency and effectiveness	<p>The Council welcomes the report and recommendations made and notes the references to the significant progress that the Council has made in identifying the gaps in its provision and the work that is underway to improve the Councils approach to managing its assets and portfolio. The report and recommendations are fully aligned with the Councils Property and Facilities Service Improvement Plan and its own findings.</p> <p>Whilst Building Compliance is noted within the report as a weakness, the Council is committed to ensuring the management of Health and Safety and Compliance of its buildings is a priority, ensuring that Council Officers, our customers, and stakeholders are safe and that our buildings continue to be sustainable in supporting the delivery of a diverse range of services to our residents and businesses. Where any gaps have been identified in the Councils provision, management controls have been implemented and in areas of high risk, these have been addressed immediately, such as Fire Risk Assessment being undertaken professionally, but at pace, and remedial actions being commissioned and undertaken. The Council is confident that the management of compliance remains effective and at manageable risk level but agrees there is room for current and continuous improvement.</p> <p>Driven by the findings of our own review, significant progress is already underway in improving the overall approach to managing Council Buildings. The development and adoption of a range of new Policies is underway, with the approval of Fire, Water (Legionella) and Asbestos Policies at Cabinet on 16th December 2024, which will assist the Council to manage, monitor and control compliance requirements across the Portfolio. The Policies are linked with the refreshed Corporate Health and Safety Policy, which together place requirements in reporting and escalation of compliance performance through the Councils Health, Safety and Wellbeing Board. This will bring greater scrutiny and challenge to our approach as well support the ability to update our policies through continuous improvement and wider national Approved Code of Practice (ACoP) and legislative changes.</p> <p>As noted in the report a new position of Assistant Director Property and Facilities Services has been established and with this has come the initial review of service as well as the establishment of a more robust and fit for purpose Property and Facilities Services Structure. As the Auditors are aware and have cited, the original functions contained within the Property, Facilities and Asset areas of the service operated as separate functions within the same directorate and aligning the services into a modern and more effective Total Facilities Management (TFM) service, which has commenced at pace, but organised and planned. The Council has reviewed and updated its risk registers which supports the "Service Improvement Plan", identifying key areas of best practice and operational effectiveness. The plan includes any previous reviews, such as the CIPFA review, as well as items from recent Audits, ensuring one plan that can be monitored and reported on. The plan has been presented to Senior Officers and Political Leadership and has clear accountable persons identified responsible for the delivery of each element. This review will soon be amalgamated into that plan, for consistency and monitoring.</p>

Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Actions agreed by Management continued (KR2)
<p>The Council should:</p> <ul style="list-style-type: none"> undertake stock condition surveys to develop its understanding of its assets, their state and their level of health and safety compliance. put in place management plans and landlord inspections where required and ensure it is getting value for money for its assets. ensure it has an assets management system for its properties and other assets and that data in the system is accurate, enabling management of health and safety compliance. ensure compliance contract management is put in place and regular performance monitoring of these contracts is put in place. 	Key	Improving economy, efficiency and effectiveness	<p>Work is underway to update the Asset System and has started the process of identifying and then procuring a more robust system that supports a modern and effective approach to Asset and Facilities Management. This will be in the form of a Computerised Asset and Facilities Management System or CAFM. The system will look to be linked with the Councils and third-party systems, such as our Display Energy Certificate (DEC) reporting tools, controls own systems and the Councils Financial reporting and monitoring systems. Condition surveys across the estate are being planned and prioritised, again ensuring good quality data is gathered, input, and then managed in a system that is fit for purpose – this will ensure that the Council has a full and clear understanding of its assets.</p> <p>The control and management of Asset Data, has been removed from under the umbrella of Climate Change (within Property and Facilities Services) and placed into Property Services, ensuring greater control, management, and monitoring of data, aligning with a Corporate Landlord or Corporatised approach to the asset collection is taken, utilising good quality data and information to manage the Portfolio more effectively, but also to inform decision making around investment and divestment.</p> <p>Recruitment has now taken place in the mid part of Q3, with two fully experienced and qualified Compliance Managers now in post. These posts not only cover statutory compliance and the management of, but also focus on greater and more consistent management and control of Contractors and contracts. Wider recruitment has also been undertaken, bringing capacity and capability to the Compliance, Property and Facilities Management areas of delivery, this brings more focus to the day to day management and control of the Councils teams, visiting, checking and planning around the day to day management of those buildings as well as a specific post to manage strategic and planned maintenance; bringing standardisation and best practice to the monitoring and control of contractor, lifecycle and statutory and mandatory planned maintenance (Via SFG20). This additional resource has intensified our approach to visual and technical inspection and monitoring of Council buildings, as well as practical on-site management of contractors.</p> <p>The Head of Facilities and Compliance is now in post and this role will also act as the Councils Designated Duty Holder (November 2024) acting as the competent and responsible person for the Council, monitoring and managing our strategic and operational approach to Compliance and Health and Safety within our buildings and assets. The post is one of specific knowledge and experience as well as the academic health and safety qualifications (CMIOSH) in order to manage, lead and advise on a range of compliance matters across the estate.</p> <p>Our control of contractors is now more robust, with a review of current contractual arrangements having been undertaken, including weekly meetings with contractors where performance is discussed at length. Again, there is room for further improvement and the review of the CAFM system is likely to provide greater monitoring and control as well as potential access for Contractors, in order to provide live and more accurate reporting and data on activities and performance.</p> <p>The list of activities and action mentioned above is not exhaustive but shows the Councils ongoing commitment to continuous and immediate improvements, which have also been cited within the report.</p> <p>The Council is committed to improving the overall approach to Property and Facilities Management, ensuring the portfolio is compliant, sustainable, and effective in continuing to support the delivery of services provided to our citizens.</p> <p>We are also pleased to inform that these recommendations are captured into our improvement plans.</p>

Recommendations raised in 2023/24

Recommendation		Type of recommendation *	Criteria impacted	Actions agreed by Management
IR1	The Council needs to develop a Capital Strategy.	Improvement	Financial sustainability	<p>Actions: The Council has a capital strategy that is included within the Council's Budget and Council Tax Report annually. There is no clear requirement to have a entirely separate Capital Strategy though the Council will review and consider if there are elements within the Capital Strategy that the Council could enhance.</p> <p>Responsible Officer: Rob Mahon</p> <p>Executive Lead: Judith Badger</p> <p>Due Date: March 2026</p>
IR2	The Council could strengthen its risk policy by including risk escalation and de-escalation arrangements between the tiers of risk registers and including risk types and applying risk appetite to each risk type.	Improvement	Governance	<p>Actions: The Council will look to strengthen further its risk policy by including risk escalation and de-escalation arrangements between the tiers of risk registers that the Council operates. It will also consider the application of risk appetite.</p> <p>Responsible Officer: Fiona Boden</p> <p>Executive Lead: Fiona Boden</p> <p>Due Date: March 2026</p>
IR3	The Council should consider enhancing internal audit progress papers by giving more detail on completed audits including an executive summary of each report completed in the period in part 1 papers to the Audit Committee.	Improvement	Governance	<p>Actions: The summary of key findings will be enhanced to include more detail, in particular for those audits receiving a partial or no assurance opinion.</p> <p>Responsible Officer: Louise Ivens</p> <p>Executive Lead: Judith Badger</p> <p>Due Date: 11 March 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Actions agreed by Management
<p>IR4</p> <p>The Council should consider strengthening its counter-fraud controls by developing a corporate counter-fraud risk register and ensuring counter-fraud risks in departmental risk registers are updated. It also needs to enhance its counter-fraud plan.</p>	Improvement	Governance	<p>Actions: We will update the directorate and corporate fraud risks and liaise with Fraud Risk Champions on these. The Counter Fraud Plan was enhanced as part of the 2024-25 audit planning process and where relevant further improvements will be made.</p> <p>Responsible Officer: Louise Ivens</p> <p>Executive Lead: Judith Badger</p> <p>Due Date: 31 March 2025</p>
<p>IR5</p> <p>The Council could improve its financial monitoring reporting in line with good practice by:</p> <ul style="list-style-type: none"> when the approved Capital Programme is updated during the year, continuing to report the initially approved Capital budget alongside the revised numbers in the quarterly monitoring reports to track changes from the original Programme approved by Members. 	Improvement	Governance	<p>Actions: The Council will embed this into financial reporting to Cabinet on the Capital Programme.</p> <p>Responsible Officer: Rob Mahon</p> <p>Executive Lead: Judith Badger</p> <p>Due Date: March 2026</p>
<p>IR6</p> <p>The Council should develop and publish a Procurement Strategy. This should set procurement strategic priorities that align with the Council's priorities such as net zero and capture changes to procurement following the Procurement Act (2023) and the national Procurement Policy Statement (2024). It should include measurable actions and indicators with clear accountabilities and an annual review process. The Strategy should be widely communicated to staff and members to raise awareness of their responsibilities.</p>	Improvement	Governance	<p>Actions: The Council will develop a Procurement Strategy however officers believe that any Procurement Strategy for the Council will be a light touch document referring to existing documents the Council already has, publishes and updates annually that address procurement processes and procedures. For example, the procurement approach, rules and procedures are set out in the Council's Financial and Procurement Procedure Rules (FPPR's), the Council's approach to Social Value and Ethical Procurement are set out in it's Social Value Policy and Ethical Procurement Policy. As such there are already key policy and strategy documents in existence that address what would be expected in a Procurement Strategy.</p> <p>Responsible Officer: Karen Middlebrook</p> <p>Executive Lead: Judith Badger</p> <p>Due Date: March 2026</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Actions agreed by Management
IR7 The Council should develop a corporate data quality policy and ensure this is used to inform a data quality review. It could look to the national data quality framework to guide this work.	Improvement	Improving economy, efficiency and effectiveness	<p>Actions: The Council will look to create a Corporate Data Quality Policy.</p> <p>Responsible Officer: Fiona Boden</p> <p>Executive Lead: Fiona Boden</p> <p>Due Date: March 2026.</p>
IR8 The Council should put in place a corporate process to improve contract management and ensure contractor performance is effectively managed, and data is verified across the Council's contracts and that contracts are in place in highways.	Improvement	Improving economy, efficiency and effectiveness	<p>Actions: The Council has already commenced development of an improved contract management approach in readiness for the new Procurement Legislation. The Council has established a contract management dashboard that addresses performance across the KPI's on all major contracts (£5m in value including VAT), this is updated quarterly and reported through to Senior Leadership Team (SLT). The Council also commissioned an internal audit review linked to contract management that identified a number of areas of improvement around understanding of roles and responsibilities of contract managers, the outcome of the recommendations was that each Directorate has had to develop recommendations to improve contract management and contract managers understanding of roles and responsibilities in their Directorate and take greater ownership.</p> <p>In addition the Council plans to introduce corporate guidance around contract management, training and advice.</p> <p>Responsible Officer: Rob Mahon</p> <p>Executive Lead: Judith Badger</p> <p>Due Date: March 2026</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A:

Responsibilities of the Council

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

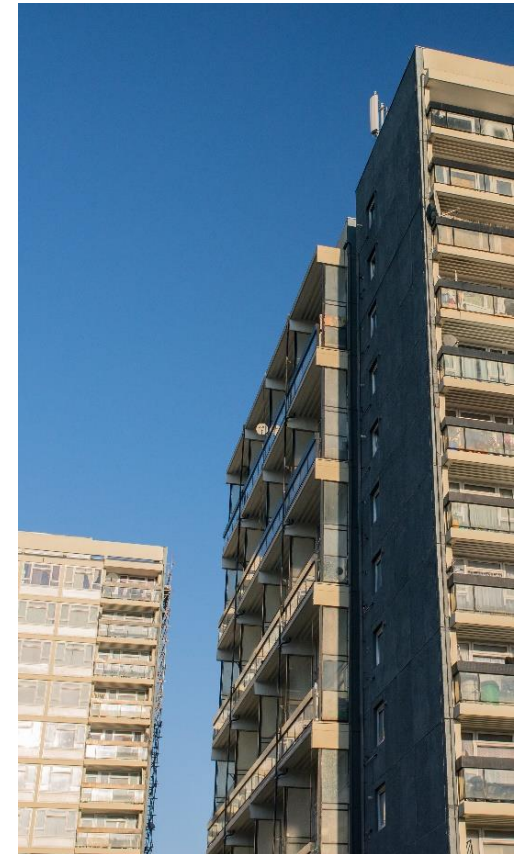
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) 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:

Value for Money Auditor responsibilities



Value for Money arrangements work

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 audited body's responsibilities are set out in Appendix A.

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

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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 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.	Improvement	March 2024	This has not yet been actioned	No	We have raised a new recommendation to ensure the Council is focused on delivering improvements. See Improvement recommendation IR no. 7
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	March 2024	This has not yet been actioned	No	We have raised a new recommendation to ensure the Council is focused on delivering improvements. See Improvement recommendation IR no. 7
3 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).	Improvement	March 2024	On 12 March 2024, the Audit Committee received an annual procurement update. This report provides an update to members on the Procurement Act changes including the requirement to publish pipelines of future procurement opportunities at the start of each financial year. The team was also developing a Contract Management dashboard for services to use for the top three key performance indicators initially for contracts over £5m. The Council had an up-to-date contracts register.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 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.	Improvement	March 2024	The climate change team finalised its assessment of the route to net zero for council operations in 2024/25 which included a financial assessment. A presentation was provided to the climate change project board in September 2024. Several risks are identified which may need escalating to the CSRR. Service risks were updated in May 2024 which included funding and resourcing, the primary risk is the decarbonisation of the corporate estate which will require additional funding of £21m. There is still work ongoing to confirm costs. Following the presentation at the climate change project board, it was agreed that the Strategic Director for Regeneration and Environment would take this updated information to SLT for discussion and agreement of next steps. A date is not yet confirmed. The annual climate change report is on the forward plan for Cabinet in February 2025.	Partly	This recommendation is retained.
5 Complete the review of capital project governance and reporting. To be followed up further during our 2023-24 VFM work. (ongoing recommendation from 2021/22 AAR)	Improvement	March 2024	The Council has made steps to improve the approach to Capital Budget setting to create more realistic delivery profiles and now provides for new schemes a risk adjusted project spend profile to help to deal with the natural issues around optimism bias. The Council is also currently undertaking its own internal audit review of governance to identify issues around understanding of the governance principles, sign off process and documentation. The Council's Capital Programme Management and Delivery Board is now well embedded and helping to improve project delivery and pace, as indicated by the increasing level of capital spend year on year.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
6 Following the Ofsted and COC SEND inspection, the Council should: • 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 COC • The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission.	Improvement	March 2024	The WSOA is lifted following an Ofsted and CQC inspection of SEND in early October. Of the 75 actions on WSOA 73 are complete and this was closed off on 4 October.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



Transparency Report

Grant Thornton UK LLP year ended
31 December 2023

April 2024

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Chief Executive Officer (CEO)

2023 has been an excellent year from a quality perspective which demonstrates the impact of the investment we have made over the past five years. We are not complacent and will continue to invest in quality while pursuing growth, ensuring that we meet our objectives, the expectations of our people, wider stakeholders and the public interest.

This is my first transparency report as Chief Executive Officer having been elected by my fellow partners on 19 January 2024. It is an honour to be appointed and to take the firm forward following the significant changes and successes which Dave Dunckley led over the past five years, during which time I was COO.



Malcolm Gomersall
CEO

Quality

Over the last five years we have undertaken fundamental change in our audit practice to address concerns over the quality of some of our past audits. We are delighted that in 2023 we have market leading quality with all our external reviews resulting in ratings of “Good or limited improvements required”. This is a milestone achievement for the firm and the profession. We are not complacent and remain committed to continued investment and improvement in the quality of our audits.

Inclusion and Diversity

We believe strongly that we need to have a diverse and inclusive team in the firm. Our approach is to be one of “the best firms at valuing diversity through everyday inclusion”. We continue to focus on achieving our targets across five diversity strands (gender, ethnicity and cultural heritage, social mobility, LGBTQIA+ and disability, medical conditions and mental health).

Digital

We continue to invest in digital tools and technologies and see this as a significant opportunity for all our people. Our new Head of Digital, Alan Dale, is working to ensure we bring the best technology to the firm to support our clients and people. We have outlined our approach and some of our developments in the section “[Digital Audit Team](#)”.

Governance

On 10 January 2024 David Dunckley announced his retirement as Chief Executive Officer (CEO) of the firm. Following a partner election I was appointed CEO. I would like to formally thank Dave for his contributions as CEO over the past five years. The firm’s strategy will continue with a commitment to our ongoing purpose of “Doing what’s right, ahead of what’s easy”. As a result of the change in CEO there have been some changes in our leadership structures which are detailed in the section on “[Leadership and Governance](#).”

Growth

Over the last five years our audit practice has grown by 54% from £125m (12m to 31 December 2018 – pro rated) to £192.5m (12m to 31 December 2023). This has been achieved whilst fundamentally improving the quality of our audits. Our approach to delivering this growth has included focusing on those clients who value the audit, investing in our people, digital tools and embedding a culture of quality. We have ambitious growth plans focused on delivering high quality audits to clients we choose to work with. Our growth plans are key to allowing us to continue to invest in quality, our people, our digital capabilities and our I&D

strategy.

Malcolm Gomersall
Chief Executive Officer

Head of Audit

2023 has been an excellent year for the audit practice. Our commitment to quality in a sustainable growing audit practice remains.

We are delighted to be able to report that all our external file reviews carried out by our regulators in 2023 were rated “Good or limited improvements required” which is profession leading. In respect of the FRC public file reviews this is the second year all of our reviewed files were rated as “Good or limited improvements required”. We are clearly immensely proud of this result and it demonstrates the investment and effort put in across the last few years to focus on quality not just with our Public Interest Entity (PIE) clients but across our entire client base. We are not complacent and know that we need to continue to invest in our audit practice so that we can continue to evolve and grow whilst maintaining our focus on delivering high quality audits.



Fiona Baldwin
Head of Audit during 2023

Culture

Having the right culture remains critical for our strategy and particularly in delivering quality audits. We engage regularly with the audit practice to understand their views and perspectives on our culture. Our ongoing culture programme continues to work with the practice to maintain and enhance our quality culture, in 2023 this has included:

- further focus on “speaking up” with the practice to ensure people are comfortable and actually do speak up when necessary
- improving real time support and guidance to those teams who have audits with potential unusual or fraudulent activities
- ongoing training including training around challenging conversations and professional scepticism.

THE MISSION OF THE AUDIT PRACTICE INCLUDES:

“Achieve sustainable audit quality comparable to the best of our peers, creating trust and integrity in the audit market.”

THE BUSINESS PURPOSE OF THE AUDIT PRACTICE REMAINS TO:

“Create a sustainable talent model comprising specialist auditors with future fit skills delivering gross margin in line with the firm’s business plan.”

The last few years

Our journey in recent years has involved significant investment across a number of areas including:

- deselection of clients so that we are only working with those who meet our expectations on quality
- creation of a culture of quality, where consultation and speaking up is a day-to-day activity
- restructuring of certain teams so that they are focused on specific sectors
- investment in our people with the development of comprehensive training programs for all
- development and acquisition of a range of digital tools to improve the quality of our audit assurance
- continuing work to address the concerns of the FRC on old enforcement findings
- development of our overseas teams with Grant Thornton colleagues in India and the Philippines.

Going forward

We are now progressing well against our 2025 strategy. This focusses on creating an inclusive environment to grow and deliver high quality audits by:

- creating an environment which allows us to consistently excel in our chosen markets, which means we will make intentional choices where we will seek to lead and where we will be a challenger
- deliver exceptional results in four key areas:
 - Quality
 - I&D
 - ESG
 - People experience
- invest in talent, technology and infrastructure, continually which allows us to re-invest in the very best people, technology and infrastructure to create a culture of continuous improvement supporting us to excel our chosen markets.



How we deliver audit

Our restructured practice is now key to ensuring that we have the right people and skills in the right place and that we deliver the right experience to our audits.

Our audit sectors:

- Commercial audit, split into:
 - listed entities and public interest
 - Private capital - including entities funded by private equity capital
 - Entrepreneurial services
- Financial services including pensions
- Public sector.

Our colleagues in India and the Philippines are embedded into our teams to delivery day to day audit work in a market leading “fully blended model” as well as them focusing on certain key audit activities.

Digital

During the year we implemented the new GTIL audit software “Leap” we believe strongly that this is helping us to enhance quality, give our people a better working environment and improving delivery. All our audits from 31 December 2023 year ends onwards now use Leap. Our Digital Audit Team continue to develop tools to support audit teams both internally and with third party providers. During 2023 this has included the continued development and use of data analytics and the launch of GT Assist, our transformative platform that will both help our internal operations become more efficient and help us to anticipate and fulfil audit needs.

Governance

Following the election of Malcolm Gomersall as CEO my role has changed to the firm wide role of Head of People and Brand. Wendy Russell has been appointed Head of Audit and we will complete a fulsome and effective transition so she can continue to deliver on the 2025 strategy, supporting the continued growth in high quality audit practice working with organisations that value high quality audits.

Fiona Baldwin

Head of Audit during 2023

Independent chair of the Audit Quality Board (AQB)



As the new chair of the AQB it is my role to advise the Strategic Leadership Team (SLT) on maintaining and improving the firm's levels of audit quality and to support the firm's commitment of the public interest nature of audit.

This is my first report as chair of the AQB having taken over from Philip Johnson on 1 February 2024. I am grateful for the opportunity to work with the firm to support the continued audit quality journey. I would like to thank Philip for his work over the last four years which have seen significant change in the quality of auditing delivered by the firm.

It remains clear to me that the firm continues to improve its overall performance with a clear focus on delivering high quality work across all audits. This is most clearly demonstrated by the fact all of our external file reviews this year were rated as "good or with limited improvements required." The firm is focused on continuing to maintain its quality through continued development and the audit strategy, set out by Fiona Baldwin, demonstrates the continued focus on those areas that impact this most significantly:

- embedding a culture of challenge
- attracting and maintaining a flexible, inclusive and diverse employee base which has the right talent and potential
- developing our use of digital tools
- structuring teams to ensure we consistently deliver the highest quality audits.

I met with Fiona Baldwin as Head of Audit along with other senior individuals in the firm's leadership team throughout the year. I am looking forward to working with Wendy Russell as she moves into the role as Head of Audit. The AQB meets 12 times a year and receives regular updates on key projects impacting quality, this includes regular reporting on Audit Quality Indicators (AQIs), actions from internal and external regulatory reviews and other ongoing quality matters.



Faried Chopdat

Independent chair of the AQB

Independent non-executive chair of the Partnership Governance Board (PGB) and the Public Interest Committee (PIC)

Independent Non-Executive (INE) chair of the Partnership Governance Board (PGB) and the Public Interest Committee (PIC). My third annual report comes at the end of another strong year for audit quality.

I chair two key groups in the firm, the PGB and the PIC. The PGB is the primary governance group of the firm. I and my two fellow INEs we sit as non-voting members. In this role we can oversee and challenge key decisions whilst maintaining independence from the firm's leadership. We have a fundamental responsibility to stakeholders both within the firm and externally, including supporting the public interest aspects of audit.

The work of the PGB includes meetings without the SLT being present to allow for an open and thorough debate about all matters relating to the firm including SLT activities, key risks and events.

The PIC meets three times a year and includes all the INEs, with one elected PGB member and the CEO also present at each meeting. Faried Chopdat (and previously Philip Johnson) as the independent chair of the AQB, are invited to attend. Areas of focus at the PIC during the year have included:

- receiving updates from the Head of Audit, chair of the AQB and Ethics Partner at each meeting
- consideration of people and culture matters including meeting with the firm's CLEAR representatives (see "[People and Culture](#)")
- reviewing complaints, whistleblowing issues and other legal matters
- considering the firms response to ISQM 1 (through its QMA program)
- our response to the various areas of the revised Audit Firm Governance Code (AFGC).

Audit Firm Governance Code

The new Audit Firm Governance Code provides a framework for governance against which audit firms, particularly those auditing Public Interest Entities (PIEs) can be assessed. The principal objectives of the code are:

- to promote audit quality
- to ensure firms take account of the public interest in their decision-making, particularly in audit
- to safeguard the sustainability and resilience of audit practices and of firms as a whole.

The PGB and its subcommittees supports these obligations through regular meaningful monitoring and constructive challenge to the firm's leadership across a range of matters. The CEO and relevant members of the SLT present to the PGB on key developments within the firm, including operational, legal, financial and structural matters. In 2023 we have remained active in bringing our expertise to the firm and discharging our responsibilities. We have detailed how we comply with the AFGC in [Appendix A](#).



Imogen Joss
Independent Non-Executive
chair of the PGB and PIC

Promoting audit quality

As members of the PGB, we receive regular updates on both the audit practice and the firm as a whole. This includes matters relating to quality. Over the course of the year, we receive, scrutinise and constructively challenge the leadership's strategic plans and activities, both holistically and at a service line level. Quality is a fundamental part of this conversation. There are several specific ways we are particularly focused on audit quality:

- Philip Johnson (now Faried Chopdat) as chair of the AQB and Fiona Baldwin as Head of Audit attended each PIC meeting to provide a comprehensive update on audit which enabled us to discuss and challenge relevant matters
- Deena Mattar, as chair of the Risk and Audit Committee (RAC) receives updates on the firm's internal controls review, updates from the Head of Audit and Ethics Partner as well as the Transparency Report
- receiving updates from the team monitoring and testing the firm's QMA
- Paula Dillon focuses on people matters across the firm with particular focus on the Audit service line as well as chairing the firm's Remuneration and Profit Sharing Committee
- the PIC meet with the Head of People and Brand to consider how quality is embedded into the firm's culture, performance management and reward policies
- independence is a key element of audit quality and as such the Ethics Partner provides an update on key matters and developments at each PIC meeting
- we annually review the results of the Root Cause Analysis (RCA) work undertaken by the audit RCA team.

Public interest approach

During the year we have developed our statement on public interest as recommended by the Audit Firm Governance Code. As INEs we consider the Public Interest as key to our role. The firm's purpose "Doing what's right, ahead of what's easy" is important in delivering audit work in the Public Interest. Whilst Public Interest does not have a specific definition, and is a fundamental abstract concept, we concur with the FRC's view that the "Public Interest" is about¹:

- putting the common good and wellbeing of society above the interests of an individual or a small group of individuals
- in the context of audit, the consistent performance of high-quality audits is in the public interest because they promote the efficient functioning of capital markets in the UK, lowering the cost of capital
- reliable corporate reporting allows market discipline. More broadly it underpins public trust and confidence in the market economy whether or not audit firms are operating in a manner which supports the consistent performance of high-quality audits is therefore a matter of public interest.

Safeguarding the sustainability of the audit practice and the firm as a whole

PGB meetings consider a range of matters that could influence the firm's ongoing stability. This includes consideration of financial results and key matters which have, or could have, a significant financial impact on the business or its reputation. The INEs are also involved in the consideration of the firm's risks and risk processes as well as the results of internal audits. We continued to have a strong dialogue with members of the SLT, including regular calls I have with the CEO. Deena Mattar as chair of the RAC has strong oversight of the firm's approach to risk management, principal risks and risk appetite.

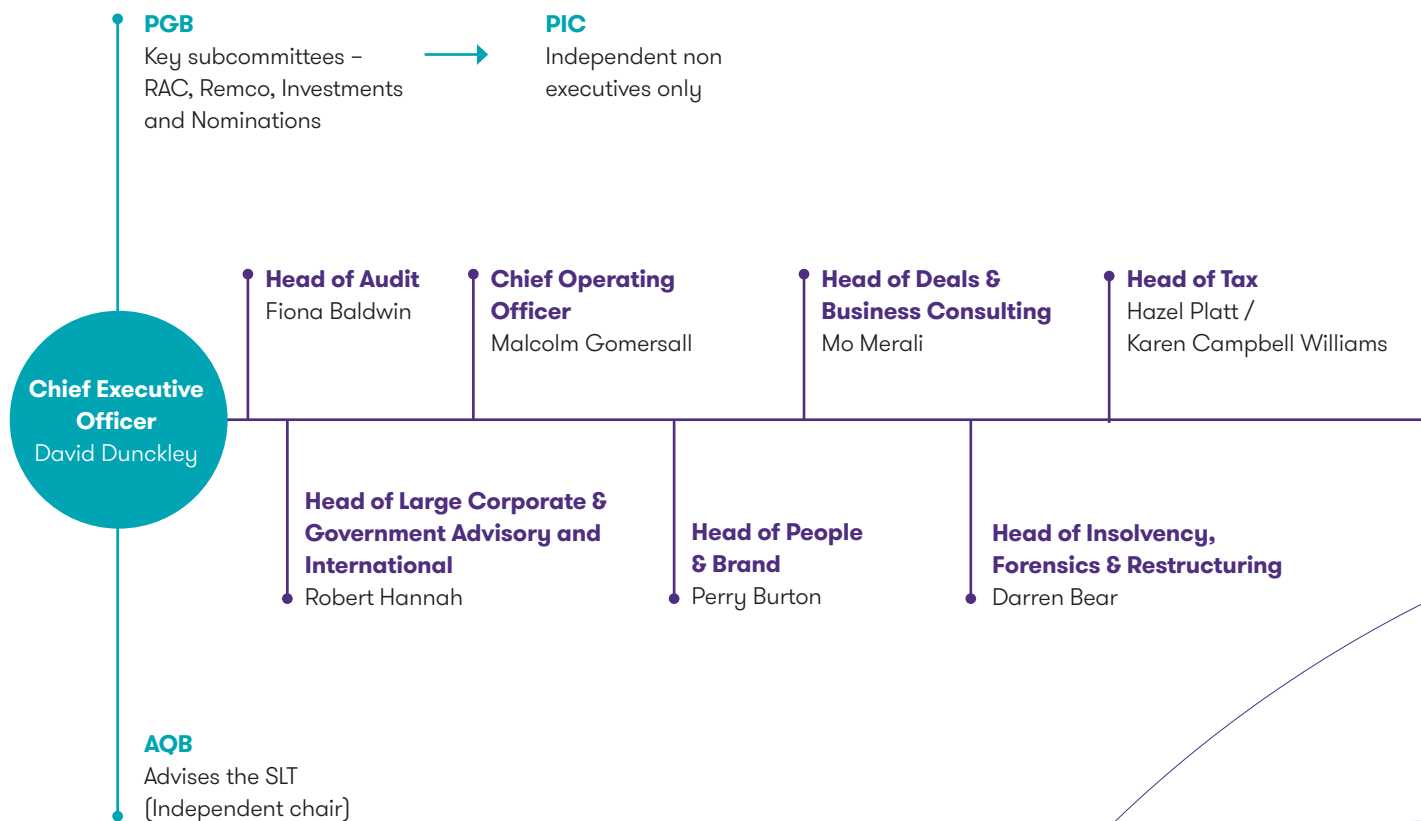
Further details can be found in the [Leadership and governance](#) section.

¹ FRC Audit Firm Governance Code 2022

Leadership and governance

The firm is owned by its partners² and during the year had two principal leadership and governance groups, the SLT and the PGB. In addition, the AQB focuses on audit quality. Each group works together to provide us with a best practice governance structure. We remain committed to and comply with the provisions of the AFGC. The full Terms of Reference for each group can be found on our website on the Leadership and governance page.

During the year up to 31 December 2023 our governance structure was as follows:



2. Not all partners are members of Grant Thornton UK LLP. The term partner is also used to refer to some of our most senior employees.

Appointment of new Chief Executive Officer

On 10 January 2024 David Dunkley announced his retirement as CEO. Malcolm Gomersall (COO) was elected as his replacement. Following his appointment, several changes were made to the Strategic Leadership Team. The revised governance structure consists of three areas of firm-wide leadership as follows:

Strategic Leadership Team

The SLT is chaired by the CEO and has ultimate responsibility for delivering the firm's strategy and growth plan, with support from everyone across the firm. Service Line Leadership roles have been condensed into three roles: Head of Audit, Head of Tax and Head of Advisory. The Advisory structure below this level will evolve.

Two new roles have been introduced to the SLT to support fulfilling our strategic priorities: a Head of Industries with a deliberate focus on our chosen markets and leveraging investments across our business to unlock growth; and a Head of Partner Development & Engagement, to work with the partnership on performance, progression and succession. The firm's Head of Quality & Risk and General Counsel, Ian Cokayne, will continue to directly report into the CEO.

Operations Board

The Operations Board is chaired by the Chief Operating Officer (COO) and is responsible for enabling our service lines and Central Client Services to work together as one firm, optimising synergies and removing duplication as we work to deliver on our growth plan.

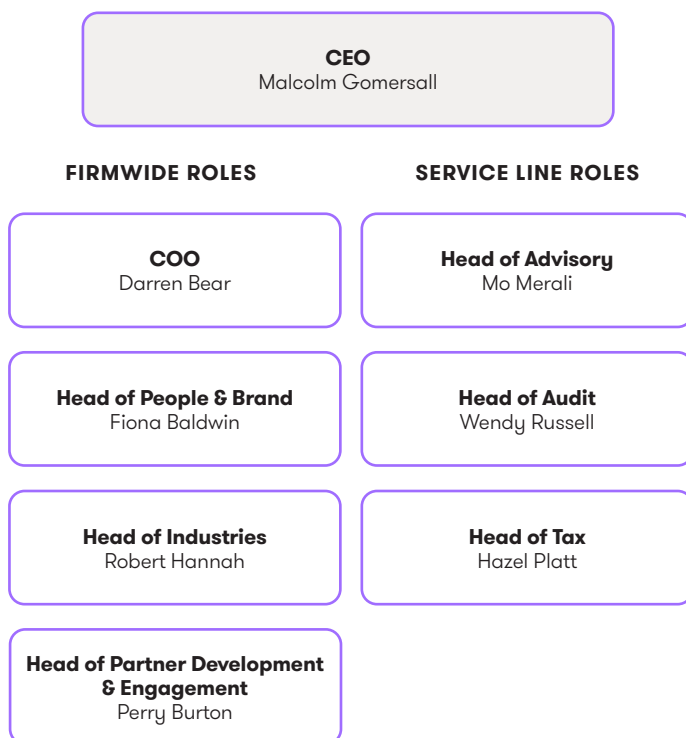
The Operations Board includes the Heads of Service Lines, Head of Industries and Head of People & Brand. They are joined by Ruth Topham, Finance Partner and Head of CCS Operations; Giles Mullins, Head of Advisory Operations; Nick Watson, Head of Audit Operations; Pete Dawson, Head of Tax Operations; and Alan Dale, Head of Digital, which he will do alongside his role as Head of Business Consulting for a transitional period.

Service Line Leadership Teams

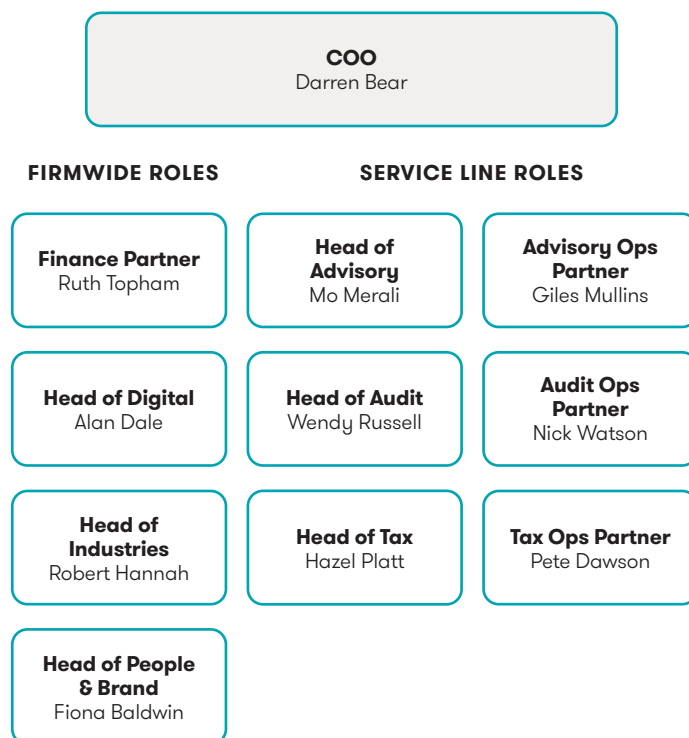
Service Line Leadership Teams are responsible for implementing firmwide strategy and delivering service line growth plans and budgets.

Details of the governance structures, including the rights and obligations of partners, are set out in our Membership Agreement, which was last updated in 2023.

STRATEGIC LEADERSHIP TEAM



OPERATIONS BOARD



"I am delighted to be appointed Head of Audit and am looking forward to working with the audit practice and firm more widely to continue to deliver high quality audits. I have spent almost 25 years working in Audit, starting at a Big 4 firm and moving to Grant Thornton as a Partner in 2018. Our strategy will remain focussed around our key pillars of Quality, People and Growth and I am excited by the opportunities that continue to present themselves as we move into 2024."

Wendy Russell, Head of Audit

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SLT

During the year the SLT was chaired by David Dunckley, who was our CEO throughout 2023. The CEO is nominated by the PGB for a four-year period with a maximum tenure of two four-year periods. The appointment is subject to an all-partner vote.

The CEO has executive authority for the management of the business whilst being bound by our Statement of Principles. The statement was developed by the PGB and is approved every three years by the partnership, the last approval being in December 2022.

The SLT is appointed by the CEO and is responsible for:

- ensuring the firm operates within our Statement of Principles
- assessing and controlling risk, including protecting the goodwill and reputation of the firm
- developing and implementing our strategy
- ensuring we comply with all relevant regulatory and legal requirements
- ensuring we are a profitable and sustainable firm
- putting quality at the heart of everything we do
- fostering an inclusive culture underpinned by our CLEAR values
- ensuring we participate in the wider economic environment as a responsible employer and contributor to growth.

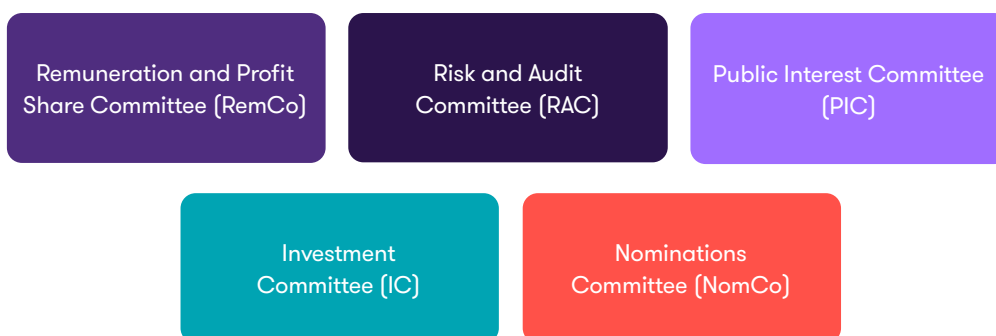
PGB

The PGB is the highest governance body of the firm and is responsible for the protection of members' interests and oversight of the SLT. Its role is to oversee the stewardship, accountability and leadership of the firm and to provide counsel on its strategic direction. In carrying out this role the PGB seeks to balance the interests of its various stakeholders to ensure the firm has a successful and sustainable future. Its main duties include:

- developing the firm's Statement of Principles
- ensuring the firm has an appropriate strategy that is consistent with the public interest
- to oversee good financial and cultural governance (including setting the tone from the top on culture and ethics)
- overseeing profit-sharing
- approving the firm's leadership structure
- ensuring the firm has the best possible executive leadership.

The PGB consists of partners of the firm, the firm's INE, and up to three ex-officio non-voting members. Membership for elected partners is determined by an all-partner vote. The Chair of the PGB may in their absolute discretion also co-opt up to two partners to be appointed as members of the PGB. Members are appointed as elected partners or as co-opted partners for three years and no individual may serve for more than two consecutive three-year terms. Individuals who have been elected for two consecutive terms of three years or less are eligible for election after a break of three years. The PGB is chaired by Imogen Joss, one of our INEs. The PGB provides challenge to the SLT and ensures through its activities and our internal policies and processes that no individual has excessive decision-making powers.

There are several subcommittees of the PGB that support its work and allows the INEs and members of the PGB to discharge their responsibilities:



Risk and Audit Committee

The principal role of the RAC is to ensure our quality and risk management framework is in place and operating and to oversee our financial reporting and external audit process. Its specific duties include:

- reviewing and challenging, where necessary, the actions and judgements of management in relation to the annual financial statements
- ensuring management has adequately considered the key risks to the business and has developed appropriate alternative strategies
- monitoring and reviewing the effectiveness of our internal audit function in the context of our overall risk management system
- considering reports from the Head of Audit and our Ethics Partner in respect of quality and reputational matters
- monitoring our relationship with the external auditors.

The RAC consists of elected members of the PGB, the CEO (or nominee) and Deena Mattar as the INE and chair. The RAC meets at least five times a year and the chair reports at each PGB meeting on the RAC's activities.

These activities include:

- reviewing updates from our internal audit team
- providing input to our enterprise risk management processes. This includes the annual review of systemic risks and their mitigation plans
- receiving reports to support their review of the effectiveness of internal controls including ISQM 1.

Remuneration and Profit Share Committee

The RemCo reviews the remuneration of the leadership team, partner profit-share process, associated diversity indicators and partner exit. The committee meets at least four times a year and consists of all INE members of the PGB and at least two elected members of the PGB. It is chaired by Paula Dillon, an INE. During 2023 the committee met three times as the final meeting of the year had to be deferred to January 2024.

Its specific duties include:

- reviewing the profit share process, to witness the output of that process, and to consider outliers
- to consider if the partner exit process is fair and reasonable
- to monitor gender gap and other diversity indicators in the partner group
- SLT remuneration
- to hear appeals not already resolved by the CEO appeals process.

Investment Committee

The primary purpose of the IC is to consider specific circumstances relating to capital and investment expenditure disposals and property matters over £2.5m. The committee agrees with the SLT what constitutes capital and investment. The committee generally meets monthly and has a minimum of the three partner PGB members and/or INEs together with the CEO.

Public Interest Committee

The committee, chaired by the chair of the PGB, comprises the INEs with the CEO, the Ethics Partner and Head of Audit in attendance at meetings. The chair of the AQB is also invited to attend and provide an update on its activities and an elected member of the PGB as observer. The primary purpose of the committee is to enhance stakeholder confidence in the public interest aspects of our activities. As such, the committee oversees our policies and procedures promoting audit quality, ensuring the protection of our reputation and reducing the risk of firm failure. The committee, through its work is responsible for monitoring the firm's compliance with the AFGC. The PIC is also responsible for engaging with our leadership groups, in dialogue with our regulators. The committee:

- at each meeting, receives an update from the audit practice and AQB chair, the Ethics Partner and on whistleblowing and complaints
- at least annually, receives an update on quality matters, a report from the Head of People & Brand and a report from the MLRO
- considers our compliance with the AFGC.

Nominations Committee

The Nominations Committee is primarily responsible for the recruitment, induction and performance evaluation of our INEs. They are also involved in facilitating and reviewing the process to appoint partner members onto the PGB. The committee meets as required and consists of at least four members of the PGB including at least one INE.

Audit Quality Board

The AQB provides independent oversight on all matters of audit quality with the objective of making the production of high-quality audit work sustainable. The board generally meets monthly and during the year was independently chaired by Philip Johnson. In addition to Philip the board members are Faried Chopdat, Head of Audit and Head of National Assurance Services (NAS). There are also four observers from the practice. Both Philip and Faried are independent members of the AQB. On 31 January 2024 Philip Johnson stood down from the AQB at the end of his four-year term and was replaced by Faried Chopdat.

The board has a number of key functions including:

- ensuring the firm's leadership maintains and appropriate "tone at the top" in respect of audit quality and that we have an appropriate strategy for ensuring audit quality
- ensuring adequate investment and resources to deliver quality and the audit strategy
- ensuring audit partner performance is primarily assessed based on quality and that partner remuneration and bonus systems are aligned with quality and the necessary positive leadership messages. This includes ensuring those who are responsible for the highest profile and highest risk engagements are compensated at levels that recognise this contribution
- that the audit practice has access to appropriate specialists
- ensuring we maintain appropriate independence monitoring
- that we anticipate and react to market and regulatory developments appropriately.

INEs

As part of our commitment to operate under best practice guidance and the AFGC we have appointed three INEs. As a matter of policy, all of our key governance groups are chaired by INEs including the PGB, RAC and Remco. We believe that this level of independence from the leadership of the firm best serves the public interest by helping to ensure audit quality. Where required, we have a detailed and comprehensive identification and selection process for the appointment of INEs. No INEs were appointed or ceased appointment in the year.

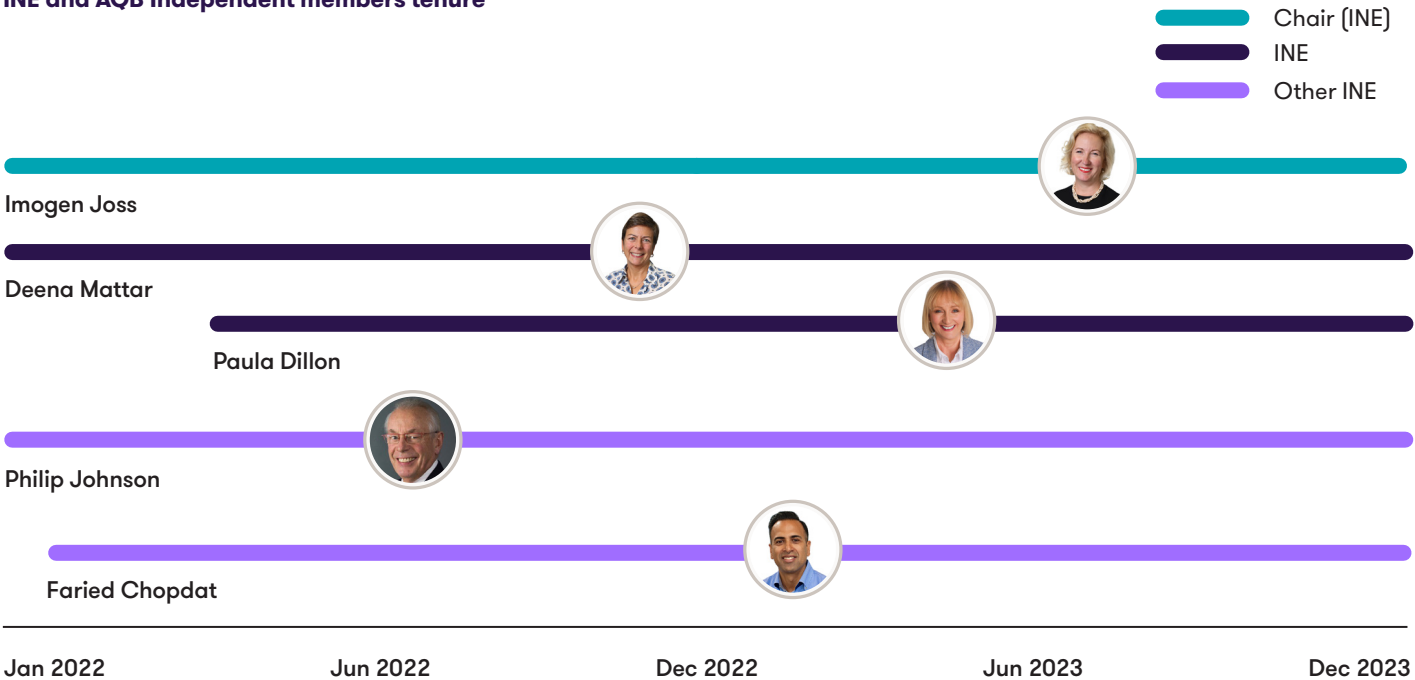
We position our INEs to be non-voting members of the PGB as this group is our main governance group. This allows our INEs to bring their experience to bear at this key oversight group. Our INEs primary remit is restricted to our public interest responsibilities, approach to quality (particularly, but not exclusively, in audit) and our reputation and risk management. This includes oversight of our policies and processes to:

- promote audit quality
- ensure firms take account of the public interest in their decision-making, particularly in audit
- safeguard the sustainability and resilience of audit practices and of firms as a whole.

Our INEs are also invited to key partner meetings and have regular meetings with the CEO, members of the SLT, our staff via the Employee Insights Group and our regulators. Appointments are for an initial term of three years and our INEs spend a minimum of 30 (50 days for PGB chair) days per annum on matters relating to the role. They can be re-appointed by the PGB members for additional terms up to a maximum of nine years subject to an all-partner vote for the PGB chair.

INEs

INE and AQB Independent members tenure



Our INEs have a right of access to relevant information and people, to the extent permitted by law or regulation, and a right to report a fundamental disagreement with leadership or the wider partnership to our regulators. Where any disagreement cannot be resolved and the INE resigns, we are required to report this resignation publicly. If there had been such a disagreement, this fact would be disclosed within this Transparency Report. No such disagreement has occurred to date.

All our non-executives are subject to our independence requirements; for more information see the [Ethics section](#). Further details of the appointment, role and responsibilities of our INEs can be found on our website: [Appointment, role, and responsibilities of Independent non-executives](#).

Membership of governance groups, attendance at meetings and further information

Details of the members of our governance groups, meeting attendance and length of service can be found in [Appendix D](#). Biographies of the members of our governance groups can be found in [Appendix E](#).

The terms of reference for our governance groups can be found on our website at [Grant Thornton | Leadership and governance](#).

Further information on the remuneration of audit partners and directors is included in [Appendix H](#).

GTIL

The firm is part of the Grant Thornton International global network, we meet the obligations of our membership of the network as well as considering the risks and benefits of our membership. More details can be found in [Appendix G](#).

Complaints and claims

We take all feedback, complaints and allegations seriously. If a client is not satisfied with any aspect of our work, they can discuss this with the engagement leader, head of the relevant service line, or our legal department. We provide training and guidance to our people in relation to our “Speak-up” culture including the use of our Speak up champions. We have internal processes to address both informal and formal matters and complaints. Our confidential whistleblowing phone-line is available to all, including employees, clients and the public. Our internal legal team have access to the RAC, PIC and CEO whenever required and report matters regularly to the SLT in respect of ongoing and potential complaints, claims and regulatory action.



Speak up

We are focused on creating an environment where people feel comfortable to raise issues or concerns to colleagues, despite the level of seniority, without fear of judgement. Speaking up, therefore, comes hand in hand with psychological safety and this is critical when it comes to producing quality work.

Listen up

We are focused on ensuring that people are listened to when raising such concerns and these are taken seriously.

Follow up

It's not enough just to listen. We need to follow up on what action has been taken. If no action has been taken, we should follow up as to why. This goes both ways, so if you have not heard back following speaking up, seek the follow-up yourself.

Investor and external dialogue

People within Grant Thornton, including where appropriate our INEs, actively engage with regulators, standard setters and investor groups to help shape and influence the drive for better reporting and regulatory change where it is necessary. Several of our partners and people participate in various boards, committees, working groups and forums across a diverse range of bodies and subjects relating to our profession and the wider market. They provide comments and feedback on our views of planned developments and issues.

We participate in events and consultations organised by the FRC, the Institute of Chartered Accountants in England and Wales (ICAEW), the Policy and Reputation Group (PRG), the International Forum of Independent Audit Regulators (IFIAR) and the International Auditing and Assurance Standards Board (IAASB). We hold regular meetings with our regulators. Our Transparency Report is available for all to read via our website. We also provide it to the Audit Committee chairs for our PIE, listed and Major Audit clients. Whilst we continue to seek to engage with the wider investor committee, getting engagement is challenging as noted by the FRC “evidence suggests limited appetite, in particular among investors, for engagement on governance matters with Firms or their INEs.”³



3. FRC consultation on Proposed Revisions to the Audit Firm Governance Code August 2021 – page 11

People and culture

Our people are key to all we do. We put people first in a culture that is collaborative, inclusive and agile. Our People Deal brings to life what we offer our employees and what we look for and expect from them. It underpins how people experience their career at Grant Thornton.



Our people are our business

As a professional services organisation our people are our key asset and strength. We have seen a number of positive developments in working with our people during the year, including:

- further development of “How we work” our framework that ensures people have the support and tools to do the right thing when making choices about how, where or when to work and where
- embedding flexibility including allowing individuals when to use their public holiday allowance supporting those who do not find the traditional days right for them
- development of our “Employee Insights Group” this is a group of 30 individuals across the firm at various grades who provide feedback to the SLT on what is going on “on the ground”. This group also acts as a sounding board for various matters.

We have a range of mechanisms to engage with our people:

- Individual people managers
- Regular “GT Live” calls
- Training and development sessions
- Regular message cascades
- Access to guidance and practical support
- Employee surveys
- Sharing from specialist interest groups

Culture

Our CLEARR values express the behaviours we expect from everyone in the firm. Our competencies describe in more detail how our values apply to what we do. Each person is expected to take responsibility for their performance, development and career.

From senior leadership downwards we promote to all our people the expected behaviours and reasons for these actions especially in respect of:

- delivering high quality and compliant audits
- managing risk in our client base
- the importance of audit and working in the public interest especially for our listed and public sector audits
- maintaining professional judgement and values.

We monitor our culture through conversations with teams, employee surveys, file reviews and root cause reviews and the QME, reporting on various matters is presented to the INEs.

Our engagement with our people supports us to ensure our decision take their interests into account.

Speak Up

We continue to develop our Speak-Up culture to ensure that our people are aware of how to Speak Up and gain support when they raise concerns about internal or client matters. This includes training and guidance which is provided to all our people including examples of speaking up seen across the practice. This is where individuals within the team have spoken up about a concern/issue and this has been listened to and followed up, resulting in significant changes to the work to be done and as a result, an increase in the quality of work produced. We provide support to individuals and teams who raise concerns, this is delivered through a variety of means but can include support from our risk and legal teams.

Inclusion & Diversity

Building an inclusive culture, where we value difference and respect our colleagues, is the right thing to do, helps our people to perform at their best and grow to their full potential. Diversity of thought, background and experience is vital to us. It brings better decision-making, improves the quality of our delivery and helps us to meet the needs of our clients.

Our Inclusion Advisory Board (IAB) consists of 12 of our people. The IAB provides robust, structured support and challenge to the SLT to help ensure that the decisions they make are informed by a diverse range of views. Each of the strands of work are led by a partner.

We believe in 'Everyday Inclusion' and creating an inclusive environment to grow is central to our strategy. We want to promote and embed positive equality, equity, diversity and inclusive practices where belonging is prioritised and every person feels valued: it aligns with our purpose of "doing what is right ahead of what's easy". By 2025, we want to be the best firm at valuing diversity through everyday inclusion.



Our approach to I&D focuses on five strands:

We believe in the importance of authentic networks to promote belonging and share similar lived experiences. Our people have set up, in collaboration with the Head of Inclusion and Diversity; a number of networks to encourage positive interaction, provide a safe space for people to share their lived experiences while educating and raising awareness and to work together to enable better awareness and inclusive practices.

Recruitment

Having the right people with the right skills is fundamental for consistently achieving our CLEARR values and audit quality. We utilise a blend of competency, strength, and skills assessment tools, which cover all entrants from trainee to partner. All our people are subject to detailed vetting and, where applicable, are required to confirm their independence and "fit and proper" status on joining. From a quality perspective, in our audit practice all experienced hires at assistant manager and above are required to sit a technical assessment prior to joining us.

We have continued to recruit throughout the year at all levels, including experienced auditors. We are increasingly focused on digital skills, including our digital qualification in conjunction with BPP University. We have seen positive results in recruitment around I&D, with our new hires continuing to be more diverse year on year. This helps to contribute to the wider shift we are working towards across the firm as a whole.

Promotion, development, and remuneration

Everyone has a people manager to support them in developing their skills, confidence and experience to progress with us. We have clear learning pathways that detail the skills required at each grade and the development available to support individual progression.

We have clear promotion processes, which for manager, senior manager and director promotes, in audit, includes a financial reporting assessment and quality interview prior to promotion. Individuals, including partners, in the audit service line receive quality gradings, which in the case of partners, is used positively or negatively to influence their profit share. We continue to provide a flexible benefits package that is regularly benchmarked against the market. During the year we have continued to promote individuals within Audit, across all grades based on their capabilities and business requirements. We have also recruited across the market experienced hires, graduates and school leavers.

Learning

Our Business School is focused on developing our people to be well-rounded professionals. We are committed to creating environments where our business and people can flourish and to do this, we pay particular attention to our professional development. This includes, for most of our people, the need to undertake appropriate Continuing Professional Development (CPD). To support this, all those working in audit have access to a wide range of learning and development opportunities to build their technical capability, leadership skills and commercial acumen.

Our people's development is supported through virtual face to face sessions, e-learning, webcasts, guidance, classroom content, coaching and on the job learning. Within audit we continue to invest in our training programmes throughout the year with several both mandatory and recommended training modules.

During the year, the average number of training hours for partners and qualified people was 99 (2022 – 107).

Audit Training

Training for our qualified people in 2023 included:



Mandatory training

- Annual three-day audit simulation
- Monthly digital awareness calls
- Monthly technical update calls
- Firmwide compliance training including financial crime, sanction, IS Security
- Quarterly ethical training
- Annual sector specific training



Areas of focus

- Revenue – audit & financial reporting
- Impact of Climate considerations on audit risk
- Financial statements – review process, front end and disclosure requirements
- Controls work including ITGC
- Digital Skills
- Fraud and Compliance with wider duties
- Ethics

We have also included “softer” skills training including

- Coaching and Feedback
- Project Management
- Professional Judgement & Professional scepticism
- Speaking Up & Difficult Conversations



Testing

- Financial reporting multiple choice assessment
- Core technical training workshops include assessments
- Firm wide compliance training include multiple choice assessments



Training for our trainees includes

- Professional qualifications
- Firmwide compliance training including financial crime, sanction, IS Security
- Monthly technical update calls
- Monthly digital awareness calls
- Associate learning pathway both technical and behavioural training

People metrics

We carry out several surveys of our people during the year which provides a key opportunity for us to understand our people's experiences, especially in relation to wellbeing. We use the results to help shape actions and activities. Our annual survey includes several quality related questions including three which are asked by all audit firms applying the AFGC (as marked by an *). The responses are in respect of people in our audit practice who agree, or strongly agree, with the following statement.

	2023	2022	2021
I am encouraged and supported by my team to deliver high-quality work*	90%	93%	93%
I have sufficient time and resources to deliver high quality*	61%	53%	46%
The training and development I receive from the firm has prepared me to do high quality work*	69%	79%	74%
Producing quality work is a top priority in our firm	94%	97%	94%
I feel able to challenge or speak up when something doesn't feel right in my work	83%	89%	76%

Risk management, quality and internal control



Risk management

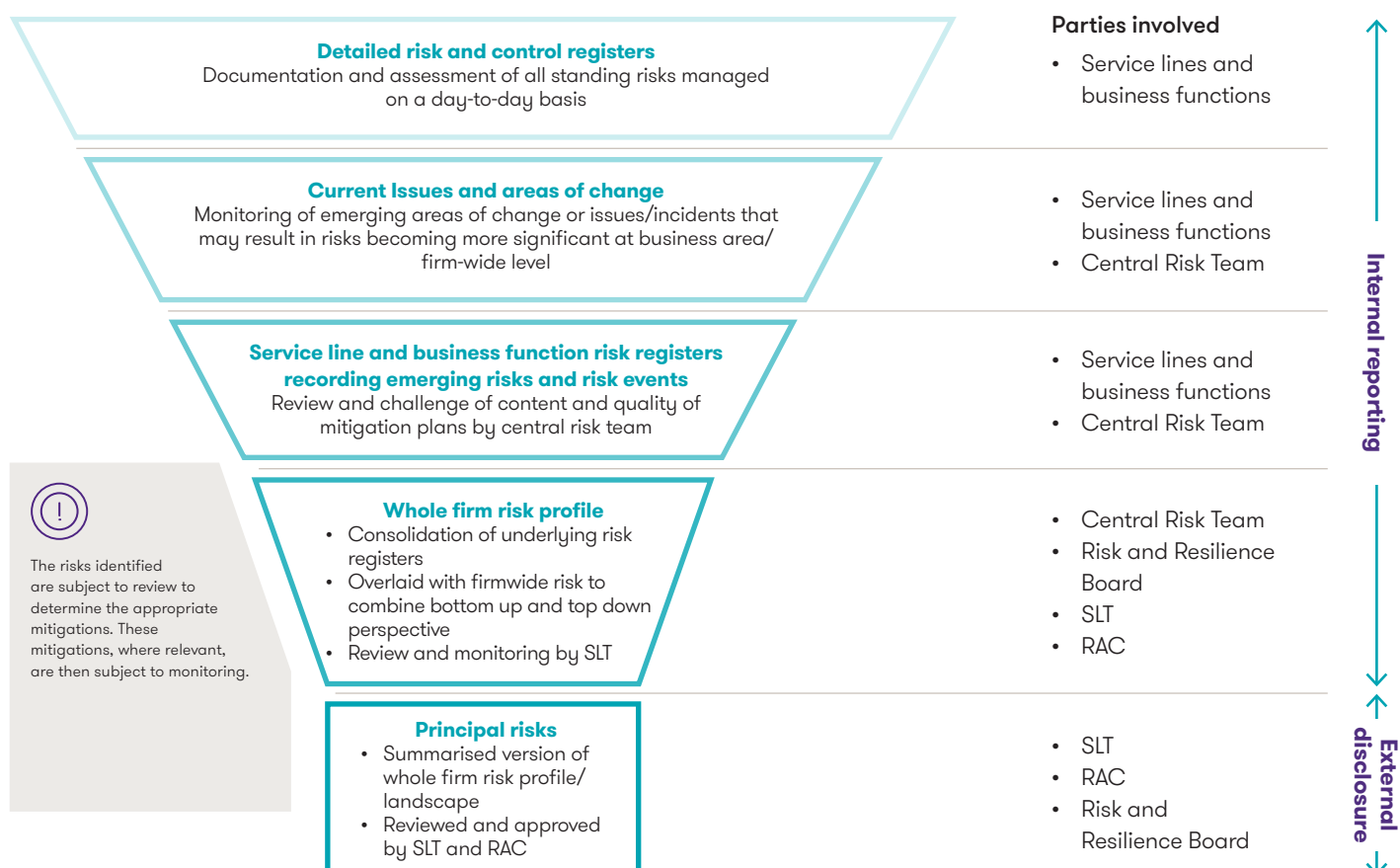
Each service line and central function is responsible for the ongoing identification, remediation and monitoring of their risks which cover the whole range of risks impacting the firm including regulatory and legal matters. Risks are reported in a consistent manner against set criteria considering the likelihood of occurrence and potential impact on the business. These risks are categorised in accordance with our risk taxonomy which establishes six primary risk levels reflecting our operating model. The Risk and Resilience board is positioned between our Central Risk Team and the SLT and meets quarterly. The board's purpose is to support the SLT in relation to enterprise risk management and operational resilience. The membership includes three members of the SLT, our Finance Partner, Head of Information Security, Head of Risk and Resilience and the Operational Resilience Lead.

At the highest level, the purpose of this group is to support the SLT in meeting their responsibilities in relation to enterprise risk management and operational resilience including:

- considering our policies and strategy for both risk and resilience and providing strategic direction and overseeing the effective operation of these two frameworks
- reviewing, monitoring and moderating our whole firm risk profile, appetite and risk exposure.

Our Whole Firm Risks and Principal Risks ([Appendix C](#)) are reviewed and approved by the SLT and RAC.

Our approach to risk management



Quality

We're committed to delivering consistently high quality which is key to all that we do. Quality is impacted and influenced by many factors and it remains the key responsibility of everyone to deliver quality in everything they do.

Quality Components

Our quality components provide clarity to everyone based on our shared expectations around quality.



Culture

We create a culture where quality is embedded in everything people do



Reputation

We behave ethically and meet the expectations of our regulators and society



Leadership and governance

We ensure that we have appropriate accountable leadership and governance structures to support quality



Technology and data

We have a digital mindset. We manage our information and records to protect confidentiality, maintain their integrity, ensure accessibility and support work done



People

We recruit, develop and nurture people from all backgrounds. We ensure they have the skills, ability, confidence, and enthusiasm to deliver quality work across the business



Take on

We only accept and continue (onboarding) work with clients aligned to our purpose, where we can deliver quality and only once all legal, commercial and ethical requirements have been met



Risk assessment, mitigation and resilience

We manage risk and build our resilience to support the firm's strategy and deliver quality in all our work



Delivery

We provide clear and easy to understand policies and procedures to guide and support our people to deliver quality assignments. We challenge each other, prior to providing assignment delivery, to ensure our work meets our high-quality standards



Operating environment and new initiatives

We monitor our operating environment for changes impacting quality. We consider quality, risk and legal requirements for new initiatives, including digital solutions, services and market offerings



Monitoring, reporting and root cause analysis

We monitor processes and controls on an ongoing basis. Reporting and root cause analysis allow us to take appropriate actions to address issues and focus on continuous quality improvement

Quality Management Approach (QMA)

The QMA is our approach to quality management that ensures we deliver quality work and meet the requirements of various regulations including International Standard on Quality Management (UK) 1 (ISQM 1) as well as other audit related standards including the AFGC and Audit Regulations. The QMA was implemented and in operation from 15 December 2022, during the year we completed our first annual testing through our Quality Evaluation (QME) process.

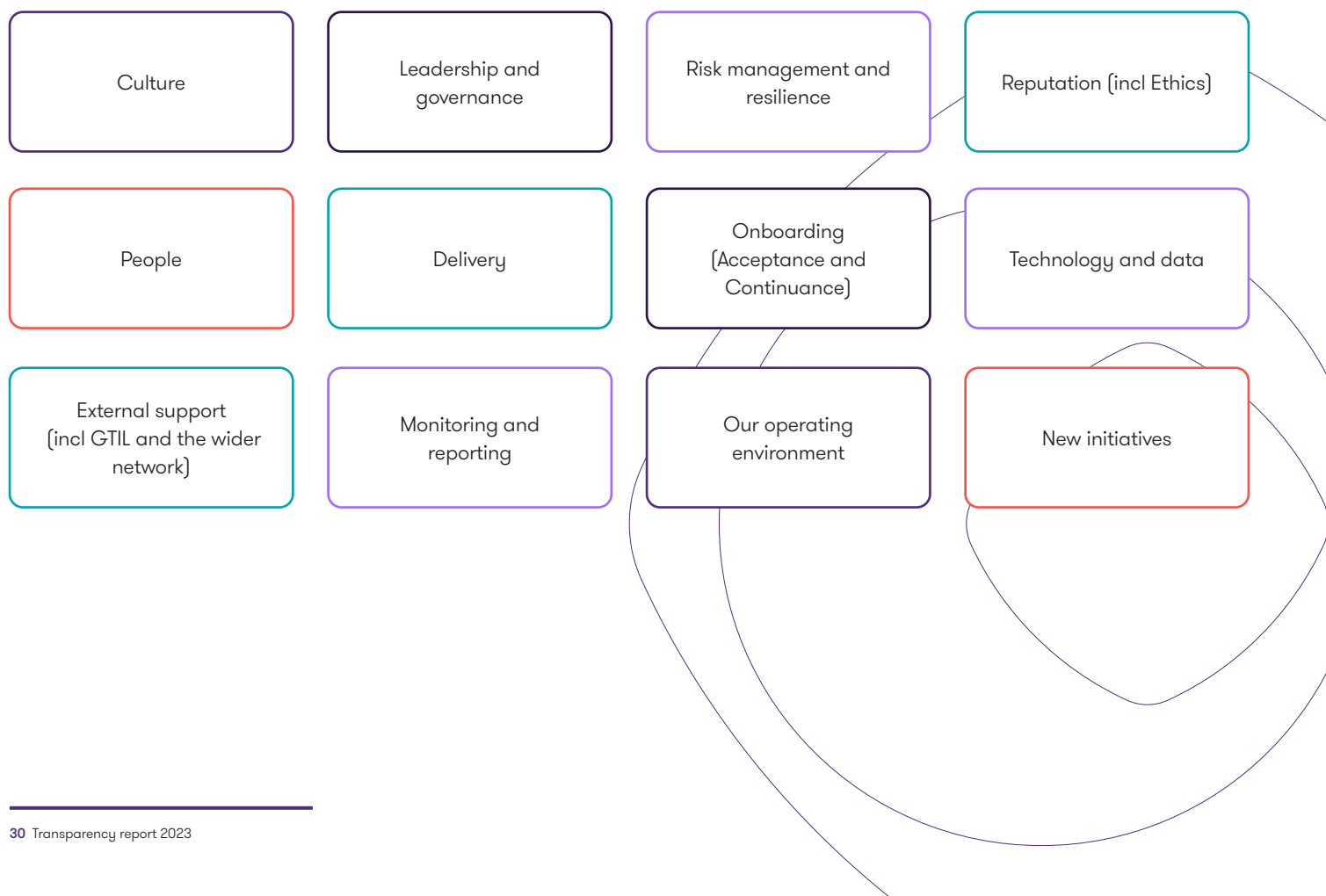
The objectives we have set for the QMA, are:

- to deliver a risk-based approach to continually improving quality
- for individuals to see quality is more than just basic “tick box” compliance. That quality is at the centre of everything we do and allows us to meet our stakeholder’s expectations
- to design, implement and operate a system of quality management that provides the firm with reasonable assurance that
 - the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements
 - engagement reports issued by the firm or engagement partners are appropriate in the circumstances
- to establish and maintain a robust monitoring, reporting, root cause and remediation programme
- to ensure the firm is resilient and can identify and respond to changes in the regulatory environment.

The implementation and monitoring of the QMA is led by a steering group which has been chaired by Fiona Baldwin as Head of Audit. Other members are:

- Chief Operating Officer – SLT member
- Head of People and Brand – SLT member
- Head of Quality and Reputation
- Ethics Partner
- Head of NAS
- Head of Audit risk
- Head of Risk & Resilience

The QMA based on a series of components that cover all the areas of the business that we believe impact quality.



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Within each component we consider the following:

Objectives/requirements

- developed based on those required by standards as well as those we have identified ourselves
- approved by members of the steering group and other members of the SLT.

Risks

- are identified based on inherent risk and likelihood using the firm's risk model and taxonomy
- risks agreed with the business owners and approved by the steering group.

Responses to risks

- identified including our structures, policies, processes and controls
- considering our reliance on the GTIL network and third parties
- including the systems and system controls that we rely on.

National Assurance Services (NAS)

Within Audit, we have a range of quality processes that directly support our engagement teams which is supported by our NAS team. NAS is the centre of excellence for our specialists in audit and accounting. Providing support to the audit practice through the provision of training and guidance, a suite of working paper templates and audit software. We continue to adopt a culture of openness and encourage all members of the practice to consult with colleagues, NAS and other teams.

This sharing of knowledge and experience is key to the delivery of audit quality and is supported by specific requirements for teams to consult with NAS on key judgmental and complex issues. Our policies, processes and guidance support teams to ensure our audits, including group audits, comply with relevant requirements.

NAS is split into six areas to ensure we focus our skills appropriately:

- 1 Financial reporting – Gives support to teams on technical accounting and reporting matters including through the delivery of our “hot review” programme of the review of financial statements for certain active audits
- 2 Audit Professional Services (APS) – Provides the foundational technical auditing guidance, methodology and tools to enable audit teams to deliver high quality audits. The team's work includes providing timely technical support, guidance and training, developing and releasing new audit tools and methodologies as well as engaging with the global network on emerging audit issues
- 3 Quality Monitoring – Delivers the internal file review programme as well as undertaking thematic reviews and managing the GTIL review programme
- 4 Quality Support Team – The team undertakes reviews of our highest-risk engagements to provide support to the audit team and Engagement Quality Reviewer (EQR) during the audit
- 5 Audit Risk team – Provides risk management support to the practice. The team also manages the implementation and testing of the QMA
- 6 Root cause - Investigating the root cause of review findings, supporting the firm to develop better quality actions based on underlying causing of findings.

Data management

Our Data office supports the firm in the provision of robust Data insights for the governance and operation of the firm. They also provide our frameworks and practices for data governance, data architecture and business insight. Our reporting to regulators uses this data along with the input from relevant specialists including our NAS team to ensure that we provide complete and accurate information. We have clear processes for reporting to our audit regulators depending on the nature of the reporting.

Quality Management Evaluation (QME)

Our QME is the mechanism for our evaluation of our system of quality management (QMA) as required by paragraph 53 of ISQM 1. Our Chief Executive Officer is the individual assigned ultimate responsibility and accountability for the system of quality management.

The QME is an annual evaluation process which has four key phases. We performed our first QME during the year.



1 Update of the QMA

- update of objectives and requirements
- reassessment and identification of changes to risk and their ratings
- update of responses to risks
- firm risks are assessed to ensure, where appropriate, these are included in the QMA.

3 Evaluation of identified findings

- deficiencies are identified based on the definition in ISQM 1 paragraph 16
- findings are evaluated based on their severity and pervasiveness
- findings are given one of five ratings:

Not deficiencies

Strength – areas of excellence

Observation – Areas noted in the review that could be improved but do not reach the level of a deficiency

Deficiencies

Level 3 deficiency – A deficiency that is neither severe nor pervasive

Level 2 deficiency – A deficiency that is either severe or pervasive

Level 1 deficiency – A deficiency that is severe and pervasive

- where appropriate deficiencies are subject to root cause analysis
- all deficiencies are subject to action planning.

2 Testing of the QMA

- this is based on our audit methodology
- includes consideration of support from the wider network and other third parties
- each response to our risks was tested
- consideration was given to wider quality findings from internal and external reviews including regulatory reviews and internal control findings from the financial statements audit.
- testing was performed by a dedicated team lead by an experienced auditor
- self-certification was provided by key leaders within the QMA.

4 Reporting and opinion

- the results of the QME have been reported to:
 - QME Steering group
 - David Dunkley /Malcolm Gomersall (CEO)
 - the PIC
 - the RAC
 - the AQB
 - the Audit Leadership team.

AFGC internal control review

During the year we have enhanced our key internal control process. The firm has 42 Internal Control Areas and our detailed key internal controls are linked to these. We undertake testing across each of these controls, this was conducted by:

- QME team
- Service line teams
- Central risk team

Actions resulting from findings are monitored for completion, the review is undertaken on an annual basis. The results are reported to the relevant business leadership as well as the RAC. This testing is separate from the work performed by our internal audit team.

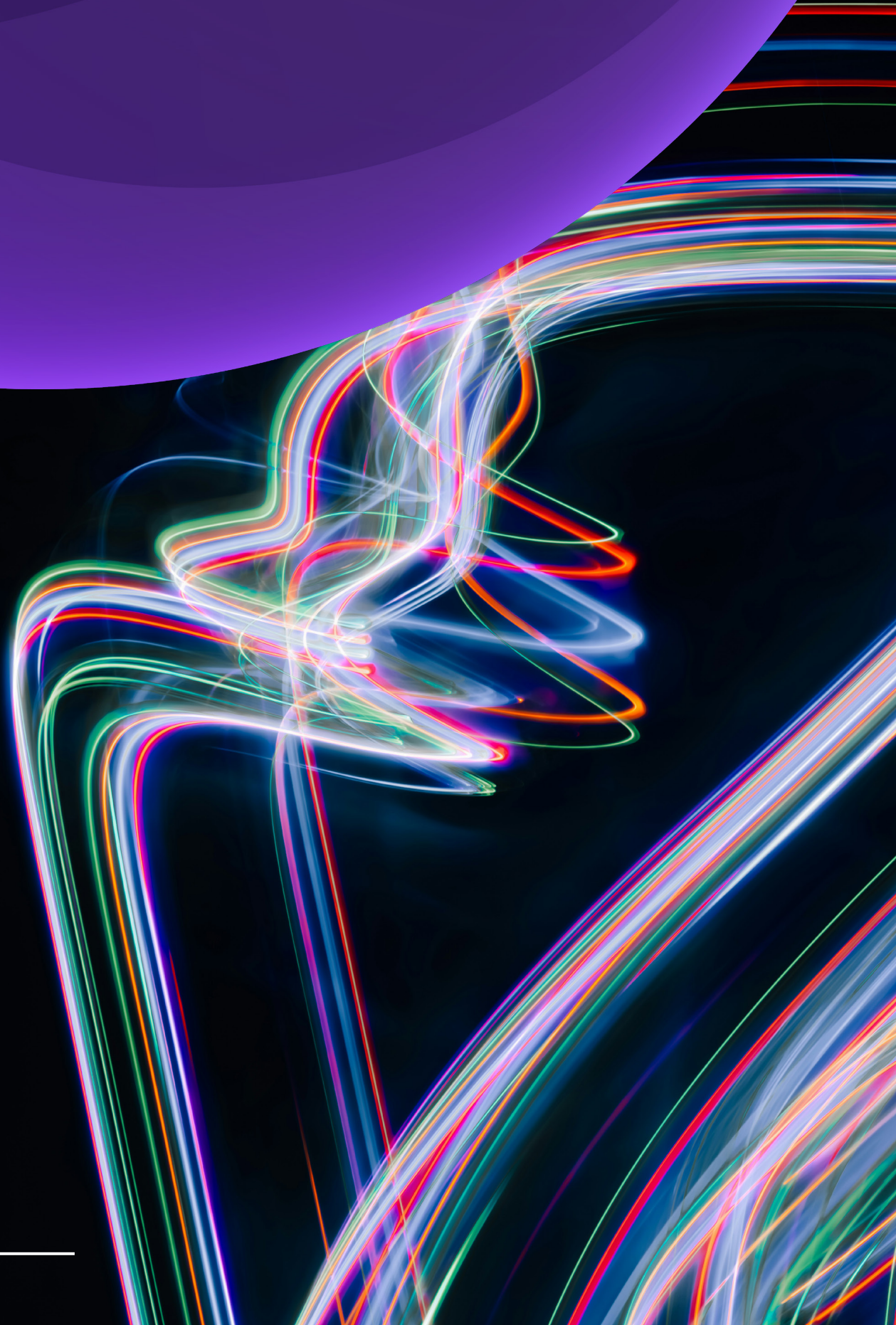
ISQM 1 Statement

As required by ISQM 1, David Dunckley as the individual assigned ultimate responsibility and accountability for the system of quality management has evaluated our system "The QMA". The assessment has been completed as at 30 November 2023.

In early 2024 this assessment was extended to an evaluation as at 31 December 2023, this evaluation was performed by Malcolm Gomersall.

Based on these evaluations we can conclude that as at 30 November 2023 and 31 December 2023 the firm's system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved as required by the International Standard of Quality Management (UK) 1.

Digital Audit Team



Grant Thornton is enhancing the quality of its audits through its investment in Digital solutions. This starts with the application of our LEAP global audit methodology, delivered on our new Leap audit engagement tool introduced in the year which replaces our previous audit software, Voyager.

We complement Leap by procuring high-quality third-party automation and analytics solutions, working with organisations that share our goal to deliver better audits. Where any gaps remain, we build and deploy our own in-house solutions to offer auditors innovative alternatives to traditional manual processes.

We cut complexity by providing practical methodology guidance on using digital solutions, delivering high quality training and launching intuitive out of the box solutions. Where work is more specialised, our dedicated support desk works with and will join audit teams as a specialist and troubleshoot problems.

With dedicated Methodology, Support, Innovation and Implementation teams, the Digital Audit team and Operations support our teams to deliver high quality audits.

What we do:

Digital methodology

- methodology for new digital products
- practical application guidance
- collaboration with audit support

Digital support

- run the support desk
- join audit teams as a specialist
- pitch and proactive audit support

Digital innovation

- developing new ideas
- maintaining Audit Analytics Appstore
- roll out app improvements

Digital implementation

- communicate and roll out products
- project management of key developments
- train the practice



Our innovation approach

The pace of change of the technology landscape in which we operate is fast and our approach to the delivery of new solutions is agile to meet the changing demands. However, by focusing on audit quality at every stage of the development process, we implement robust solutions that can meet the needs of the practice and our clients:

- 1 **Ideation** – the best ideas often come from the team’s delivering audits and our internal network of auditors and Digital Champions initiate many of our most successful ideas. Every new idea undergoes an impact assessment at the outset to rate its impact on audit quality, and is further tested via our New Initiatives process with our Digital Hub and feasibility assessed by our IS team.
- 2 **Market assessment** – there is a growing market of technology businesses with innovative products that can benefit our profession – we assess each idea to decide if the appropriate approach is to buy from a third-party vendor or build in-house.
- 3 **Governance** – an idea can only go into development following approval from the Digital Governance group, a panel of audit partners led by our Head of Audit. Governance approval is sought at each major milestone to ensure that any solution developed meets the quality goals. Progress reports are delivered every two months to the firm’s Audit Quality Board.
- 4 **Development** – all solutions are developed using coding best practice under Grant Thornton’s Data Work Products Methodology. QMA documentation is produced as part of the development process to ensure focus is placed on quality throughout the build.
- 5 **Rollout** – once a solution is complete our dedicated Digital Implementation team will facilitate rollout through a standardised communication and training programme.
- 6 **Monitoring** – all solutions are internally reviewed to ensure quality control and to comply with the requirements of ISQM1. We prioritise continuous improvement by tracking usage, seeking feedback from the practice, going back into development to roll out improvements and where appropriate failing fast and retiring seldom used solutions.

Artificial intelligence (AI)

Grant Thornton continues to successfully utilise AI on audits through use of machine learning algorithms that both classify data and generate analytics insights. During 2023 we have built on these foundations by adding generative AI capability for our auditors. Our new generative AI tool, “GTAssist” is a transformative platform that will both help our internal operations become more efficient and help us to anticipate and fulfil audit needs. It sits alongside a portfolio of other AI related investments that enable innovation, ensuring we continuously stay ahead of the curve to safely, responsibly and securely deliver the best value and quality.

Other developments in 2023

- full and successful implementation of Grant Thornton’s new global audit software Leap
- we continue to expand the number of applications we use to support our audit teams in delivery of our audits, we currently have 39 applications (2022: 31)
- Enhancing “AAA” our dedicated AuditApp Store action engine for audit teams
- we have continued to enhance our cloud-based infrastructure.

Ethics, independence and compliance

We expect our people to behave in a way that is professional, honest and trustworthy, complying with all applicable ethical and professional standards and legal and regulatory requirements, both in the UK and overseas, **“doing what’s right, ahead of what’s easy.”**

Code of conduct

All our partners and people are required to comply with the fundamental principles for professional accountants. We do what is lawful, what is right and do not allow bias, self-interest or the undue influence of others to affect our professional judgement. These requirements are not new and are key to how our people work. We continue to focus on ensuring these principles are second nature. The principles form the background to our code of conduct which sets out the expectations of all our people and supports our wider purpose of “doing what’s right, ahead of what’s easy.”

Our CLEARR values (Collaboration, Leadership, Excellence, Agility, Responsibility and Respect) underpin our culture and how we do business – they are embedded throughout our firm and set the parameters of how we expect our people to behave with their colleagues, clients and the world at large.

While it cannot govern every possible situation the code is a key part of our wider stewardship, governance and risk management culture. The code is available to all on our [website](#).

Our Code of Conduct provides clarity on what’s expected of every single one of us as Grant Thornton people and as a firm based on:

- 1 We will each contribute towards creating a culture that is inclusive and sustainability-led; one where we treat each other with respect and trust and support each other to make the right choices.
- 2 We are driven by a total commitment to excellence and aim to deliver the highest quality of service to our clients, whilst meeting the expectations of our regulators and wider stakeholders.
- 3 We will always put the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour first.
- 4 We will share responsibility for protecting the firm’s reputation and put quality at the heart of everything we do. We will always strive to deliver work to the expected internal and external standards.

Our People have a commitment to one another to:



Policies, guidance and learning

We use our intranet to provide details of our policies, procedures and guidance as well as how to consult in relation to questions. This information covers all aspects of relevant regulatory requirements including those issued by the FRC, ICAEW, IESBA, SEC, CIOT, IPA, FCA and general legislation.

All our people are required to confirm their understanding and compliance with relevant ethical requirements and key policies on an annual basis. Regular training is given to refresh people of key topics and requirements for example, personal independence, provision of non-audit services, anti-money laundering and information protection.

All managers and above are required to maintain details of their investments and those of persons closely associated to them on our Global Independence System (GIS). This system also tracks the financial interests of the firm and its affiliates. Our new joiners are provided with access to and training relating to:

- our Code of Conduct
- detailed independence requirements, including expected behaviours and access to our policies and processes
- financial crime, data protection and information security.

Conflicts of interest and relationships

If a potential conflict is identified at any stage of our work with a client, we engage with all relevant parties to obtain informed consent and implement procedures to adequately safeguard confidential information. These procedures consider any actual or perceived conflicts. Where necessary the relevant head of service line, the Ethics Function, the Ethics Partner and other member firms are consulted. All GTIL member firms utilise international relationship checks to identify potential conflicts of interest or independence issues across the network.

If it is not possible to adequately safeguard against the actual or perceived conflict to an extent that an objective, reasonable and informed third party would query our approach, we will not undertake one or more of the services. The final decision as to which if any service is provided, is ours, but these decisions are made with the involvement of the entity(s) concerned.

Financial interests

The following are prohibited from having any direct or material indirect financial interest in an audited entity or the parent undertaking of any entity audited by Grant Thornton UK LLP, or in any publicly traded audited entity (or publicly traded parent of an audited entity) of a member firm of GTIL unless specific approval has been given where allowed under regulations:

- our partners
- our INEs and AQB non executive members
- other individuals who can bind the firm for example, employee Responsible Individuals (RIs) or local public audit Key Audit Partners (KAPs)
- covered persons as defined by the FRC. Broadly a person in a position to influence the conduct or outcome of an audit/other public interest assurance engagement, including certain persons with wider firm supervisory, management or other oversight responsibilities
- any persons closely associated with any of the above.

Partners and people may not have a material financial interest in any audited entity to which they personally provide professional services. Any financial interest outlined above, or deemed to create a conflict or independence threat, must be disposed of within ten working days.

Supplier and third party relationships

As our independence requirements extend to our suppliers and our other business relationships or third-party relationships, we carry out checks before we enter new supplier contracts and other relationships. This is to identify if we perform any audit, or other public interest assurance engagements with the supplier or other party. If relationships are identified, consideration is given to any potential threat to independence. Risk based financial crime risk and third-party code of conduct checks are also undertaken for our suppliers.

Gifts, hospitality and favours

Our people are not permitted to accept, or give audit clients, suppliers or third parties any gifts, favours or hospitality that might, or might be seen to, prejudice our integrity and objectivity in relation to our current or prospective clients.

Consideration is given not only to the monetary amounts but also non-monetary considerations for example, the nature, frequency, context and parties involved in this assessment. We have clear limits on what may be accepted or given as gifts, favours and hospitality – these are aligned to the requirements of the Ethical Standard. Above de minimis limits all gifts, favours or hospitality must be recorded in our systems and prior approval must be obtained from the Ethics Function and potentially the Financial Crime Team and SLT for certain activities.

Client and engagement take-on

Our Beyond Compliance process provides a framework, prior to our detailed Acceptance or Continuance process for any audit, to consider the identity and characteristics of the clients we act for and the services that we provide, to ensure that we can be confident that they support our reputation. The process is designed to go “Beyond Compliance” to ensure we make the right Acceptance and Continuance decisions. Initial questions are used to focus on the characteristics, behaviours and values of potential and existing clients and how they relate to the values we hold as a firm. It also considers the services we propose to provide to clients to ensure that they are appropriate, that the risks can be managed and we have the skills to deliver the engagement.

As part of our Take-On procedures we consider various matters including client identification, legal structures, ownership, anti-money laundering, current business relationships, sanctions, other conflicts of interest or matters that could impact on our independence for any audits and other public interest assurance engagements.

Where the responses are not straightforward or when certain criteria are met the process is reinforced by consultation with more senior individuals and for the most challenging matters, we hold a Central Take-On Panel (CTOP). This is comprised of our senior leadership, who work to assess such opportunities. Within Audit there is an additional bid/no bid process for those entities that are not subject to CTOP but meet specific criteria.



Family tree research
and creation



Client verification and
due diligence checks



UK and international
relationship checks



Specific consultations
on proposed
engagements



Support for our CTOP
and wider Beyond
Compliance process

Audit specific matters

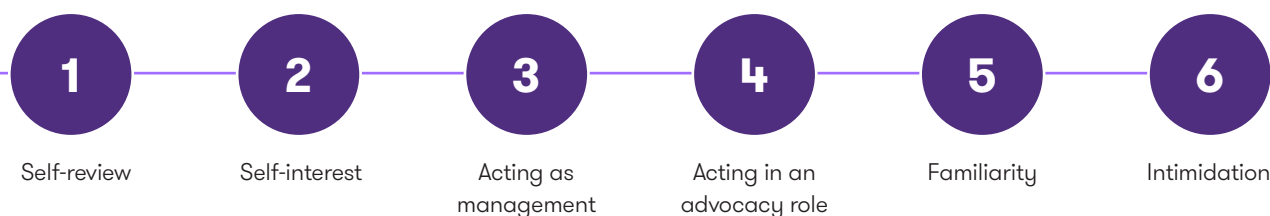
Non-audit services (including other assurance services)

Prior to accepting any non-audit service to any audit client, approval must be received from the relevant audit engagement leader. This approval is only given after consideration of the permissibility of any service, the possible threats to our independence and the adequacy of any planned safeguards. Consultation with the Ethics Function is required in situations where there is increased complexity as to the permissibility of a service or the proposed safeguards.

Where required, the circumstances are communicated to the audit client's audit committee or those charged with governance and in the case of PIEs, non-audit services are subject to audit committee approval prior to commencement of work.

Audit independence assessment

On each audit engagement, our teams make a full assessment of independence at the planning stage. This assessment is ongoing throughout the audit and considers both the firm and the audit team members independence. This assessment is made through consideration of the six key independence threats*:



Specifically, in relation to familiarity we have detailed rules relating to engagement leader and team rotation. These rules are based on the relevant requirements for the specific audit, which in most cases is the FRC's Ethical Standard. On occasion we are required to specifically comply with other requirements for example IESBA and the SEC.

Nature of entity	Role	Term (years)	Cooling off (years)
PIE/other listed entities	Audit RI or KAP	5	5
PIE/other listed entities	EQR	7	5
PIE/other listed entities	Key partners involved in the Engagement	7	2
PIE/other listed entities	Other partners and people in senior position	7*	Subject to assessment of the threats and safeguards to independence
Non listed	All roles	10	2

* Extensions subject to consultation with the Ethics Partner/Ethics Function and applicable safeguards.

On limited occasions we may utilise the exemptions within sections 3.14 and 3.15 of the FRC Ethical Standard. For our non-listed audits, an extension may be given for a limited period, to help maintain audit quality, after consultation and subject to appropriate safeguards.

From a firm's perspective we follow the relevant legislative requirements in respect of auditor rotation.

⁴. For definitions see Appendix K

Support to teams

We have several functions that support our teams to ensure we meet relevant quality requirements.

Take-On team

We have a centralised Take-On team to support our Acceptance and Continuance process. The team is responsible for undertaking key Take-On checks, on behalf of client facing teams. These occur at the time of acceptances and on an ongoing basis supporting the wider Beyond Compliance approach.

Financial crime team

We are committed to preventing financial crime and maintain a zero tolerance towards any conduct involving financial crime. We have implemented policies and procedures with the primary objective of preventing our services being used by those who wish to commit crime. Our Financial Crime Team is led by our Money Laundering Reporting Officer, Steven Wilson. The team supports us in number of ways including:

- the development of our policies and processes including engagement risk categorisation
- assessment and oversight of our financial crime risks
- guidance and support for challenging audit situations
- training and education
- acting as our suspicious activity reporting channel.

Regulation

The regulation team supports our compliance with the range of regulations that apply to us. These regulations cover both audit and non-audit services. The regulation team ensure that where necessary information and/or returns are required these are made.

The Ethics Function

The Ethics Function is fundamental in supporting the practice to meet the requirements of the various independence standards including the FRC's Ethical Standard. The Ethics Function continues to provide support in the application of both external and internal guidance as well as providing consultation support, training and, where relevant, approval across the range of independence matters.

Overall, these support functions work with other teams to further support our audit and client facing teams in respect of complaints, data protection, training, assessment and documentation of our independence and regulatory compliance.

INEs independence

We have considered the AFGC, the FRC's Ethical Standard, as well as what an objective, reasonable and informed third party would expect in establishing independence criteria for the appointment of our INEs. The PGB is a 'supervisory board' as envisaged by the FRC's Ethical Standard and, therefore, non executive members of the PGB and AQB are not partners or covered persons for the purposes of auditor independence. As a result, personal relationships and business or financial interests of the INEs do not bear directly on our independence as auditors.

However, we are mindful of the impact of public perception and so our INEs are not permitted in respect of any of the entities on our prohibited investments list to:

- be a director
- be a member of the audit committee
- hold a key management position
- hold a direct financial interest.

Prior to their appointment, INEs disclose any business interests they have and declare any conflicts that are apparent to them. We then assess the impact of these on our independence as auditors, as well as the INE's overall independence from the firm and its partners. On an ongoing basis, we require our INEs to disclose any potential conflicts as soon as they become apparent. This includes a quarterly confirmation process that they have no direct financial interests with any of our audits listed on our prohibited investments list. In addition, the INEs confirm their independence annually as part of our Annual Declaration process and any changes to their directorships and personal appointments are also confirmed.

Monitoring

We have a range of review and monitoring processes at the audit level and across the firm. We utilise a range of Audit Quality Indicators (both firm wide and engagement specific) as well as presenting profession wide indicators in this document. We are also subject to external monitoring primarily by the FRC and the ICAEW (QAD).

External monitoring

The FRC is the competent authority for the regulation and monitoring of audit firms in the UK. The FRC monitors the firm's audit quality directly in respect of our audits of PIEs. The ICAEW continues to have delegated authority from the FRC to inspect our quality in respect of other audits.

The FRC has continued to engage with us in a number of areas as part of their Audit Firm Monitoring and Supervision obligations including:

- engagement reviews undertaken by the Audit Quality Review (AQR) team
- review of firm-wide processes
- thematic reviews.

Our CEO, Head of Audit, Philip Johnson and Faried Chopdat as independent members of the AQB, and other members of the firm have met the FRC on several occasions during the year. In July 2023 the FRC announced that they would be moving the firm to Tier 2 for monitoring purposes, this would result in them "Perform less frequent inspections of PIE audits, moving to a three-year cycle of inspections and reporting on them within our Tier 2 and Tier 3 inspection and supervision report." We continue to work with the FRC and remain committed to maintaining a positive and regular dialogue with them.

The FRC also performs reviews in respect of certain public sector audits, for further details see ["Public sector audit – including local audit."](#)

FRC Annual report – overall assessment for corporate audits

"We are pleased that the firm has maintained its focus on audit quality and for the second year in a row, 100% of the audits inspected were assessed as good or limited improvements required. These are very positive results and form part of a three year trend of improved inspection results compared to the 2019/20 and 2018/19 inspection cycles.

The firm's concerted effort and progress to improve audit quality continues to be very encouraging and we have seen improvements in the underlying culture, systems and processes that support audit quality. Never-the-less, to put these inspection results into perspective, there are likely to be other factors that have also contributed, such as our small sample size (to reflect the number of audits within the scope of the FRC) and the firm's approach of de-risking its audit portfolio.

The results from other measures of audit quality, covering a broader population and a larger sample of audits, were also positive. The results from the QAD, ... which is weighted toward higher risk and complex audits of non-PIE audits (within ICAEW scope), assessed 100% of the audits it graded as good or generally acceptable. QAD identified several good practices, including good use of the firm's data analytics tools in the audit of revenue. Over a similar period, the firm's internal quality monitoring process (covering both PIE and non-PIE audits) assessed 76% of audits as meeting its highest quality standard...

It is important that the firm maintains a strong focus on quality matters and, given such positive inspection results, guards against the risk of complacency. There is also a need for the firm to make achieving high quality easier for its auditors and this will require ongoing strategic focus and investment in systems and processes.

In response to this year's findings, we will take the following actions:

- Perform less frequent inspections of PIE audits, moving to a three-year cycle of inspections and reporting on them within our Tier 2 and Tier 3 inspection and supervision report. This is primarily to reflect the size and risk of the firm's PIE portfolio compared to other large firms. Grant Thornton's improvements in audit quality have provided a base from which to grow its PIE portfolio
- Pay particular attention to the firm's internal quality monitoring process where, for every responsible individual, the firm reviews the quality of at least one completed audit each year. We have identified the frequency of this monitoring as good practice
- Monitor the implementation of the firm's new audit software and certain independence systems.

Firm's response to the FRCs annual report

Since the start of our Audit Investment Plan in 2019, we have continued to focus on each of the entities we audit, people, culture in audit, technology, methodology and monitoring. We believe that this year's AQR results (particularly when taken in conjunction with the prior two years results) demonstrate that the actions we continue to focus on are sustainably improving audit quality to a high level. Our reviews this year spanned a broad range of audits, from some of our largest listed entities to large private entities and, as with last year, not all of the files reviewed had the additional processes and reviews that our most complex audits benefit from. Since the start of our AIP, we have had (and continue to have) a robust approach to quality across both our PIE and non-PIE engagements with our quality initiatives being applied across our population of audits. We believe that our most recent QAD results included in this report (which were based on work performed in 2020 and 2021) show this as all nine graded files were grade 2 or above.

We continue our focus on our priority areas to drive strong quality although we recognise (as we stated last year) that, as a people profession reliant on professional judgement, there will always be instances where isolated issues may drive quality points on individual files and there is no way to eradicate that completely either now or going forward.

We take both the AQR and QAD review processes seriously and find the learnings extremely helpful in our continuous improvement journey. Results of our root cause analysis programme (which comprises both cold reviews and warm reviews) provide us with valuable learnings which we then build into future training and cultural activities we undertake to avoid complacency and to continue learning as a practice.

Our single quality plan is in place and represents the development from our AIP and Strategic Improvement Plan. We continue to evolve this as the market changes and as findings arise from both our reviews and other areas of our audit practice. In addition, our systems and processes to adopt ISQM1 are well established and on track for the first testing of those by December 2023.

Our work on audit culture remains of prime importance to us, as a firm, and we see having a strong culture of challenge within our audit practice as being a key element of performing high quality work across all the entities we audit. We note that page 28 (sic) of this report highlights ethical conduct around misconduct, including exam cheating, at certain firms – we absolutely concur that this is a matter of high importance and are pleased that we have not identified any such instances at Grant Thornton in the period. We continue to monitor and challenge our teams on this, including requiring self-certifications in advance of each assessment that the individual has taken the test on their own and without using any unpermitted consultations or the use of factors such as AI to assist them.

Our Audit Quality Board continues to work very effectively, providing support and challenge on key decisions made by the audit practice and helping shape our strategy going forward. Our two audit non executives provide strong governance and challenge as part of this process which aids our focus on delivering high quality audits.

We are delighted with the results of both our external reviews contained in this report, and particularly that over the last three years, all but one of our files reviewed (94%) have been grade 2 or above and will keep a strong focus on all quality related matters to ensure we continue to learn and evolve accordingly and as the market continues to evolve. We will continue to be committed to and invest in delivering high quality audits and to continuing our measured approach to building our portfolio of public interest audits going forward and are delighted with our sustained strong quality review results over the last three years which sets us up optimally for the future.”

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Grant Thornton Assessment and Review (GTAR)

The GTAR program is on a three-year cycle, there was no review in the year with the next review expected in 2024.

Other regulatory reviews

We are subject to review in respect of audit quality by several other regulatory bodies.

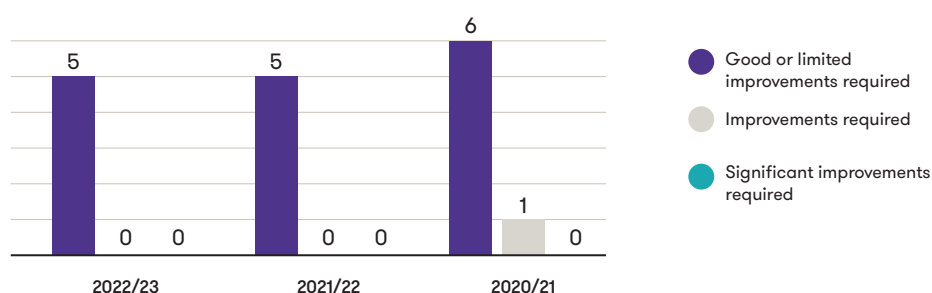
Body	Review in 2023
FRC (non-corporate reviews)	Public sector audits including value for money
QAD (ICAEW)	Corporate audits not in FRC scope

We are subject to review by CPAB, PCAO and Audit Scotland but no reviews have been conducted in the year.

Engagement reviews - external

FRC

The AQR reviewed five files (2022: five) as part of the review reported in July 2023, as the FRC have placed the firm in tier 2 and 3 there will be no separate report issued in 2024.

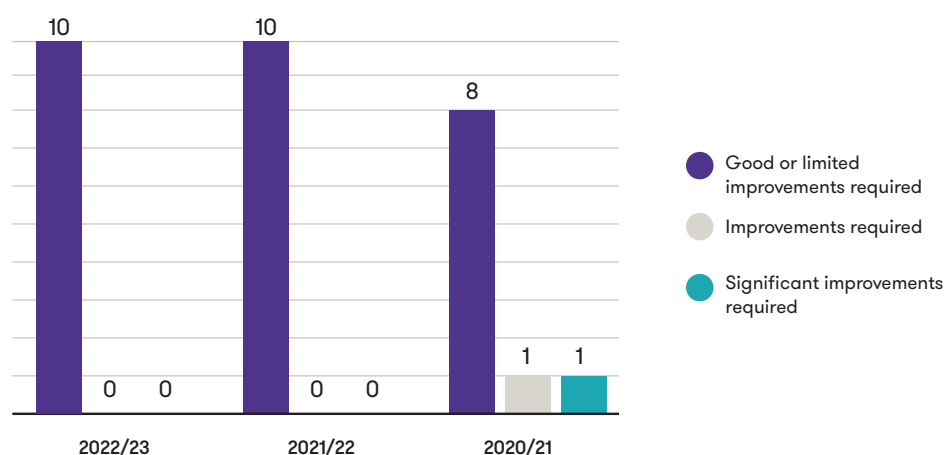


The Key Findings from the reviews were⁵:

Areas for improvement	Good practice identified
Follow up of matters raised by experts	Use of specialists
Evaluation of the expert's report	Challenge and professional scepticism
	Audit of revenue
	Group oversight

QAD

The QAD visited during the year. The results of previous visits are:



5. FRC audit quality inspection and supervision report – July 2023

Engagement reviews – internal

We undertake internal quality reviews for our signing engagement leaders (RIs, KAPs and others who act as public sector auditors). We have two types of review:

- 1 National Assurance Review (NAR) covers the whole audit from planning to completion. This includes a review of detailed audit work across a range of areas. Each engagement leader receives a NAR review at least once every three years, with new engagement leaders being reviewed normally within a year of appointment. Any engagement leader with files that do not meet the expected standard is subject to review in the subsequent year.
- 2 Pulse programme which focuses on two key risk areas of each audit. Any engagement leader who has not been subject to an external or NAR review receives a Pulse review.

Total engagement reviews (including public sector)

During the 2023 review cycle 113 (2022: 115) reviews have been conducted comprising both internal and external reviews.

Number of reviews	2023	2022	2021
External review	19	32	23
NAR	47	40	43
Pulse Review	47	43	37
GTAR	-	-	10
Total	113	115	113
Relevant engagement leaders reviewed (%)	100	100	99

	Internal reviews			Total reviews		
Findings (percent)	2023	2022	2021	2023	2022	2021
Good of Good limited improvements required	80	75	90	83	74	79
Improvements required	7	15	4	6	16	12
Significant improvement required	13	10	6	11	10	9

Firm-wide monitoring

External

The FRC in their annual report detail their firm wide work. The FRC review some areas on an annual basis and others on a three-year rotational basis. The focus for the year as reported in July 2023 was:

- audit quality focus and tone of the firm's senior management
- audit quality initiatives, including plans to improve audit quality
- root Cause Analysis
- complaints and allegations processes
- relevant ethical requirements – Implementation of the FRC's Revised ethical Standard (2019)
- partner and staff matters, including recruitment, appraisals, remuneration and promotion
- acceptance, continuance and resignation procedures.

During the year we have also received/responded to the FRC in relation to a number of non-engagement specific areas including:

ISQM 1 Implementation
Audit Sampling
Training and methodology
Hot reviews

When the FRC raise findings or recommendations these are assessed by senior individuals, including the Head of Audit, and actions plans developed as required. We have also responded in respect of the status of actions for areas subject to prior FRC sanction including ethics.

Internal

Monitoring activities are classified as hot and cold. Hot monitoring is for live, ongoing engagements/prospects whereas cold monitoring looks at a sample of completed engagements and events to evaluate whether firm policies and procedures were complied with. This monitoring was undertaken as part of the [QMA implementation](#).

Internal ethics and independence

We operate a number of specific monitoring activities in relation to compliance with the FRC Ethical Standard and other relevant independence regime. The key mechanisms are:

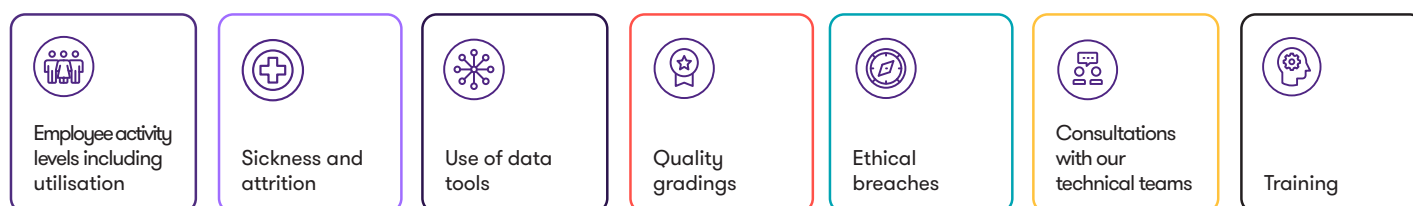
- individual NAR file reviews consider how the engagement team addressed ethical and independence matters
- the Annual Declaration process is a comprehensive declaration from all partners and people in respect of understanding and compliance with our policies and procedures in respect of ethics, independence, confidentiality, gifts and hospitality and other regulations
- sample testing of partners and people at manager grade and above to check the accuracy and completeness of disclosed financial investments
- consideration of ongoing consultations from engagement teams
- the pre-approval of non-audit services to audit clients
- ensuring that rotation requirements are met at the individual and firm level
- pre-approval of gifts, favours and hospitality above de-minimis limits and monitoring against expenses review of ethics and independence matters for higher risk audits at planning and completion.

Action plans

Action plans are developed for internal and external reviews. These actions are monitored and the status of actions reported to the AQB.

Audit Quality Indicators (AQIs)

As an audit service line we utilise a number of AQIs to support wider monitoring:



As a firm we utilise two AQI dashboards:

- 1 engagement leader dashboard – each audit engagement leader has their own dashboard with a range of AQIs to help them consider quality on their live audit engagements
- 2 firmwide AQI dashboard – Head of Audit has access to over 20 AQIs to assist with broader operational management. These AQIs are reported on a quarterly basis to the AQB.

We will be providing information to the FRC for their profession wide pilot on Firm Level AQIs these AQIs are detailed in [Appendix F](#).

The PRG identified a number of AQIs, in five areas, that the main audit firms publish in their transparency report on an annual basis. The table below identifies each AQI and where it can be found in this report:

AQI area	Location in report
Details of internal and external reviews	See above in this section
External investigations related to audit	Disciplinary and enforcement matters
Investments in audit	Training hours - People and Culture Wider investment in quality processes see risk management, quality and internal control
Investor liaison	Investor and external dialogue
Partner and staff surveys — Three questions based on: 1 firm's commitment to quality 2 sufficient time and resources to deliver quality 3 training and development.	People and Culture

Root Cause Analysis (RCA)

RCA is undertaken following the results of both internal and external quality reviews. Further RCA is also undertaken in respect of other areas where we have a concern over quality. At the end of reviews and annually themes are identified and actions developed to address those negatively impacting quality as well as to encourage wider uptake of areas of strength.

Our RCA approach is tailored to the subject being considered but includes a combination of:

- data gathering and analysis, with the use of external specialists where appropriate
- interviews with the team including the manager, engagement leader, EQCR and specialists where applicable
- group discussions and focus groups.

Number of reviews cover by RCA	2022/23	2021/22	2020/21
External file reviews	17	14	27
Internal file reviews	40	30	34

The results of the RCA are reported to the AQB and PIC. The key themes identified in the 2022/23 cycle were:



Root causes of negative quality findings

- Distractions diverting attention from other areas of the audit
- Training/guidance (particularly regarding revenue)
- Poor performance of team members
- Over reliance on prior audits

Root causes of good practice points

- Experience of the team being relevant for the audit
- Culture focused on quality and, learning from previous reviews
- Good understanding of the business
- Good Engagement leader involvement and timely review
- Consultation

Disciplinary and enforcement matters

FRC

There are no ongoing disciplinary investigations by the FRC into the firm's audits under the AEP or the Accountancy Scheme.

There has been one disciplinary matter in respect of audit work of ours, which the FRC has progressed.

We are continuing to comply with monitoring and reporting obligations imposed following concluded disciplinary investigations, which relate to audits of Sports Direct International Plc, Patisserie Holdings Plc and Interserve Plc. These obligations are due to conclude in 2024.

Our monitoring and reporting obligations imposed following disciplinary findings made in 2020 relating to ethical standards and requirements, concluded in 2023.

ICAEW

On 26 January 2023, the ICAEW imposed a severe reprimand in respect of three audits of ours dating from 2016 to 2018 of an entity whose name it did not publish and fined us £91,000.

On 27 February 2023, the ICAEW imposed a reprimand in respect of four audits of ours dating from 2016 to 2019 of an entity whose name it did not publish and fined us £143,350.

On 21 March 2023, the ICAEW imposed a reprimand in respect of one audit of ours in 2019 of an entity whose name it did not publish and fined us £194,600.

We have ongoing investigations by the ICAEW which we are working with it to resolve.

Public sector audit – including local audit



Our public sector practice provides statutory and other related audit services to a range of public sector clients including those subject to the Local Audit and Accountability Act 2014 (the Act). The Act requires the auditor of certain public bodies in England to appoint a registered “Local Auditor” as their statutory auditor.

Bodies to which the regulations apply include:

- councils
- health trusts (excluding foundation trusts)
- clinical commissioning groups
- Integrated care boards
- police and crime commissioners and chief constables
- fire and rescue services
- national parks
- certain pension funds.

Our work over the past year has been undertaken during a period of continued challenge in the public sector, with many NHS bodies and local authorities struggling to balance budgets and deliver desired levels of services within available resources.

During the year we have commenced work under the PSAA allocation of local government, police and fire bodies in England which represents about 36% of the audits allocated by the PSAA. Over the past year the local authority sector has seen continued delays in the sign off of audit opinions across all firms. We are working with clients and supporting the governments new measures revolving around these audits to address the backlog. We support the work of the government, NAO and FRC in seeking a rapid and practical solution to these issues. In 2023 we have signed 108 opinions in relation to Major Audits (2022: 45). See [Appendix K](#).

We are continuing to see significant changes in our NHS and Local government audits due to the financial position of these organisations. We also continue to see instances of more complex transactions resulting in changes to the accounting and auditing of these. We continue to see issues in respect of data quality and completeness. These impact our ability to complete our audits and the nature of opinions we are able to issue. We are working with the NAO, DLUHC and the FRC to promote better quality accounts preparation, and to make representations for other changes which we believe will help reduce the backlog of accounts sign offs.

As part of our wider responsibilities as local auditors under the National Audit Office Code of Audit Practice, we have issued the following reports in respect of our obligations over local authorities since 1 January 2021:

Year	Authority	Report
February 2024	Nottingham City Council	Statutory Recommendations
January 2024	Cannock Chase District Council	Statutory Recommendations
January 2024	Dudley Council	Statutory Recommendations
January 2024	Stafford Borough Council	Statutory Recommendations
September 2023	Birmingham City Council	Statutory Recommendations
February 2023	Slough Council	Statutory Recommendations
January 2023	Cheshire East Council	Public Interest report
November 2022	Bromsgrove District Council	Statutory Recommendations
November 2022	Redditch District Council	Statutory Recommendations
March 2022	Copeland Borough Council	Statutory Recommendations
January 2022	London Borough of Croydon	Public Interest Report
January 2022	Sandwell Borough Council	Statutory Recommendations
October 2021	Thanet District Council	Statutory Recommendations
May 2021	Slough Borough Council	Statutory Recommendations
February 2021	Copeland Borough Council	Statutory Recommendations

Registration

We are registered as a Local Auditor under the requirements of the Act through registration with the ICAEW. At 31 December 2023 we had 30 registered KAPs (2022: 26), the most of any audit firm. Our dedicated public sector audit practice is part of our audit service line.

Structure

The public sector practice follows the same policies, processes and methodologies as the wider audit practice with adaptation to meet the specific requirements of our public sector audit base. The team face many of the same challenges faced by our wider audit practice. The Head of Public Sector Assurance reports to the Head of Audit.

Internal control

Our local audit work is subject to our overall internal quality control system the QMA and has been subject to the review under the QME. There are additional areas of control that are focused on local audit. These include:

- a dedicated Public Sector technical team, which provides guidance and support to audit teams in respect of specific accounting, audit and financial reporting matters. This team works closely with our NAS teams to ensure consistency of approach
- specific sector files are developed to support the consistency of our quality
- the public sector nature of local audits is considered as part of our acceptance and continuance process
- we have specialist technical panels for specific matters which are unique to the public sector, for example, Value for Money.

Recruitment

The public sector practice uses the same recruitment processes as the wider audit practice but with a clear focus on the public sector nature of our work.

Development, appraisal and promotion

Individuals follow the same development, appraisal and promotion processes as those of the wider audit practice. This includes the use of the same competency framework and CPD requirements.

Learning

Given the specialist nature of public sector audit, we take very seriously the need to ensure all people working on local audits keep up to date technically and professionally. People working in the public sector team are subject to the same training requirements as people in the wider audit practice. However, to ensure all individuals maintain and develop their technical competence for public sector work, we provide additional training and support under our sector badging policy.

In 2023 for our qualified people this has included:

- ongoing training on a range of topics including the audit of estimates, property valuations, journals and sampling
- tailored training sessions on the practical implementation of ISA 315 in both local government and NHS audits
- a number of digital audit training sessions and workshops, supporting teams to utilise our growing suite of digital tools
- feedback from the results of internal and external inspections, highlighting learning and development needs;
- weekly updates or briefings for teams on 'hot' topics
- a session for EQRs on maximising the impact of EQCR work
- a briefing session for Engagement Leads on the new Local Government audit contract.

In total, training approximated to 10 (2022: 10) days per person. Our associates received their own tailored programme in line with our internal and professional requirements.

Quality monitoring

Our public sector audits are subject to both internal and external monitoring. The internal monitoring is detailed in the "Monitoring" section of this report. We are also subject to potential external review from several regulatory bodies during the year we have been subject to inspections from FRC and QAD.

During the year, the four (2022: 12) files have been subject to external inspections:

Type of audit	2023	2022	2021
NHS Foundation Trusts	-	2	4
Major Audits - NHS	2	1	2
Major Audits - Local Government	1	6	7
Non Major local audit	1	3	3

We also undertook a number of internal reviews as part of the NAR programme. In 2022 we undertook nine (2022: three) and seven pulse reviews (2022: five). As a result of these reviews, we identified some key areas which we have focused on in our training, including the valuation of property plant and equipment, our approach to fraud risk assessment and journals testing, and the way in which we pinpoint our significant risk assessments.

The Local Auditors (Transparency) Regulations 2020

Below is outlined our response to the disclosure requirements of the Local Auditors (Transparency) Instrument 2015. As our public sector practice is integrated with our wider audit practice most of our responses cross reference to the wider Transparency Report.

Provision of the Local Audit Regulations Review	How Grant Thornton UK LLP complies
a A description of the legal structure, governance and ownership of the transparency reporting local auditor	See “ Appendix G - Legal structure including GTIL ”
b Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network	See “ Appendix G - Legal structure including GTIL ”
c A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work	See above and section “ Risk management, quality and internal control ”
d A description of the transparency reporting local auditor’s independence procedures and practices including a confirmation that an internal review of independence practices has been conducted	Our public sector practice is subject to the same ethics and independence rules as all other areas of audit practice. This includes firm-wide requirements where applicable. See section “ Ethics, Independence and Compliance ”
e Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained	Our engagements leaders for this work are all KAPs under the legislation. They and our people are appropriately trained and competent in the roles See above and in section “ People and Culture ”
f A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the 2006 Companies Act, as applied in relation to local audits by Section 18 and paragraphs 1, 2 and 28(7) of Schedule 5 to the 2014 Act, took place	As set out above the last external reviews were undertaken by the FRC and QAD during the year
g A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list	See “ Appendix J – Major Local Audits ”
h A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level	See section on “ learning ” above
i Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor’s local audit work	Turnover from local audit work in the 12 months to 31 December 2023 was £34.6 million, (2022: £31.8 million). This represents 14.5% (2022: 14.5%) of the firm’s total audit revenue and 5.0% (2022: 4.9%) of firm’s total revenue, respectively. These amounts are included in the revenue disclosed in Appendix G
j Information about the basis for the remuneration of partners	See “ Appendix H – Financial information and partner details ”

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Appendix A

Audit firm governance code and EU regulations

AFGC

We have set out below how we have complied with the AFGC – April 2022 issued by the FRC. We have adopted this revised code from 1 January 2023 and we consider the firm to be compliant with the provisions of the new code.

Provision of the code		How we comply
A	Leadership	
1	A firm should establish a Board or equivalent governance structure to oversee the activities of Management.	The PBG acts as our primary governance group see Leadership and governance .
2	At least half a firm's Board should be selected from among partners who do not have significant management responsibilities within the firm.	None of the partners on the PGB have significant management responsibilities.
3	The chair of the Board should not also chair parts of the Management structure or be the managing partner.	Imogen Joss chairs the PGB and is one of the firm's INEs.
4	A firm's Management and Board should have a clear understanding of their authority, accountabilities and responsibilities. The Board should have clearly defined terms of reference, with matters specifically reserved for its decision, detailing in particular its role in relation to firm strategy, risk, culture and other matters relating to the purpose of this Code. Management should have terms of reference that include clear authority over the whole firm and matters relating to the purpose of this Code. Terms of reference should be disclosed on the firm's website. Terms of reference for international management and governance structures taking decisions that apply to the UK should be disclosed on the UK firm's website in the same way as for UK-based structures.	Terms of reference are present for the PGB and sub committees. These are available on our website Leadership and governance Grant Thornton
5	A firm should establish arrangements for determining remuneration and progression matters for members of the Board which support and promote effective challenge of Management.	<p>The partner members of the PGB and SLT are subject to the firm's membership agreement in respect of remuneration and progression.</p> <p>This is reviewed by the remuneration committee in relation to</p> <ul style="list-style-type: none"> • profit share process • the remuneration framework for the CEO and SLT • partner exits <p>The Remuneration and performance evaluation for our INEs is considered by the Nominations committee.</p> <p>Details can be found in the terms of reference of each committee which are on our website:</p> <ul style="list-style-type: none"> • Remuneration (grantthornton.co.uk) • Nominations Committee (grantthornton.co.uk)
6	The individual members of a firm's governance structures and Management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election.	<p>All individuals, including non-executive members, of our governance groups are subject to annual performance evaluation.</p> <p>Members of the PGB serve for an initial three-year period with a maximum term of continuous appointment of elected members (six years) and INEs (nine years).</p> <p>Details can be found in the terms of reference which are on our website Terms of Reference (grantthornton.co.uk).</p>

Provision of the code

How we comply

7	There should be a formal annual evaluation of the performance of the Board and any committees, plus the public interest body. A firm should consider having a regular externally-facilitated board evaluation at least every three years.	An annual review is undertaken with an externally facilitated review undertaken at least every four years. The last externally facilitated review was in 2022.
8	Management should ensure that, wherever possible and so far as the law allows, members of governance structures and INEs and ANEs have access to the same information as is available to Management.	Those charged with governance, including our non-executive members have access to the same information as management.
9	A firm should disclose in its annual transparency report: <ol style="list-style-type: none"> the names and job titles of all members of the firm's governance structures and its Management a description of how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details a description of how its governance structures and Management operate, their duties, the types of decisions they take and how they contribute to achieving the Code's purpose. If elements of the Management and/or governance of the firm rest at an international level and decisions are taken outside the UK, it should specifically set out how management and oversight is undertaken at that level and the Code's purpose achieved in the UK an explanation of the controls it has in place on individual powers of decision and to support effective challenge by Board members, how these are intended to operate and how they work in practice. 	See Leadership and Governance especially subsection PGB and PIC Appendix D – attendance at meetings and length of service Appendix E – Biographies and changes.
B People, Values and Behaviour		
10	A firm's Board and Management should establish the firm's purpose and values and satisfy themselves that its purpose, values and culture are aligned. If a firm's purpose and values are established at an international level, the firm should ensure it has the ability to influence that decision-making process and the ability to tailor the output for the UK.	The firm's purpose is "Doing what's right, ahead of what's easy" the board and management set our purpose, values and culture in consultation, where appropriate, with our people. Our purpose is set within the firm with reference to the overall approach and strategy of GTIL. During the year, our then Chief Executive Officer David Dunckley was a member of the GTIL Board of Governors. The firm also has representation on each of the Board of Governors standing committees. This allows the firm to ensure appropriate influence at a GTIL level.
11	A firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and INEs should oversee compliance with it.	Our Code of Conduct can be found on our website Code of conduct Grant Thornton All our people have to comply with this code. We also publish on our websites our codes/statements in respect of: <ul style="list-style-type: none"> • "Anti-bribery and corruption" Anti-bribery and corruption statement (grantthornton.co.uk) • "Third party code of conduct" Third-Party Code of Conduct (grantthornton.co.uk) • "Modern slavery" Modern slavery statement (grantthornton.co.uk) • "Carbon reduction" Carbon Reduction Plan (grantthornton.co.uk) • Approach to tax Our approach to tax Grant Thornton.
12	A firm should promote the desired culture and a commitment to quality work, professional judgement and values, serving the public interest and compliance with professional standards and applicable legal and regulatory requirements, in particular through the right tone at the top and the firm's policies and procedures.	See People and Culture especially subsection Culture.
13	A firm should establish policies and procedures to promote inclusion and encourage people to speak up and challenge without fear of reprisal, particularly on matters relating to this Code and the firm's values and culture.	See People and Culture especially subsection Speak Up.
14	A firm should introduce meaningful key performance indicators on the performance of its governance system, and report on performance against these in its transparency reports.	See Appendix B - Key Performance Indicators.
15	A firm should assess and monitor culture. It should conduct a regular review of the effectiveness of the firm's systems for the promotion and embedding of an appropriate cultures underpinned by sound values and behaviour across the firm, and in audit in particular. INEs should be involved in this review and where a firm has implemented operational separation the ANEs should be involved in the review as it relates to the audit practice. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the purpose of this Code, it should take corrective action.	See People and Culture especially subsection Culture.

Provision of the code

How we comply

16	A firm should establish mechanisms for delivering meaningful engagement with its people. This should include arrangements for people to raise concerns in confidence and anonymously and to report, without fear, concerns about the firm's culture, commitment to quality work, the public interest and/or professional judgement and values. The INEs should be satisfied that there is an effective whistleblowing policy and procedure in place and should monitor issues raised under that process.	See People and Culture especially subsections culture and Speak up.
17	INEs should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, recruitment and promotion processes, training and development activities, and diversity and inclusion, to ensure that the public interest is protected. They should monitor the firm's success at attracting and managing talent, particularly in the audit practice. Where operational separation is in place the ANEs should be involved in this process.	Our INEs and non-executive members of the AQB are involved in people matters as part of their role on the PGB, PIC and AQB, including receiving reports from the Head of People and Culture. Paula Dillon specifically focuses on people matters and is our INE with responsibility for people matters.
18	INEs and ANEs should use a range of data and engagement mechanisms to understand the views of colleagues throughout the firm and to communicate about their own roles and the purpose of this Code. One INE should be designated as having primary responsibility for engaging with the firm's people.	Our INEs and non-executive members of the AQB receive data and access to people in the firm to allow them to understand values and communicate their role.
19	A firm should disclose in its annual transparency report a description of how: <ul style="list-style-type: none"> a it engages with its people and how the interests of its people have been taken into account in decision-making b opportunities and risks to the future success of the business have been considered and addressed, its approach to attracting and managing talent, the sustainability of the firm's business model and how its culture, in particular in the audit practice, contributes to meeting the purpose of this Code. 	<ul style="list-style-type: none"> a see People and Culture especially subsection Our people are our business b see Risk management, quality and internal control especially subsection Risk Management.
C Operations and Resilience		
20	A firm should assist the FRC and its successor bodies to discharge its duties by sharing information openly.	The firm works with the FRC on a regular basis and will continue to work with any successor body.
21	A firm should take action to address areas of concern identified by regulators in relation to the firm's audit work, leadership and governance, culture, management information, risk management and internal control systems.	The firm has regular engagement with the FRC, ICAEW team and other regulators as required. There is a formal action management process for all audit related regulatory reviews.
22	A firm should develop robust datasets and effective management information to support monitoring of the effectiveness of its activities, including by INEs (and ANEs), and its ability to furnish the regulator with information.	See Risk management, quality and internal control especially subsection Data office.
23	A firm should establish an audit committee and disclose on its website its terms of reference and information on its membership. Its terms of reference should set out clearly its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. Where a firm's audit committee sits at an international level, information about the committee and its work should be disclosed by the UK firm as if it were based in the UK.	See Leadership and Governance and Leadership and governance Grant Thornton on our website. All activities are at UK level.
24	A firm should monitor its risk management and internal control systems, and, at least annually, conduct a review of their effectiveness. INEs should be involved in the review which should cover all significant controls, including financial, operational and compliance controls and risk management systems.	See Risk management, quality and internal control Our Key internal controls review is undertaken in conjunction with our QME which meets the requirements of ISQM 1.
25	A firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice in the UK. INEs (and in firms with operational separation, ANEs) should be involved in this assessment.	See " Appendix C - Firm's principal risks ".
26	A firm should publicly report how it has applied the Principles of this Code, and make a statement on its compliance with its Provisions or give a detailed explanation for any non-compliance, i.e. why the firm has not complied with the Provision, the alternative arrangements in place and how these work to achieve the desired outcome (Principle) and the purpose of this Code.	We consider that we are compliant with the principles of the AFGC. This is explained in this appendix and throughout this report.
27	A firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities in the form of an extended audit report as required by International Auditing Standards (UK) 700/701.	This is included in our financial statements which can be found on our website Annual reports Grant Thornton

Provision of the code

How we comply

28	The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report: <ul style="list-style-type: none"> a a commentary on its performance, position and prospects b how it has worked to meet the legal and regulatory framework within which it operates c a description of the work of the firm's audit committee and how it has discharged its duties d confirmation that it has performed a review of the effectiveness of the system of internal control, a summary of the process it has applied and the necessary actions that have been or are being taken to remedy any significant failings or weaknesses identified from that review e a description of the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary f an assessment of the principal risks facing the firm and explanation of how they are being managed or mitigated g a description of how it interacts with the firm's global network, and the benefits and risks of these arrangements, with reference to the purpose of this Code. This should include an assessment of any risks to the resilience of the UK firm arising from the network and any action taken to mitigate those risks. 	<ul style="list-style-type: none"> a see "CEO" and "Head of Audit Commentaries" plus developments in each major section b see "Risk management, quality and internal control" including subsection "Quality Management Approach (QMA)" c see "Leadership and Governance" especially Subsection "RAC" d see "Risk management, quality and internal control" especially "AFGC internal control review" e see "Risk management, quality and internal control" especially "Quality Management Approach (QME)" f see "Appendix C - Firm's principal risks" g see "Appendix G - Legal structure including Grant Thornton International Limited (GTIL)".
D	INEs and ANEs	
29	INEs should number at least three, be in the majority on a body chaired by an INE that oversees public interest matters and be embedded in other relevant governance structures within the firm as members or formal attendees with participation rights. If a firm considers that having three INEs is unnecessary given its size or the number of public interest entities it audits, it should explain this in its transparency report and ensure a minimum of two at all times. At least one INE should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function or at an audit firm.	We have three INEs. Our PIC oversees public interest matters. The INEs are the only members of this committee.
30	INEs should meet regularly as a private group to discuss matters relating to their remit. Where a firm adopts an international approach to its management and/or governance it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this jurisdiction. The firm should disclose on its website the terms of reference and composition of any governance structures whose membership includes INEs, whether in the UK or another jurisdiction.	Our INEs meet.
31	INEs should have full visibility of the entirety of the business. They should assess the impact of firm strategy, culture, senior appointments, financial performance and position, operational policies and procedures including client management processes, and global network initiatives on the firm and the audit practice in particular. They should pay particular attention to and report in the transparency report on how they have worked to address: risks to audit quality; the public interest in a firm's activities and how it is taken into account; and risks to the operational and financial resilience of the firm.	<p>See statement by our "INE Chair of the Partnership Governance board (PGB) and the public interest committee" and</p> <p>See "Leadership and Governance" – sub sections "PIC and INE"</p>
32	A firm should establish a nomination committee, with participation from at least one INE, to lead the process for appointments and re-appointments of INEs (and ANEs), to conduct a regular assessment of gaps in the diversity of their skills and experience and to ensure a succession plan is in place. The nomination committee should assess the time commitment for the role and, when making new appointments, should take into account other demands on INEs' (and ANEs') time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior consultation with the nomination committee.	See " Leadership and Governance " – sub section "Remco"
33	A firm should provide access for INEs to relevant information on the activities of the global network such that they can monitor the impact of the network on the operations and resilience of the UK firm and the public interest in the UK.	Our INEs directly and through engagement with the SLT have access to information relating to the activities of GTIL. This includes access to the GTIL INEs
34	INEs should have regular contact with the Ethics Partner, who should under the ethical standards have direct access to them.	The ethics partner attends the PIC on a regular basis
35	INEs should have dialogue with audit committees and investors to build their understanding of the user experience of audit and to develop a collective view of the way in which their firm operates in practice.	" Leadership and Governance " sub section "Investor and external dialogue"
36	Firms should agree with each INE (and ANE) a contract for services setting out their rights and duties. INEs (and ANEs) should be appointed for specific terms and have a maximum tenure of nine years in total.	Each of our INEs and independent members of the AQB has a contract for services.

Provision of the code

How we comply

37	The firm should provide each INE (and ANE) with the resources necessary to undertake their duties including appropriate induction, training and development, indemnity insurance and access to independent professional advice at the firm's expense where an INE or ANE judges such advice necessary to discharge their duties.	Sufficient resources, including access to independent legal advice, is available to our INEs and independent members of the AQB.
38	The firm should establish, and disclose on its website, well defined and clear escalation procedures compatible with Principle P, for dealing with any fundamental disagreement that cannot otherwise be resolved between the INEs (and /or ANEs) and members of the firm's Management and/or governance structures.	These are in place and disclosed within the INE terms of reference on our website. Appointment, role, and responsibilities of Independent non-executives (INEs) (grantthornton.co.uk)
39	An INE (and / or ANE) should alert the regulator as soon as possible to their concerns in the following circumstances: <ul style="list-style-type: none"> the INE or ANE believes the firm is acting contrary to the public interest the INE or ANE believes the firm is endangering the objectives of this Code the INE or ANE initiates the procedure for fundamental disagreements. 	Our INEs and independent members of the AQB are aware and committed to this requirement of the code
40	A firm should disclose in its annual transparency report: <ul style="list-style-type: none"> a information about the appointment, retirement and resignation of INEs (and ANEs); their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its INEs in the way it has b its criteria for assessing whether INEs (and ANEs) are: i) independent from the firm and its owners; and ii) independent from its audited entities. 	<ul style="list-style-type: none"> a See "Leadership and Governance" sub section "INES" b See "Ethics, independence and compliance" subsection "INES independence". <p>There have been no changes to non executive appointments in the year. Philip Johnson stood down as chair of the AQB on 31 January 2024.</p>
E	Operational Separation	
	This is not applicable to the firm as we are not required and have not applied Operational Separation however, we would note the following that we comply with the requirements of provisions 41 - 43	

EU Regulations

We set out below how we comply with Article 13 of the EU Regulations 537/2014 which is enshrined into UK Law.

Summarised requirement	How we comply
A statutory auditor or an audit firm that carries out statutory audits of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. That transparency report shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years from the day of its publication on the website. If the statutory auditor is employed by an audit firm, the obligations under this Article shall be incumbent on the audit firm.	This transparency report, along with our prior reports are available on our website under About us/Annual reports
Statutory auditors and audit firms shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or the audit firm or, as appropriate, that it has been updated.	The FRC and ICAEW are informed of the publication of this Transparency Report
The annual transparency report shall include at least the following:	
a a description of the legal structure and ownership of the audit firm	See “Leadership and Governance”
b where the statutory auditor or the audit firm is a member of a network: <ul style="list-style-type: none"> i a description of the network and the legal and structural arrangements in the network ii the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network iii the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business iv the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements. 	See “Appendix G – Legal structure including GTIL”
c a description of the governance structure of the audit firm	See “Leadership and Governance”
d a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning	This is discussed throughout this report but specifically in sections <ul style="list-style-type: none"> • “Leadership and Governance” • “Risk management, Quality and Internal control” • “Ethics, Independence and compliance” • “People and Culture” • “Monitoring”
e an indication of when the last quality assurance review referred to in Article 26 was carried out (External review)	See “Monitoring”
f a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year	See “Appendix I – UK Public Interest Entities”
g a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	See “Monitoring” sub sections “Firm-wide monitoring” , “Ethics, Independence and compliance”
h a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	All of our qualified people are required to take part in appropriate continuing professional education. This includes compliance from 1 November 2023 with the revised ICAEW CPD requirements.
i information concerning the basis for the partners' remuneration in audit firms	See “People and Culture”
j a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)	See “Appendix H – Financial information and partner details”
k where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories: <ul style="list-style-type: none"> i revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity ii revenues from the statutory audit of annual and consolidated financial statements of other entities iii revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm iv revenues from non-audit services to other entities. 	See “Ethics, Independence and compliance” sub section “Audit specific matters”
l The transparency report shall be signed by the statutory auditor or the audit firm	The report is signed by Malcolm Gomersall on behalf of Grant Thornton UK LLP

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Appendix B

Governance Key Performance Indicators (KPIs)

Our governance KPIs have updated to reflect the requirements of the revised AFGC. Operational Separation is not relevant to the firm as we are not required and have not applied with the detailed principles.

Area of the AFGC	KPI	Response	
Leadership	Terms of reference are present for each key governance body and available on our website. These include details of the scope/matters reserved for the body and membership	These are available on our website Leadership and governance Grant Thornton	
	Terms of reference are reviewed at least every year for the AQB, PIC and key PGB sub committees	This has been completed, these are available on our website Leadership and governance Grant Thornton	
	Independent members chair all key governance groups	Group	Chair
		PGB	Imogen Joss
		PIC	Imogen Joss
		RAC	Deena Mattar
		RemCo	Paula Dillon
		The SLT and IC were chaired by the David Dunkley (as CEO) and Philip Secrett respectively these are not governance groups	
	The minimum average attendance target for each group is 80% on a rolling 12-month basis		Attendance
		SLT	97%
PGB		95%	
PIC		100%	
AQB		91%	
RAC		100%	
RemCo		100%	
Investment Committee		85%	
	There were no Nomination committee meetings in the year.		
Members of our governance groups are subject to a formal annual appraisal	This has been completed		
A formal external evaluation of the effectiveness of the PGB is undertaken at least every three years	This last was completed in June 2022		

Area of the AFGC	KPI	Response
People, Values and Behaviour	The Code of Conduct is available on our website and our people are required to apply it*	This is available on our website Leadership and governance Grant Thornton
	The firm has a Speak up policy including the availability of a confidential Whistleblowing line which is advertised and available to all*	This has been completed
	One INE is nominated to review people management policies and procedures. They should monitor these policies and procedures*	Paula Dillon has this role
Operations and resilience	Firm has a process to agree, monitor and report actions agreed with the audit regulator*	See "Monitoring" especially "Action Plans"
	The INEs (via the PIC) receives updates on complaints and whistle-blower matters during the year	See "Leadership and Governance" especially sub section "Public Interest Committee"
	The PIC reviews compliance with the AFGC	This has been completed
	At least annually the SLT and RAC review the effectiveness of our structure of internal control with INE involvement in this review	"Risk management, Quality and Internal control" especially sub section "AFGC internal control review"
	The SLT and RAC review the financial statements and this Transparency report	This has been completed
	At least annually a formal assessment of the firm's principal risks including those impacting its business model, future performance, solvency and liquidity is completed by the SLT*	See Appendix C – Firm's principal risks
INEs and ANEs	There should be at least three INEs who maintain their independence throughout their appointment	Our three INEs throughout the year were Imogen Joss, Deena Mattar and Paula Dillon
	The firm should have a nomination committee including INE involvement*	This is in place see "Leadership and Governance" especially sub section "Nominations Committee"
	The Ethics Partner should have direct access to the INEs*	The Ethics Partner attends each PIC meeting and has direct access to them at any time

* Represents a new KPIs in the year following the adoption of the revised Audit Firm Governance code.

Appendix C

Firm's principal risks

At the time of this transparency report the principal risks that the SLT consider could most significantly threaten the firm's ability to achieve its strategy, including those that would threaten its business model, future performance, solvency or liquidity and specifically impact the sustainability of the audit practice are as shown below.

The trend indicator depicts the trend of our residual risk rating internally over the course of 2023 and 2022.



Decreasing risk







Increasing risk




No change




New risk


Risk	Landscape	Trending	Mitigating activities
Attracting and retaining talent			
<p>Inability to attract and retain high quality talent, including partners, could impact our ability to respond to current and future client needs.</p> <p>Specifically:</p> <ul style="list-style-type: none"> our people do not feel connected with our purpose or culture failure to offer attractive and flexible working arrangements Inability to recruit high quality diverse people with the right skills a lack of career progression and personal development opportunities inadequate succession planning. 	<ul style="list-style-type: none"> steady slowdown in attrition over the course of the year has resulted in a reduction in risk exposure talent shortage in the UK market of qualified professionals further compounded by the unattractiveness of the profession evolving expectations of employees for example around ESG matters; increasing use of global delivery models and the need to manage culture differences changing client needs necessitating different talent skillsets continued adaptation to a hybrid working model. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> regular people engagement and leadership communications ensure our people remain connected pulse surveys to understand how our people are feeling how we work framework to support employees in adopting our hybrid working model effectively diversified central resourcing model including our agile talent solution and utilisation of global network resources technical, leadership and commercial learning programmes and a focus on coaching to support the career development of our partners and employees robust talent strategy systems and processes including succession planning annual horizon scan considers talent aspects regular benchmarking of reward and benefits compelling employer brand brings our purpose to life for our people and new hires and builds connection and belonging.
Changing environment and unplanned events			
<p>We do not identify and react appropriately or quickly enough in response to changing external conditions and the requirements of our clients.</p> <p>Specifically:</p> <ul style="list-style-type: none"> economic and geopolitical conditions, market factors, competitor activity or regulatory change we do not meet clients/future clients changing requirements – for example support with ESG or digital matters unplanned disruptive events which could pose a significant threat to the firm's business and its ability to operate. 	<ul style="list-style-type: none"> economic conditions remain challenging and despite a drop in inflation, high interest rates and low growth prospects continue to create uncertainty for business ongoing geopolitical tension and conflict causing cost of living challenges, labour shortages and supply chain disruption changing competitive landscape and disruption due to audit market reform, audit firm break ups and changing funding models increasing importance of ESG and digital impacts market need and demands. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> SMEs in our Public Services Consulting and Economic Consulting teams provide political and economic insights; competitor trend analysis firmwide dashboards enabling continuous monitoring of business and financial performance SLT focus on continually reviewing strategic options and opportunities and the best approach to providing sufficient flexibility for growth in response to challenging market conditions ongoing active engagement with key stakeholders (including regulators, industry groups and professional institutes) to identify and influence change and inform and monitor our response firmwide risk management framework of forward looking annual horizon scanning process holistic approach to resilience planning and validation including business continuity and crisis management processes across all areas of the firm's activities including Client and Business activity, Technology, Third Parties, Property and Physical Security Risk and Resilience Board sets the resilience strategy and monitor's progress.



Risk	Landscape	Trending	Mitigating activities
Climate			
<p>Failure to tackle climate related risks and opportunities as a firm and deliver the business strategies and infrastructure we need to transition to Net Zero.</p> <p>Specifically:</p> <ul style="list-style-type: none"> we do not minimise the environmental impact of our own business causing potential brand or reputational damage and impacting our ability to attract and retain talent inadequate data to properly assess and report on the firm's progress on its plans to net zero; we do not make required disclosures, or we make incorrect disclosures / reporting in relation to climate matters we work with clients and other third parties with poor environmental credentials which could damage our reputation we fail to develop new products and services to support clients as they transition towards a low-carbon economy extreme weather events and changing climate conditions impact our or our key suppliers' ability to operate, including our teams in non-UK locations. 	<ul style="list-style-type: none"> climate change is front of mind for regulators and standard setters, with consultations ongoing and new/additional regulation and reporting standards expected soon increased climate related reporting requirements; increasing stakeholder pressure on businesses (driven by investor engagement and public sentiment) means climate is becoming a determining factor in who will do business with us increasing expectations from prospective employees and our people to ensure we are serious about mitigating our collective environmental impact. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> we comply with SECR (Streamlined Energy and Carbon Reporting) and ESOS (Energy Savings Opportunity Scheme), report to CDP (formerly the Carbon Disclosure Project) and are ISO 14001 accredited we have set science-based targets verified and published by the Science Based Targets Initiative (SBTi). This year we have had our new short-term targets and a long term target verified by SBTi we have made climate-related financial disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) framework for the first time in our 2023 Energy and Carbon report development of Climate strategy as part of our wider ESG strategy to reduce our impact on the environment by reaching net zero without carbon offsetting or greenwashing environmental working group in place to drive the Climate strategy sustainability Leadership Group with representatives from our employees across the business drives change in their business areas in line with our environment and social impact agenda ongoing communication and engagement strategy with our people in relation to ESG including climate and carbon literacy training we have established a multi-disciplinary ESG Centre of Excellence to develop and deliver our ESG propositions carbon dashboards provide transparent data on emissions across scopes 1, 2 and 3 to meet disclosure requirements and measure progress on targets procurement policy and Third-Party code of conduct consider environmental impacts of the supply chain holistic approach to resilience planning and validation including emergency management and business continuity planning across all locations and areas of the firm's activities to respond to physical climate risks.
Digital, Data and Technology (2022: Technology)			
<p>Our ability to deliver technological change, evolve our data strategy and deliver digital transformation including the necessary cultural shift, could impact our ability to remain competitive and create value for our clients, people and our business.</p> <p>Specifically:</p> <ul style="list-style-type: none"> we do not develop and invest in our technology infrastructure, people, and processes to address future business needs failure to equip people with the right digital tools and capabilities and evolve culture inadequate data strategy, governance and management means we are unable to realise the benefits of data as an asset we do not manage the risks and opportunities associated with the use of AI. 	<ul style="list-style-type: none"> fast evolving digital transformation landscape influencing client expectations and the cost of providing service potential disruption and risk exposure due to the speed at which generative AI is being deployed increasing expectations for data insights to inform business decision making; changing competitive landscape and the profession is being faced with a very different competitor type ethical use of data is essential technology becoming increasingly democratised allowing 'citizens' to develop applications and automations creates opportunities but also additional risks competitive landscape is changing and the profession is frequently being faced with a very different competitor type technology infrastructure implications as a result of current changes within our property portfolio. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> three-year transformational change programme to deliver an integrated Digital strategy which will create value for our clients, our people and our business with investment in core IS and Data resource to support change delivery Digital Leadership Group helps facilitate and coordinate digital efforts across the firm investment in the UK Digital Hub and IS supported service line capability to evolve products, services and support people in building digital capabilities aligned with changing client needs and further support our people to grow digital capability Data Governance Board supports and advocates for data governance to ensure that our data is managed as a strategic asset and data decisions are not made in isolation to other strategic implementations data protection and ethical impact assessments to ensure data handled in accordance with privacy laws and ethical best practice Annual Data Maturity Assessment tracks progress and informs the firm's data strategy AI and machine learning policy formalises usage guidance to ensure the appropriate and safe use of AI tools New Initiatives policy and process defines the mechanism for and supports innovation throughout the firm, overseen by the Business Change Activation Board which governs the firm's Change Management Process.

Risk	Landscape	Trending	Mitigating activities
Financial planning and liquidity			
Insufficient liquidity to fund working capital requirements or a significant financial issue without the time in which to address it.	<ul style="list-style-type: none"> need to support continuing investment in talent, technology and infrastructure of our business to enable sustainable growth 	2023 	<ul style="list-style-type: none"> comprehensive annual budgeting process in place with the SLT and PGB review and approval
<p>This could be caused by:</p> <ul style="list-style-type: none"> inaccurate financial data impacting operational decisions, growth, and overall liquidity management unforeseen drop in partner numbers unreliable financial forecasting leading to poorly defined growth plans vs resourcing requirements we do not budget effectively impacting our ability to manage within our funding arrangements lack of timely financial oversight of commitments to significant long-term costs servicing the firm's pension fund liability availability and affordability of external funding. 	<ul style="list-style-type: none"> continued economic uncertainty making it inherently difficult to forecast and manage profits and working capital external factors in the banking market such as capital loan availability and pricing increases economic instability creating increased risk of debtor default. 	2022 	<ul style="list-style-type: none"> effective quarterly forecasting aligned with strategic workforce planning which is reviewed and approved by the SLT monthly management accounts at whole firm, service line and operating unit level including working capital and funding analysis short, medium and long term cashflow and covenant forecasting including a minimum annual sensitivity and reverse stress-testing exercise appointment of new Service Line Operations partners who work closely with COO and Finance Partner to monitor financial performance and consistently improve forecasting accuracy across the firm comprehensive set of live management information available to partners and employees including in relation to pricing, pipeline management, WIP, costs and cash collection stringent financial policies, procedures and controls in place across the firm including procurement, expenditure authorisation, timesheet and expenses policies maintenance and ongoing development of relationships with our bankers and the Trustees of the Grant Thornton Pension Fund.
Inclusion and diversity			
Failure to achieve a level of diversity in our partner and people group to meet our peoples, clients and the markets expectations and failure to create an inclusive culture where diverse talent can thrive, develop, and grow.	<ul style="list-style-type: none"> diversity of workforce and an inclusive working environment is increasingly high on the agenda of our people, our clients and other stakeholders and is a priority for all large firms 	2023 	<ul style="list-style-type: none"> CEO led Inclusion and Diversity Strategy with SLT sponsors for each strand of diversity and incorporated into SLT goals
<p>Specifically:</p> <ul style="list-style-type: none"> failure to develop a pipeline of diverse talent across all areas of diversity we fail to change our people's behaviours in relation to I&D matters and create an inclusive culture consistently across all parts of our business a difference between what we say and our people's lived experience creating reputational and brand risk. 	<ul style="list-style-type: none"> lack of diverse candidates across the industry and competitive market, particularly at senior levels impacts our ability to attract and retain diverse talent driving the increasing risk trend. 	2022 	<ul style="list-style-type: none"> convenors for each of the firm's five diversity strands Gender, LGBTQIA+, Disability, Medical Conditions and Mental Health, Ethnicity & Cultural heritage and Social Mobility with dedicated resource to support delivery of action plans Network of Inclusion Allies work towards making everyday inclusion a reality specific diverse talent programs to empower future leaders and comprehensive communication plan encouraging diverse and senior role models to share their backgrounds and stories inclusive leadership workshops with a focus on understanding unconscious bias inclusive resourcing processes, practices and communications with interview training reflecting I&D matters diversity targets and action plans in place at firmwide and service line level with regular reporting on progress annual talent pipeline analysis provides an indication of the firm's ability to deliver its diversity targets based on existing talent ongoing monitoring and review of inclusion and diversity data and the policies and processes that support how we work, to drive the required change towards ensuring fair and equitable opportunities for all employees Pulse surveys measure the experiences of diverse talent and identifies areas of future focus a confidential Public Interest Disclosure / Whistleblowing hotline available to employees, clients, and members of the public.

Risk	Landscape	Trending	Mitigating activities
Information and cyber security			
<p>New threats or inadequate protection of the firm's personal and clients' confidential information (including electronic and hard copy documentation) could result in non-compliance with data protection or privacy laws, regulations and contractual requirements.</p> <p>This could be caused by:</p> <ul style="list-style-type: none"> failure to identify and manage potential cyber threats vulnerabilities as a result of reliance on the actions of our people inadequate or misaligned data strategy, governance, management and protection dependency on third party technology providers to meet their contractual obligations around security and service levels. 	<ul style="list-style-type: none"> ever evolving and increasing cyber threats heightened by geopolitical conflict our overall threat landscape is changing with the introduction of new technology and digital solutions, the transition to the cloud, and the increased sharing of data by and with clients and third parties hybrid working and global delivery models place increased reliance on our technology infrastructure and greater security and data loss risk if not adequately maintained. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> continuous focus on the maintenance of a robust, secure and resilient IT environment with policies and processes to protect the firm's and clients' data, and service continuity plans for all business-critical IT services and applications Increased investment in tools, software solutions and resource to manage data security and the risk of data loss physical security controls ISO 27001, ISO20000 accreditations and Cyber Essentials Plus certification use of security operations centre and threat intelligence services ISMS management team oversee strategic and operational management of information security within the firm cyber resilience and incident response procedures in place and tested ongoing activities with our people to promote awareness of cyber and data security, including employee e-learning, regular communications about threats and quarterly phishing exercises supplier risk assessment process using an external rating agency to mitigate potential threats collaborative approach with GTIL and major GTIL member firms to ongoing information systems infrastructure development and strategy. Global Cyber Controls review assessed against NIST cyber security framework Data Office is part of the wider Digital, Data and Technology function and is responsible for data strategy and data governance and compliance, including data loss prevention Data Protection team develop and maintain the necessary data protection and privacy policies and procedures including breach management processes.
International Network			
<p>Being part of an international network poses risks which may prevent Grant Thornton UK serving its international clients and winning global projects or could cause reputational damage.</p> <p>Specifically:</p> <ul style="list-style-type: none"> international network capability or availability of talent contagion due to reputational issue elsewhere in the GTIL network loss of or failure of GTIL/ significant member firm in the network disruptive change in the network e.g. regulatory/ structure/conflicting domestic strategies variety of ownership models impacting our ability to manage conflict and regulatory adherence. 	<ul style="list-style-type: none"> increased importance of international work to the firm's growth plans strengthening strategic collaboration with the GTIL member firms in India and opportunities arising through AI and Digital global talent shortage and funding constraints impacting resourcing within the global network with increased international resource augmentation varied levels of maturity, market focus and ambition of firms in the network geopolitical tensions and conflict changing landscape of professional services networks with industry disruption more likely. 	<p>2023</p> 	<ul style="list-style-type: none"> significant UK involvement and influence in GTIL strategy and governance with UK representation on global committees dedicated international strategy helping our clients achieve their ambitions across four key geographic areas close cooperation with other large member firms to collectively identify and mitigate risk and share strategic priorities direct investments in overseas operations, strategic collaborations and cooperation with other member firms to establish market-leading overseas practices proactive management of overseas investments and operations which are regularly reported to the Investment Committee close involvement with UK and global regulators by UK Firm and GTIL respectively network risk policies and protocols and member firm obligations with monitoring by GTIL to ensure firms meet quality and other expectations GTIL Cross Border Assignments policy governs all client engagements between member firms. Cross border work supported by GTIL arranged cross border PI policy in certain circumstances scenario planning addressing impact of different ownership models and market change.

Risk	Landscape	Trending	Mitigating activities
Material breach of Regulation or Legislation			
<p>Breaches of legislation or regulation could pose a significant financial and reputational risk to the firm.</p> <p>This could be caused by:</p> <ul style="list-style-type: none"> taking on inappropriate work, clients, or third parties, resulting in legal or regulatory breaches or conflicts not understanding or responding to changes in regulation and legislation including sanction regimes insufficiently skilled or resourced specialist compliance teams failure to respond appropriately/robustly to regulatory investigations or sanctions employees/Partners working outside of internal policies and procedures third-parties acting beyond contractually agreed parameters. 	<ul style="list-style-type: none"> regulatory environment is ever changing and increasingly complex, requiring recruitment and retention of appropriately skilled compliance specialists, and increased monitoring and reporting to ensure the firm is compliant risk trending reflects that the Russian sanction regime is well established and controls are fully embedded, in addition to our strengthened client due diligence processes continually evolving financial and trade sanctions environment the current regulatory and public policy landscape can result in frequent, and short-notice, changes to regulation and legislation activities in certain countries may increase risk exposure relating to bribery or tax evasion risk of people working outside firm's policies and procedures is enhanced by increased remote/hybrid working, including global delivery models. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> firmwide Quality Components incorporate and provide clear direction on legal and regulatory requirements with annual self-certification by all our people as to their understanding of and responsibilities for key ethical, regulatory, and quality procedures Ethics function provide support and guidance on ethics and independence issues centralised global independence systems with monitoring of compliance by the Ethics Function Financial Crime Team, led by the Money Laundering Reporting Officer (MLRO) and overseen by the Financial Crime Risk Oversight Committee, to ensure effective management of financial crime risks annual mandatory training plan and monitoring to ensure full understanding of our regulatory and quality commitments rigorous client take-on and continuance processes including relationship checks, risk-based client due diligence (CDD) and ongoing monitoring, with investment in new systems to strengthen the CDD process Mandatory third party due diligence procedures and monitoring to ensure we only engage acceptable suppliers and other third parties Suspicious Activity Reporting and Whistleblowing procedures in place engagement with regulators, institutes, and governmental bodies to understand and play our part in the development of the industry management of firmwide regulatory obligations and GTIL firm requirements by the Regulation Team with oversight by the Regulation Oversight Committee.
Quality of work (audit and non-audit)			
<p>Providing poor-quality advice or giving incorrect opinions could lead to claims and regulatory action or loss of clients due to reputational damage.</p> <p>This could be caused by:</p> <ul style="list-style-type: none"> failure to manage the quality of evolving service offerings and methods of delivery not using the right team with the right skills, knowledge, and experience poor quality culture inconsistent or ineffective tools and methodologies taking on inappropriate work or clients which increases the risk of not meeting quality requirements inappropriate contractual terms lead to client expectation issues inconsistent quality of work or depth of expertise in offerings across the international network stressful working conditions as result of not managing wellbeing risks. 	<ul style="list-style-type: none"> public scrutiny of the audit profession continues to influence this risk our investment in Audit quality continues to deliver improvements resulting in standout results in the firm's 2023 and 2022 Audit Quality Review movement to Tier 2 for FRC monitoring purposes to reflect the size and risk of our PIE portfolio compared to other large firms continuing changes in the risks associated with the delivery of audit work including changes in reporting, the activities of the entities we audit and how we deliver our audits changing nature of non-audit services we deliver, their complexity and the way we deliver them, particularly involving technology continued competitive talent market in key skills as well as pressures on the audit profession which could impact our ability to deliver the best quality. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> rigorous firmwide quality components include: <ul style="list-style-type: none"> leadership and governance structures to drive quality and set tone at the top and rigorous client take on process a 'speak up' culture continuous learning and development assignment delivery standards supported by procedures, methodologies and review processes ethical and other professional standards monitoring, reporting and root cause analysis. service line Quality and Risk teams and Legal department support robust client and engagement take-on processes and contracting protocols recruitment of high-quality individuals including overseas resource augmentation, particularly in audit through continued expansion of our offices in India and Philippines extensive training programmes administered through Business School and regular service line technical updates supplemented by dedicated technical support annual self-certification and CPD returns by all our people employee quality pulse surveys performance reward systems incorporate individual quality gradings New Initiative process includes consideration of quality issues for all changes to the way we work with clients or how and what we deliver to clients complaints / potential claims reporting procedures and maintenance of sufficient PI insurance. <p>And specifically in relation to Audit:</p> <ul style="list-style-type: none"> QMA and QME process which supports our compliance with ISQM 1, the AFGC and Audit regulations which covers all aspects of our audit and related services delivery investment in an ongoing programme of Audit quality including digital tools to support audit teams with leadership held to account via the AQB global audit methodology and audit technology platform and rigorous global quality assurance programme.

Risk	Landscape	Trending	Mitigating activities
Reputational/brand damage			
Adverse or inaccurate media coverage directed at the firm causing damage to our brand and reputation, loss of client confidence and public trust.	<ul style="list-style-type: none"> continued public scrutiny of professional services firms with a particular interest in audit quality increasing societal expectations for example surrounding ESG means firms are watched and judged on what they say and do as corporate citizens investment in Audit quality continues to offset historical quality and reputational issues with us achieving outstanding results in 2022 and 2023 AQR. Continues to drive down our risk exposure. 	2023  2022 	<ul style="list-style-type: none"> our purpose of 'doing what's right, ahead of what's easy,' CLEAR values and code of conduct drive the behaviours of our people continued program of internal communications to inform and engage our people around the firm's priorities and performance and to remind them of their obligations around compliance and confidentiality communications team protects and enhances the firm's reputation through external media and social channels and supports the SLT in the development of the firm's corporate narrative societal issues communications strategy Beyond Compliance framework to ensure we are confident that the clients we act for and the services that we provide support our reputation firmwide ESG strategy to deliver our plan to achieve net zero, make a positive contribution to society and conduct ourselves responsibly with a new Sustainability Leadership Group to drive local initiatives to help enable change a confidential Public Interest Disclosure / Whistleblowing hotline available to employees, clients, and members of the public PLC comprising the firm's Independent non-executives serves to enhance stakeholder confidence in the public interest aspects of the firm's activities engagement with regulators, institutes, and governmental bodies to play our part in the development of the industry and contribute to the debate on public interest issues.
Sustainable Growth			
Our ability to develop and deliver a strategy that enables us to grow profitably and sustainably.	<ul style="list-style-type: none"> firm is experiencing continued growth continued levels of market uncertainty in relation to the external environment and the need to be agile continued cost pressures change in the firm's leadership in January 2024. 	2023  2022 	<ul style="list-style-type: none"> PGB oversees development and delivery of the strategy by the SLT SLT focus on continually reviewing strategic options and opportunities and the best approach to providing sufficient flexibility for growth in response to increasingly challenging market conditions schedule of regular partner engagement including monthly calls, annual conference and roadshows provides opportunities for partners to provide feedback and influence firm matters and strategy coordination of individual service lines with firmwide roles through the operations board to create sustainability for the firm as a whole agile central service support to strike the right balance between consistency and where our businesses need different things to succeed intentional decisions in our chosen markets to determine the best channel choice for the firm direct investments in overseas operations, strategic collaborations and cooperation with other GTIL member firms to establish market-leading overseas practices and future proof our organisation continued and sustained investment in our digital environment to maximise efficiencies investment in our property portfolio and creating office spaces that enable us to adapt to a longer-term hybrid working approach to work forward looking approach to talent skillsets and resourcing including our Agile talent community and resource augmentation model ongoing repricing of our services to reflect market conditions and changing cost base.
Specifically:	<ul style="list-style-type: none"> ineffective strategic decision making and/or governance partners losing confidence in the firm's strategy or leadership we fail to invest in infrastructure, skills and resources that support future sustainable growth we do not have a structure or operating model that is agile and flexible enough to meet the needs of a Multidisciplinary firm we do not generate a sustainable margin on the services we provide. 		

Risk	Landscape	Trending	Mitigating activities
Wellbeing (Including Health and Safety)			
<p>We fail to protect the wellbeing and health and safety (H&S) of our partners and employees.</p> <p>Specifically:</p> <ul style="list-style-type: none"> failure to identify & offer appropriate support to staff / partners who may be suffering from stressful situations both in and outside of work we unintentionally create stressful working conditions for our people we fail to provide a safe working environment for our people we fail to ensure the physical security of our people including when travelling for business and working abroad. 	<ul style="list-style-type: none"> pressures of working in the professional services industry impacting people's health and wellbeing potential impact of current economic conditions on the wellbeing of our people the risk trending reflects our reassessment of the risk in line with of employee wellbeing scores post pandemic. 	<p>2023</p>  <p>2022</p> 	<ul style="list-style-type: none"> Assignment Managers ensure appropriate skillsets, fair resource allocation, and adequate support for employees to manage workplace stress Health Hub provides comprehensive resources to support peoples' psychological wellbeing, physical health, financial fitness, social health and foster a healthy work culture investment in external provider to provide partner specific wellbeing support with an enhanced focus on preventative elements regular pulse surveys to monitor employee wellbeing network of wellbeing champions and mental health First Aiders firmwide H&S policies and procedures and emergency management plans for all locations risk assessment and use of central travel provider for all overseas travel.

Appendix D

Leadership and governance – attendance at meetings and length of service

Meeting attendance during 2023

Shown below are the membership and attendance (available to attend and did attend) at the various governance groups including changes in the year. Also detailed is the length of the individual's membership of the group as at 31 December 2023. The nominations committee did not meet during 2023.

SLT – including attendance at other meetings

		Length of service	Could attend	Did attend	Attendance at other meetings				
					PGB	PIC	RAC	Remco	IC
David Dunkley	CEO and chair	5 years 8 months	11	10	4	2	2	3	11
Darren Bear		4 years 4 months	11	11	1	-	-	-	-
Fiona Baldwin	Head of Audit	4 years 6 months	11	10	1	3	2	1	-
Hazel Platt	from 1/7/2023	6 months	6	5	1	-	-	-	-
Karen Campbell Williams	to 1/10/2023		8	8	-	-	-	-	-
Malcolm Gomersall		5 years 8 months	11	11	6	-	6	2	11
Mark Byers	to 1/10/2023		8	8	-	-	-	-	-
Mo Merali	from 1/1/2023	1 year 0 months	11	11	1	-	-	-	-
Perry Burton		3 years 6 months	11	11	2	1	-	-	-
Robert Hannah		5 years 1 month	11	11	2	-	-	-	9

PGB

		Length of service	Could attend	Did attend
Imogen Joss	INE and chair	6 years 6 months	6	6
Deena Mattar	INE	7 years 10 months	6	6
Paula Dillon	INE	1 year 8 months	6	6
Dan Hartland	to 30/9/2023		6	5
Dana Ward	to 30/6/2023		4	4
Hemal Shah		3 years 6 months	6	4
Michael Frankish		3 years 6 months	6	6
Norman Armstrong		5 years 6 months	6	6
Paul Naylor		4 years 2 months	6	5
Philip Secrett*		6 years 2 months	6	6
Sean Croston		4 years 6 months	6	6

*Philip Secrett became a co-opted member on 30 June 2023.

PIC

		Could attend	Did attend
Imogen Joss	INE and chair	3	3
Deena Mattar	INE	3	3
Paula Dillon	INE	3	3

RAC and RemCo

		RAC		RemCo	
		Could attend	Did attend	Could attend	Did attend
Deena Mattar	INE and chair of RAC	6	6	3	3
Paula Dillon	INE and chair of RemCo	-	-	3	3
Imogen Joss	INE	-	-	3	3
Dan Hartland		-	-	3	3
Dana Ward	to 30/6/2023	-	-	3	3
Michael Frankish		-	-	3	3
Norman Armstrong		6	6	3	3
Paul Naylor		6	6	-	-
Philip Secrett		6	6	-	-
Sean Croston		6	6	-	-

Investment Committee

		Could attend	Did attend
Philip Secrett	chair	10	10
Imogen Joss	INE	10	6
Sean Croston		10	9
Hemal Shah		10	9

AQB

		Could attend	Did attend
Philip Johnson	Independent chair	12	12
Faried Chopdat	Independent member	12	12
Fiona Baldwin	Head of Audit	12	11
Christopher Smith		12	11
Donna Steel*		12	10
Marc Summers*		12	9
Rhian Owen*		12	10
Sam Pinton*	from 15/11/2023	2	2
Sarah Ironmonger*		12	12

* AQB observers

Appendix E

Leadership and governance – biographies and changes

The following are the members and permanent observers of our leadership and governance groups at 31 December 2023. The primary governance group to which the individual is a member is shown in brackets. All the members of our governance groups are partners except for:

- Deena Mattar — INE
- Imogen Joss — INE
- Paula Dillon — INE
- Philip Johnson — Independent member of the AQB
- Faried Chopdat — Independent member of the AQB

The changes in the year are:

- Dana Ward – ceased membership of the PGB on 30 June
- Dan Hartland – ceased membership of the PGB on 30 September
- Hazel Platt – appointed to the SLT on 1 July
- Karen Campbell Williams – ceased membership of the SLT on 1 October
- Mark Byers – ceased membership of the SLT on 1 October
- Mo Merali – appointed to the SLT on 1 January
- Sam Pointon – joined the AQB as an observer 15 November

On 10 January 2024 David Dunckley announced his resignation with immediate effect as Chief Executive Officer of the Firm. Malcolm Gomersall was appointed CEO on 19 January 2024.



Chris Smith (AQB)
Head of National Assurance Services

Chris is an experienced audit partner and has over 20 years specialising in listed and large corporate audits, both in the UK and internationally. Chris oversees our audit and accounting technical function NAS which is an integral part of improving quality throughout our audit practice.



Dan Hartland (PGB)

Dan has been with Grant Thornton for over 20 years and is our national head of 'Grant Thornton Private', a tax advisory service helping entrepreneurs in creating, transforming and protecting their private wealth. Dan advises a portfolio of high-net-worth entrepreneurs and their families on a range of matters from business structuring and disposals through to estate and succession planning.



Darren Bear (SLT)
Head of Deals and Business Consulting (Now Chief Operating Officer)

Darren has been a partner for over 12 years. He was appointed to the SLT in 2019, where he led Deals & Business Consulting and more recently from 1 January 2023, he has been responsible for IF&R. Darren also maintains a client facing role focusing on Corporate Finance Advisory having specialised in this for over 20 years.


David Dunckley (SLT)

Chief Executive Officer (Until 10 January 2024)

David has been a partner for over 20 years and was appointed as CEO on 1 December 2018. Since taking up the role, his leadership has been focused on keeping clients at the heart of the business, creating a culture in which people can thrive, and ensuring the firm continues to have a strong social conscience. Prior to becoming CEO, David sat on the SLT as Head of Mid-Markets (London). David is a licensed Insolvency Practitioner, with an interest in the automotive and professional practices sectors. David is a member of the Board of Governors for GTIL the umbrella organisation for Grant Thornton network. David resigned as Chief Executive Officer on 10 January 2024.


Deena Mattar (PGB)

Independent Non Executive

Deena is an experienced FTSE 250 CFO and a Fellow of the ICAEW. She has strong plc board experience and considerable non-executive experience having served as a non-executive and audit committee chair for over 12 years on the boards of a number of listed and large private businesses including Invensys PLC, RM plc and Wates Group. Deena brings her extensive experience in restructuring, refinancing and strategic planning as well as governance and oversight to the PGB.


Donna Steel (AQB observer)

Donna is based in our Sheffield office and is the audit quality lead for the Yorkshire region. She joined us in 1999 as a graduate trainee and became a partner in May 2020. Donna has experience of auditing owner managed and listed, domestic and international businesses.


Faried Chopdat (AQB)

Independent member of the AQB (now Chair)

Faried is an experienced and dynamic global leader with proven audit, risk management, finance, and business transformation capability. He has a track record of delivering results through people-centric leadership that provides sustainable value to all stakeholders and working with diverse teams across 40+ countries.

His career includes significant international experience in multi-national organizations such as SABMiller plc, Travelex, Finabl plc and Deloitte. He is a Non-Executive Director on the Great Western Hospitals NHS Foundation Trust board and several sub-committees and an Independent Trustee on the board of Worldskills UK. His passion for coaching and mentoring others to reach their full potential led him into the world of professional and executive coaching.


Fiona Baldwin (SLT)

Head of Audit (now Head of People & Brand)

Fiona has nearly 30 years' experience as an accountant and auditor. She was appointed to the SLT as Head of Audit in June 2019. This is a full-time leadership role, with a focus on driving quality to the core of the practice, overseeing investments to strengthen our capabilities, and ensuring that our audit teams have the skills, resources and culture to deliver continuously high audit quality.


Hazel Platt (SLT)

Head of Tax

Hazel is based in our Cambridge office and has been a tax partner for nine years. As well as leading the Grant Thornton tax business nationally she has a client facing role working with a variety of organisations and their stakeholders to help them effectively meet their tax obligations at each stage of their business life cycle. Her clients include mid-market privately held and PE backed businesses, AIM listed companies and inbound investors to the UK.


Hemal Shah (PGB)

Hemal specialises in transaction advisory services and supports entrepreneurs, corporates, private equity and debt funders in executing successful transactions. Hemal has over 20 years' experience across buy-side, sell-side, refinancing and public market transactions in the UK and many overseas markets. He started his career with Grant Thornton Kenya in 1998 and moved to the UK in 1999. Hemal is focused on technology, media and telecoms (TMT) and consumer deals and is recognised by clients and their advisers for his practical and commercial advice on issues that inevitably arise on transactions.


Imogen Joss (PGB)

Independent Non Executive

Imogen brings her global experience to the firm from her thirty year career in the fintech sector. She currently serves on the boards of Fintel plc where she is SID and Chair of Remuneration, STthree plc (NED), Envotec Ltd (NED), XPS Pensions plc (NED). Her specialisms are remuneration, ESG, people and client focus as well as bringing to bear her commercial background.


Malcolm Gomersall (SLT)

Chief Operating Officer (now CEO)

Malcolm has been our full time COO since 2019. His focus is on delivering firmwide strategy whilst generating value for, and protecting the interests of, the firm's key stakeholders. Prior to his current role he served on the firm's SLT as both the Head of Operations and Head of People & Client Experience. He was an audit partner until 2018. Malcolm remains a key sponsor for various I&D strands and was a trustee on the Access Accountancy Patron Group throughout the year.


Marc Summers (AQB observer)

Marc is a Business Support Services, Consumer and Technology auditor and transaction specialist. During his 27 years within professional services, Marc has worked across the audit and advisory business. He has experience of auditing, floating and financing international businesses, having led the retail and more recently the Business Support Services sector teams.


Michael Frankish (PGB)

Michael is an audit partner and has been with the firm for seven years. He has over 27 years of audit and client experience over his career. Michael is also the Practice Leader for our Northwest practice across all our service lines. He works with a range of clients across many sectors but now focuses primarily on PLCs and Public Interest Entity clients. Michael also has governance experience outside of his role with the firm.


Mo Merali (SLT)

Head of Deals and Business Consulting (now Head of Advisory)

Mo is Head of Advisory and has been a partner since 2001. He focuses on due diligence and deal execution support for buy-side and sell-side transactions for corporate acquirers and private equity houses and for equity capital market issuances. Mo was previously chair of ICAEW's Corporate Finance Faculty Board, and is currently a member of ICAEW's Technical Strategy Board


Norman Armstrong (PGB)

Norman has worked in the profession for nearly 30 years and been an audit partner at Grant Thornton for the last 16. He leads our focus on Private Equity in audit and works across the South Region with a range of larger mid-market groups, many with international operations. Norman has formerly been an ICAEW District Society President (SOSCA), Practice Committee Member and been recognised for his work in governance roles outside the firm.


Paul Naylor (PGB)

Paul is an audit partner based in the London office, having joined us in 1995. He focuses on the Technology, Media and Telecoms sector where he works with entrepreneurial businesses, mainly Private Equity backed or publicly listed. Prior to this, Paul was practice leader of our Cambridge office and has also spent three years working with Grant Thornton in Australia.


Paula Dillon (PGB)
 Independent Non Executive

Paula brings considerable non-executive director experience, having trained in and practiced law, as well as holding board level appointments at a variety of organisations. She was a highly qualified real estate development and investment lawyer who specialised in the sector for more than 30 years. Paula was the first female President of Leeds Chamber of Commerce. She also founded the Crypt Factor, raising over £500,000 for homeless charities. She is a qualified executive coach. Along with INE colleagues and the wider PGB, Paula will support the oversight of governance at the firm, helping to influence key decisions independently from the firm's executive leadership.


Perry Burton (SLT)
 Head of People and Brand (now Head of Partner Development & Engagement)

Perry has 25 years of experience as an auditor and supporting corporate transactions through our corporate finance team. Perry has held several leadership roles before moving into his current role on the SLT. He has worked with boards on leadership and cultural change. He is a qualified coach and is passionate about understanding behaviour and behavioural change.


Philip Johnson (AQB)
 Independent Chair of AQB (retired on 31 January 2024)

Philip was an audit partner at Deloitte for 30 years. He led the integration of Arthur Andersen UK into Deloitte LLP while, at the same time, leading Audit Quality and Risk Management for Deloitte in the UK. He specialised in providing advisory and assurance services to publicly listed entities private companies and professional firms. Since retirement, Philip has acted as a non-executive director for several entities and been a member and chair of a number of audit committees. He has also acted as an independent expert in relation to matters concerning accounting activities. He has represented the UK audit profession at Accountancy Europe, acting as President between 2010 and 2012, and has been a member of the IAASB Consultative Advisory Group. For six years until December 2019, he was a member of the Standing Advisory Group of the PCAOB in the United States. Philip is also a member of the ICAS Council and chairs their Policy Leadership Board.


Philip Secrett (PGB)

Philip is a corporate finance partner and is Head of Public Company Advisory. With 29 years' experience at Grant Thornton, he has been advising on public company corporate finance transactions for over 25 years and his experience has included supporting growth companies access to UK equity markets and leading public company M&A transactions. Philip is chair of the AIM Advisory Group at the London Stock Exchange, a group that provides input and advice on all matters affecting the operation and regulation, of AIM.


Rhian Owen (AQB observer)

Rhian is an audit partner with responsibility for leading the audit practice in the Cardiff and Bristol office. Having been with us for 19 years, she has a wealth of experience helping dynamic businesses achieve their strategic goals and potential for growth. Her audits range from fast growing, privately owned and PE-backed businesses to international groups.

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Robert Hannah (SLT)

Head of Large Corporate and Government Advisory (now Head of Industries)

Robert has led this part of our business since December 2018 having previously held positions on the leadership team for the regional business and then the client delivery teams across the whole firm. Robert has worked in audit and corporate finance during his client facing career with us. He also leads the firms International Strategy, ensuring we have the right capability in the UK and overseas to help our clients achieve their international ambitions.



Sam Pointon

Sam is a financial services specialist. He has over 25 years professional services experience with over 20 years in the financial services sector. His experience includes asset management, securities traders and brokers, insurance and lending business. He has experience of a range of the firm's clients from business start-ups to large international groups and listed companies.



Sarah Ironmonger (AQB observer)

Sarah is our Public Sector Audit partner in the North where she leads the team to deliver local government and NHS audits across Merseyside, Cheshire, Greater Manchester, Lancashire, Cumbria and parts of Yorkshire. Prior to taking up this role in 2022, Sarah has delivered audits within the London and Southeast Public Sector team since joining the firm, in 2012.



Sean Croston (PGB)

Sean leads the Corporate Simplification Group in London and has been a licensed insolvency practitioner for more than 20 years. Sean has spent a large part of his career advising on large and complex group restructurings and has worked in several overseas jurisdictions including Asia, Germany and the United States. Sean has a number of risk and management roles within the firm, including responsibility for the Case Management Unit and the Quality and Risk Team for the insolvency and restructuring business. Sean is also a board member of the Insolvency Practitioners' Association, where he is chair of the Anti-Money Laundering Committee and a member of the Finance and Risk Committee.



Wendy Russell

Wendy joined Grant Thornton in 2018 having previously spent 18 years at a Big 4 firm. She is an auditor working within our Commercial audit client based and has been a Partner in Milton Keynes since she joined. She has been part of the audit leadership team and is responsible for our Central Audit Region.

Appendix F

FRC Pilot Audit Quality Indicators

	Area	AQI description	Indicator
1	People/Culture survey results	Audit staff responses to certain annual people/culture survey questions.	Percentage of favourable and unfavourable responses to the survey questions
2	Internal quality review	Extent of review by firms' internal quality review teams.	RIs who have been reviewed internally, as a percentage of RIs who have signed an audit opinion in the 12-month period covered.
3	Inspection results – internal	Results of internal inspections by the audit firm.	Quality grading of audits internally reviewed (expressed as the percentage of number of audits reviewed during the period).
4	Inspection results – external	Results of external inspections of the audit firm	Percentage of audits inspected, by quality grading.
5	Partners' and Responsible Individuals' involvement in audits	Extent of involvement in and/or supervision of audits by partners and partner-equivalents	Average hours spent on audits as a percentage of total audit hours by Responsible Individuals and partners
6	Staff / partners and Responsible Individuals ratio	Capacity of partners/Responsible Individuals to supervise junior audit staff in the firm, and the level of professional support for partners/Responsible Individuals.	Average number of audit staff managed by a partner/Responsible Individual
7	Staff workload	Number of hours worked per week, as a percentage of contracted hours.	Average hours worked by staff, by group of grades in the audit practice, on a weekly basis, as a percentage of weekly contracted hours.
8	Staff workload for busy period (January to March)	Number of hours worked per week, as a percentage of contracted hours, for busy period (January – March unless otherwise stated in the narrative).	Average hours worked by group of grades in the audit practice, for busy period (January – March), as a percentage of weekly contracted hours.
9	Staff attrition	The rate at which staff leave the firm's audit practice	Average staff attrition rates by group of grades in the audit practice.
10	Training	To demonstrate the level of investment in training offered to partners and staff.	Average number of planned mandatory training hours per person, and percentage of completion rates, by group of grades.
11	Diversity	Gender and ethnic diversity of the firm's audit partnership.	Percentage of individuals in the audit partnership, by gender and ethnicity.

Appendix G

Legal structure including Grant Thornton International Limited (GTIL)

Grant Thornton UK LLP (OC 307742) is a limited liability partnership incorporated in England and Wales and is part of GTIL (the network).

Grant Thornton UK

We are a leading provider of financial and business advisory services and we are entirely owned by our and are entirely owned by our members (normally referred to as partners). Note not all are partners are members as the term is also used to represent some of our most senior employees. We have 21 offices in the UK plus two overseas offices, in The British Virgin Islands and Cayman Islands. A full list of our office locations and services can found on our website.

During 2023 the average number of partners was 225 (2022: 212). A full list of partners is available at our registered office 30 Finsbury Square, London, EC2A 1AG.

	At 31/12/23	At 31/12/22
Number of engagement Responsible Individuals partners/directors in audit	51/50	49/45
Number of engagement leader's partners/directors in audit	57/74	54/68
Number of engagement leaders in audit to total number of people in audit	131/2,265	122/2,058
Ratio of engagement leaders to people	5.8%	5.9%



Audit

Delivers statutory and voluntary statutory audits, non-statutory audits including compilation reports, outsourced accounting, financial reporting advice, public sector audit and assurance. We perform audits across many sectors including a considerable number of public sector and Not for Profit organisations/charities. In addition, our clients also include FTSE 350, AIM listed, PE backed as well as privately owned businesses.

Deals & business consulting

Provides services to clients that are event driven, often transactional or financing in nature and when they are undergoing periods of change. The key focus being to support management and other stakeholders realise and preserve value through helping clients, to exit, acquire, raise equity and debt capital or undertake change. The services we provide include, Business Consulting, Corporate Finance Advisory, Transaction Advisory Services, Valuation and Modelling, and Financial Accounting Advisory Services.

Insolvency, forensics and restructuring

Our teams work with clients through some of the most challenging situations, providing a range of connected services including:

- Expert forensic and investigations support in advisory and insolvency and asset recovery, provided by our globally connected team
- Restructuring support and advice working with lenders, investors and management.

Large corporate & government advisory

Our focus is primarily on supporting large, international, corporate clients and government bodies by providing consulting, advisory and assurance services to address their complex needs. We focus our services through our Financial Services Group, Public Sector Advisory, Economic Consulting and Business Risk teams. Our teams provide tailored advice and support across a range of areas including increasing focus on ESG and Cyber risks.

Tax

Provides services across the spectrum of taxes to corporates, individuals, partnerships, Not for Profit organisations, charities and certain public sector bodies. Services cover Corporate and International, Personal, Indirect, Employment Tax, Reward Advisory, Global Mobility Solutions and Tax Dispute Resolution services. We help clients to manage their compliance obligations, tax risk and relief maximisation and we provide tax advisory services across all areas.

GTIL

GTIL is a private company limited by guarantee, incorporated in England and Wales. GTIL provides the international member network and does not provide any services to clients. The board of governors (the board) provides the principal and overriding authority for the network. The board has a number of responsibilities including:

- approving and overseeing the implementation of the global strategic direction and policies
- overseeing member firms including approving new member firms, suspending rights and expelling firms
- overseeing the financial health of GTIL, enterprise risk management, technology and innovation strategy and general governance.

The board is the principal and overriding authority in GTIL, and it exercises governance over GTIL. The board comprises the chair of the board (currently an independent governor); the CEO of GTIL; managing partners from the largest Grant Thornton member firms; managing partners elected or appointed from other Grant Thornton member firms that are not amongst the largest; and independent directors. The board aims for a reasonable balance of diversity and representation from different geographical areas, including emerging markets.

Independent board members

The role is to support the networks recognition of public interest responsibilities. The networks attitude towards quality, risk management and governance as well as assessing the networks effectiveness in executing its strategic goals and market position.

CEO

Peter Bodin was appointed CEO from 1 January 2018, as CEO he is responsible for the:

- leadership of GTIL
- development and recommendation of strategy priorities for the board to ratify
- appointment of the global leadership whom he works closely with to implement the strategy including monitoring global policies and procedures.

Global Leadership Team (GLT)

The GLT is a full-time management group that is chaired by the CEO and develops and drives the implementation of the global strategy. The team have global development, service lines, functional and regional responsibilities.

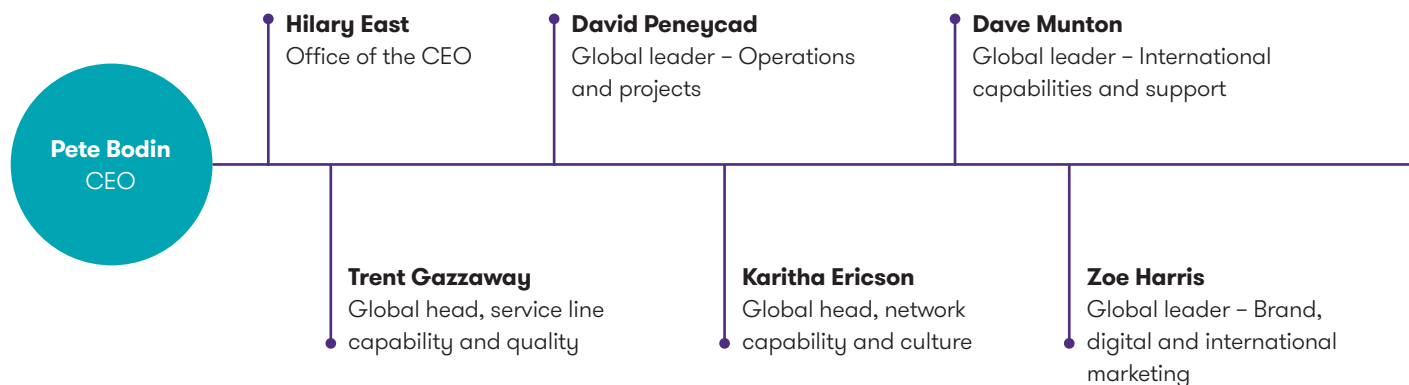
A critical role of the GLT is to work with member firms to implement the global strategy. Our ambition is to be known throughout the world as the leading adviser to dynamic organisations through our Growing Together strategy.

Benefits and Risks of GTIL membership

We received considerable benefits from our membership of the Grant Thornton network including within audit:

- access to methodology
- advanced audit software
- availability of talent to support the firm
- support for overseas component audit teams
- global brand.

We have considered any key risks of membership as part of our principal risks see [Appendix C](#).



The GTIL network headcount 30 September 2023 was 73,000 (2022: 68,500) in 149 member firms across the globe with the latest reported revenue of USD7.5bn (Sept 2022: USD7.2bn).

We gain significant benefits from our membership of the GTIL network including access to global methodology and audit tools. Access to skills and resources who work to standard approaches across the global which particularly supports the delivery of audits to global entities. Global Independence Systems which help deliver compliance to relevant ethical standards. There a risk related to the GTIL network those that have a significant impact are included in our principal risks in [Appendix C](#).

Legal entities

Grant Thornton UK LLP – Principal Subsidiaries

Name	Company number	Principal activities	Country of incorporation
Name	Company number	Principal activities	Country of incorporation
Fulwood Insurances Limited	14085	Insurance Services for Grant Thornton UK LLP	Guernsey
Grant Thornton ARF Limited	12352344	Asset Recovery Services	England
Grant Thornton Agile Talent Solutions Limited	12727029	Provision of contractors to Grant Thornton UK LLP	England
Grant Thornton Advisory Professional LLC	1010840596	Provision of professional services	Saudi Arabia
Grant Thornton Business Services	1224178	Employment of personnel and other services to Grant Thornton UK LLP	England
Grant Thornton Services LLP	OC307863	Employment of personnel and other services to Grant Thornton UK LLP	England
Grant Thornton Services (British Virgin Islands) Limited	1039630	Provision of insolvency and restructuring services	British Virgin Islands
Grant Thornton Specialist Services (Cayman) Limited	183163	Provision of insolvency and restructuring services	Cayman Islands

Grant Thornton UK LLP – Joint venture

Name	Company number	Principal activities	Country of incorporation
Grant Thornton Singapore Holdco Limited	2009082	50% owned by Grant Thornton Limited	British Virgin Islands

Member firms for EU and EEA

Country	Member Firm
Austria	Grant Thornton Austria GmbH
	Grant Thornton ALPEN-ADRIA Wirtschaftsprufung GmbH
Belgium	Grant Thornton Bedrijfsrevisoren CV
Bulgaria	Grant Thornton OOD
Croatia	Grant Thornton revizija d.o.o.
Cyprus	Grant Thornton (Cyprus) Ltd

Country	Member Firm
Czech Republic	Grant Thornton Audit s.r.o.
Denmark	Grant Thornton Godkendt Revisionspartnerselskab
Estonia	Grant Thornton Baltic OÜ
Finland	Revico Grant Thorton Oy
	Idman Vilen Grant Thornton Oy
	Advico Finland Oy
France	Grant Thornton SAS
	AEG Finances Audi Expertise Gestion SAS
	IGEC SAS
	Tuillet Audit SAS
	Grant Thornton Audit SAS
	Carib Audit & Conseil
Germany	Grant Thornton AG
	WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH
	Trinavis GmbH & Co. KG
	WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH
Gibraltar	Grant Thornton (Gibraltar) Ltd
Greece	Grant Thornton SA
Hungary	Grant Thornton Audit Kft.
Iceland	Grant Thornton endurskoðun ehf
Ireland	Grant Thornton
	Grant Thornton (NI) LLP
Italy	Ria Grant Thornton S.p.A.
Latvia	Grant Thornton Baltic Audit SIA
Liechtenstein	Grant Thornton AG, Schaan
Lithuania	Grant Thornton Baltic UAB
Luxembourg	Grant Thornton Audit & Assurance
Malta	Grant Thornton Malta
Netherlands	Grant Thornton Accountants en Adviseurs BV
Norway	Grant Thornton Revisjon AS
Poland	Grant Thornton Frąckowiak Sp. z o.o sp.k.
	Grant Thornton Polska Sp. z o.o. Sp.k
Portugal	Grant Thornton & Associados, SROC,Lda
Romania	Grant Thornton Audit SRL
Slovak Republic	Grant Thornton Audit, s.r.o.
Slovenia	Grant Thornton Audit d.o.o.
Spain	Grant Thornton, S.L.P.
Sweden	Grant Thornton Sweden AB

Total assurance revenues attributable to EU/EEA member firms is \$621m (excluding the UK) (2020: \$513m)

Appendix H

Financial information and partner details

Revenue

Detailed below is the analysis of the firm's turnover for the year ended 31 December 2023 showing the relative importance of statutory audit work and the split of our other services between audit and non-audit clients.

Name	Year ended 31 December 2023		Year ended 31 December 2022	
	£ million	%	£ million	%
Public interest entities	6.3	1	3.8	1
Other entities	186.2	27	163.3	25
Statutory audit and related fees	192.5	28	167.1	26
Non-audit work to audit clients	47.5	7	52.4	8
Sub-total audit clients	240.0	35	219.5	34
Non-audit work to non-audit clients	450.2	65	428.3	66
Total	690.2	100	647.8	100

Profitability

The Consultative Committee of Accountancy Bodies issued a Voluntary Code of Practice on Disclosures of Audit Profitability (the Audit Profitability Code) in March 2009. Under the code, revenue, direct costs, and overheads for the reportable segment are recognised and measured on a basis consistent with our consolidated financial statements.

Revenue from audit services for this purpose includes any audit required by UK statute and required to be carried out in accordance with the ISAs (UK) along with other work that 'fits naturally' with the auditor's statutory responsibilities.

Operating profit has been calculated after direct costs for example, employment costs and allocating overheads for example, property, technology and central overhead. Overheads are deducted based on pro rata headcount or turnover attributable to audit. Partner remuneration is excluded from Operating profit.

Derived from the financial statements	Year ended 31 December 2023	Year ended 31 December 2022
Revenue (£m)	192.5	167.1
Operating profit (£m)	18.5	11.9

Partner drawings

Partners receive drawings during the year. For full share Partners the firm operates a drawings policy based on a prudent estimate of profits. The remainder of full share Partner profit share is allocated on a unit basis depending on their role and track record of performance. A further percentage of the profit pool each year is allocated to eligible Partners based on a balanced assessment of behavioural and operational metrics in the year. The aim of this is to link performance to quality, as well as the achievement of firm's long-term goals. This assessment has a particular focus on ensuring quality is at the heart of everything we do.

Any behaviours inconsistent with our values and expected standards of behaviour as set out in the Code of Conduct can result in a reduction of profit shares.

CEO and SLT remuneration

The Remco, a subcommittee of the PGB, is responsible for setting the basis and criteria against which the CEO is measured, including the setting of targets and assessment of actual achievements. It also approves the CEO's allocation of profit-sharing units to other partners on the SLT.

Remuneration of audit personnel

Managers and above in Audit receive an annual quality grading. For Partners and Directors who sign audit opinions this is based on the complexity, risk and quality of the work for which they are responsible. The gradings consider a range of quality criteria including the results of both internal and external monitoring, attendance at mandatory training, ethical matters and feedback on any technical roles that they perform. The rating contributes towards the level of remuneration received by each audit partner and director. People in the audit practice, including audit partners are not remunerated by reference to sales of non-audit services to their audit clients.

INE remuneration

Our INEs are remunerated based on their roles:

	Year ended 31 December 2023	Year ended 31 December 2022
	£	£
Imogen Joss	150,000	150,000
Deena Mattar	75,000	100,000
Paula Dillon	75,000	55,890
Philip Johnson	110,000	110,000
Faried Chopdat	75,000	68,425

Note: The remuneration for Deena Mattar in 2022 includes that for her role as chair of the Ethics Board until July 2022. Her remuneration as an INE was £75,000.

Appendix I

Public interest entities

Below is a list of UK incorporated EU public interest entities (as defined in EU Directive 2014/56/EU) for which we signed an audit report during the year ended 31 December 2022. It therefore does not necessarily include all EU public interest entities for which we are appointed the statutory auditor.

Entity Name	Company No
Carr's Group plc	98221
Coventry City Council	n/a
Church Commissioners for England	1140097 (Charity)
Darktrace Plc	13264637
HgCapital Trust plc	1525583
Invesco Select Trust plc	5916642
J D Wetherspoon plc	1709784
Kirkless Metropolitan Council	n/a
Municipal Mutual Insurance Ltd	76678
Schroder UK Public Private Trust plc (Now Schrodgers Capital Global Innovation trust plc)	9405653
Swan Housing Capital plc	9362244
Warrington Borough Council	n/a
Wilmington Plc	3015847
Witan Investment Trust plc	101625
Schroder UK Public Private Trust Plc	9405653
Wilmington plc	3015847
Witan Investment Trust Plc	101625

Appendix J

Major Local Audits

Below is a list of Major Local Audits (as defined The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014) for which we signed an audit report during the year ended 31 December 2023. It is therefore does not include all Major Local Audits for which we are appointed the statutory auditor.

Local Government

Barnsley Metropolitan Borough Council
 Bournemouth, Christchurch and Poole Council
 Brent London Borough Council
 Bristol City Council
 Cheshire West and Chester Council
 Chief Constable for Avon and Somerset Police
 Chief Constable for Cheshire Police
 Chief Constable for South Yorkshire Police
 Chief Constable of Devon and Cornwall
 Chief Constable of Gloucestershire
 Chief Constable of Northumbria
 Chief Constable of West Mercia
 City of London Corporation
 City of Westminster Council
 Cornwall Council
 Cornwall Pension Fund
 Coventry City Council
 Cumbria County Council
 Devon County Council
 Doncaster Metropolitan Borough Council
 Dudley Metropolitan Borough Council
 East Sussex County Council
 Gloucestershire County Council
 Islington London Borough Council
 Kent County Council
 Kirklees Metropolitan Council
 Lancashire County Council
 Leeds City Council
 Leicester City Council
 Leicestershire County Council
 London Borough of Hammersmith and Fulham

London Borough of Lewisham
 London Borough of Sutton
 Medway Council
 Nottinghamshire County Council
 Police and Crime Commissioner for Avon and Somerset
 Police and Crime Commissioner for Cheshire
 Police and Crime Commissioner for Devon and Cornwall
 Police and Crime Commissioner for Gloucestershire
 Police and Crime Commissioner for Northumbria
 Police and Crime Commissioner for South Yorkshire
 Police and Crime Commissioner for West Mercia
 Rotherham Metropolitan Borough Council
 Royal Borough of Greenwich
 Royal Borough of Kingston upon Thames
 Sandwell Metropolitan Borough Council
 Shropshire Council
 Solihull Metropolitan Borough Council
 Somerset County Council
 South Gloucestershire Council
 Southwark Council
 Surrey County Council
 Swindon Borough Council
 Walsall Metropolitan Borough Council
 Warwickshire County Council
 West Midlands Combined Authority
 Wirral Metropolitan Borough Council
 Wolverhampton City Council
 Worcestershire County Council

NHS

East Sussex Healthcare NHS Trust
 Epsom and St. Helier University Hospitals NHS Trust
 Lewisham and Greenwich NHS Trust
 Maidstone and Tunbridge Wells NHS Trust
 NHS Bath and North East Somerset, Swindon and Wiltshire Integrated Care Board
 NHS Bedfordshire, Luton, Milton Keynes Integrated Care Board
 NHS Black Country Integrated Care Board
 North Bristol NHS Trust
 NHS Bristol, North Somerset and South Gloucestershire Integrated Care Board
 NHS Bristol, North Somerset and South Gloucs CCG
 NHS Cheshire and Merseyside Integrated Care Board
 NHS Cornwall and The Isles of Scilly Integrated Care Board
 NHS Gloucestershire Integrated Care Board
 NHS Greater Manchester Integrated Care Board
 NHS Hampshire and Isle of Wight Integrated Care Board
 NHS Hampshire, Southampton and Isle of Wight CCG
 NHS Kent and Medway Clinical Commissioning Group
 NHS Kent and Medway Integrated Care Board
 NHS Leicester, Leicestershire and Rutland Integrated Care Board
 NHS Manchester CCG
 NHS Northamptonshire Integrated Care Board
 NHS Shropshire, Telford and Wrekin Integrated Care Board
 NHS Somerset Integrated Care Board
 NHS South West London Clinical Commissioning Group
 NHS South West London Integrated Care Board
 NHS Staffordshire and Stoke-on-Trent Integrated Care Board
 Royal Cornwall Hospitals NHS Trust
 Sandwell and West Birmingham Hospitals NHS Trust
 St Helens and Knowsley Hospitals NHS Trust
 University Hospital of North Midlands NHS Trust
 University Hospitals Plymouth NHS Trust
 Worcestershire Acute Hospitals NHS Trust

Appendix K

Definitions and contacts

Advocacy threat

When the firm undertakes work that involves acting as an advocate for an entity relevant to an engagement and supporting a position taken by management in an adversarial or promotional context

AFGC

Audit Firm Governance Code

AI

Artificial Intelligence

AQB

Audit Quality Board of the firm

AQI

Audit Quality Indicator(s)

AQR

Audit Quality Review team of the FRC

CCS

Central Client Services

CEO

Chief Executive Officer

CIOT

Chartered Institute of Taxation

COO

Chief Operating Officer

Covered person*

A person in a position to influence the conduct or outcome of the engagement

CPAB

Canadian Public Accountability Board

CPD

Continuing Professional Development

CTOP

Central Take-on Panel

EEA

European Economic Area

Engagement leader/Partner*

The partner or other person in the firm who is responsible for the engagement and its performance and for the report that is issued on behalf of the firm

EQR

Engagement Quality Review*. An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report

Ethical standard

Revised Ethical Standard 2019 issued by the FRC

EU

European Union

Familiarity threat

When the firm or a covered person predisposed to accept, or is insufficiently questioning of, the point of view of an entity relevant to the engagement. Such threats may arise, for example, where close personal relationships are developed with such an entity's personnel through long association with the entity

FCA

Financial Conduct Authority

FRC

Financial Reporting Council

GIS

Global Independence System

GLT

Global Leadership Team

GTAR

Grant Thornton Assessment & Review

GTIL

Grant Thornton International Limited

H&S

Health and Safety

IAB

Inclusion Advisory Board

IAASB

International Auditing and Assurance Standards Board

ICAEW

Institute of Chartered Accountants in England and Wales

IESBA

International Ethics Standards Board for Accountants

IFIAR

International Forum of Independent Audit Regulators

INE

Independent Non-Executive

Intimidation threat*

An intimidation threat arises when the conduct of the firm or a covered person is influenced by fear or threats

IC

Investment Committee of the firm

IPA

Insolvency Practitioners Association

ISAs (UK)

International Standards on Auditing (UK) – Issued by the FRC

ISQM 1

International Standard on Quality Monitoring (UK) No 1

KAPs

“Key Audit Partner” is the individual registered with the ICAEW to sign audit reports for audits subject to the Local Audit and Accountability Act 2014

key audit partner

The statutory auditor of a particular audit engagement who signs the audit report. The statutory auditor of the group and the statutory auditor designated at the level of material subsidiaries

KPI

Key Performance Indicator

Local auditor

Audit firm registered under the Local Audit and Accountability Act 2014

Major Local Audit

An entity where either:

- a the higher of the relevant authority’s total income (from all sources) for that financial year and its total expenditure (from all sources) for that financial year exceeds £500 million
- b the relevant authority is required to maintain a pension fund under regulations under section 1 of the Public Service Pensions Act 2013(8) as they relate to local government workers (within the meaning of that Act) and either:
 - (i) more than 20,000 members of a scheme established under those regulations, in relation to local government workers within the meaning of that Act, have rights relating to that fund, or
 - (ii) the fund has gross assets of £1,000 million or more

Management threat*

Where the firm provides non-audit/additional services and based on that work, management are required to make judgments and take decisions. The persons conducting the service may become closely aligned with the views and interests of management and this may erode the distinction between the entity and the firm, in turn, impairing or calling into question the ability of the persons conducting an engagement to apply a proper degree of professional scepticism

NAS

National Assurance Services

Other key partner

A partner, or other person in the engagement team (other than the engagement partner or engagement quality control reviewer) who either:

- a is involved at the group level and is responsible for key aspects of the engagement, including decisions or judgments on significant matters or risk factors that relate to the engagement for that entity
- b is primarily responsible for the engagement work in respect of a significant affiliate, division or function of the entity

PCAOB

Public Company Accounting Oversight Board (US regulator)

PIC

Public Interest Committee of the firm

PIE

Public Interest Entity – these are:

- An issuer whose transferable securities are admitted to trading on a UK regulated market
- A credit institution within the meaning of Article 4(1)(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council, which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation;
- A person who would be an insurance undertaking as defined in Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertaking as that Article had effect immediately before exit day, were the United Kingdom a Member State.

PGB

Partnership Governance Board of the firm

PRG

Policy and Reputation Group. The PRG brings together representatives from the large UK audit firms to develop an understanding of evolving public interest issues
See www.theprg.uk

QAD

Quality Assurance Department of the ICAEW

QMA

Quality Management Approach

QME

Quality Management Evolution

RAC

Risk and Audit Committee of the firm

RCA

Root Cause Analysis

RemCo

Remuneration Committee and Profit Share Committee

RI

“Responsible Individual” an individual registered with the ICAEW to sign audit reports on behalf of the firm – except in the public sector see **KAP**

SEC

Securities and Exchange Commission

Self-interest threat

When any of the firm, its partners, staff or other covered persons, has financial or other interests which might cause the firm or any covered person to be, or perceived to be, reluctant to take actions in connection with the engagement that would be adverse to such interests of the firm or any such person

Self-review threat*

When the results of non-audit/additional services, or where the subject matter of such services, whether performed by the firm, the engagement team or others within the firm, are addressed in the engagement or reflected in the amounts included or disclosed in the financial statements or other subject matter information of the engagement

SLT

Strategic Leadership Team of the firm

“firm”

Refers to “Grant Thornton UK LLP” and certain subsidiary entities

“our”

Refers to “Grant Thornton UK LLP”

“us”

Refers to “Grant Thornton UK LLP”

“we”

Refers to “Grant Thornton UK LLP”

Definitions denoted with an * have a more detailed definition in the FRC’s glossary of terms available at [Financial Reporting Council | Glossary of Terms \(Auditing and Ethics\)](#)

Contact details

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Minimum Revenue Provision (“MRP”)

What is “MRP”?

Regulation 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No. 3146) introduced a “duty to make revenue provision”. This required that during the financial year beginning 1 April 2004 and every subsequent financial year, a local authority shall charge to a revenue account a minimum amount (“minimum revenue provision”) for that financial year. This “MRP” is in respect of the financing of capital expenditure incurred by the local authority in that year or in any financial year prior to that year.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008 No. 414) came into force on 31 March 2008. The 2008 Regulations introduced a requirement that local authorities determine an annual amount of MRP they consider to be “prudent”.

In 2008 the then Department for Communities and Local Government published “Guidance on Minimum Revenue Provision” under Section 21(1A) of the Local Government Act 2003. In accordance with Section 21(1B) of the 2003 Act, local authorities are required to have regard to this statutory guidance. This statutory guidance has been updated from time to time and the guidance currently in force came into effect from 1 April 2019. A fifth edition of the guidance is due to take full effect from 1 April 2025.

How should MRP be calculated?

Statutory guidance requires that before the start of each financial year a local authority should prepare a statement of its policy on making MRP in respect of that financial year and submit it to full Council (or the closest equivalent) for approval. The statement should describe how the local authority proposes to discharge its duty to make “prudent” MRP during that year.

The statutory guidance outlines the underpinning principle of the local authority financial system, that all capital expenditure has to be financed either from capital receipts, capital grants or other contributions, or eventually from revenue income. The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their Capital Financing Requirement (“CFR” is defined in the CIPFA Prudential Code). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits.

The statutory guidance outlines possible methods of making prudent provision. However, the guidance is clear that this does not rule out or otherwise preclude a local authority from using an alternative method, should it decide that is more appropriate. The statutory guidance is clear that MRP cannot be a negative amount and could only be nil in certain limited circumstances.

Local authorities are permitted to vary the methodologies that they use to make prudent provision during the year, but if they do so they should present a revised MRP statement to the next full Council or equivalent. Where an authority changes the method it uses to calculate MRP, the new method(s) should be based on the residual CFR at the point the change in method is made (i.e. it should not be applied retrospectively).

Who is responsible for determining MRP?

A local authority’s chief finance officer and the members of a local authority have responsibilities in relation to the calculation and charging of MRP.

Section 25 of The Local Government Act 2003 requires that, in discharging the budget requirement responsibilities of The Local Government Finance Act 1992, the chief finance officer of a local authority must report to it on both the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. A local authority must have regard to this report when making decisions about its budget.



The approval of MRP is covered by the authority's annual MRP statement, the revenue budget and also option appraisal and decisions regarding the affordability of individual capital projects.

The resultant annual MRP charge is included as a charge to a local authority's General Fund within its annual statement of accounts. The Accounts and Audit Regulations 2015 (SI 2015 No. 234) set out responsibilities for the signing and approval of a local authorities' annual statement of accounts. These regulations require the responsible financial officer for a local authority, on behalf of that authority, to sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the authority at the end of the financial year to which it relates and that authority's income and expenditure for that financial year.

Following the conclusion of the period for the exercise of public rights in relation to the statement of accounts a local authority must consider, either by way of a committee or by the members meeting as a whole, the statement of accounts, which include the MRP charge for the year; approve the statement of accounts by a resolution of that committee or meeting; and ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

External auditor considerations relating to MRP

The external auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

As outlined in this brief paper, it is a local authority's responsibility to determine and make a prudent MRP, it is not the role of the external auditor to determine for an authority what is prudent.

The exercise of judgement is necessarily involved in a local authority's determination of what constitutes a prudent MRP, not least in an authority determining the period over which their capital expenditure is expected to provide benefits. As such, the level of MRP charged should not be thought of in binary "correct" or "incorrect" terms, rather a subjective evaluation of whether a calculation is "prudent" is required.

In gaining their assurance on a local authority's financial statements, the matters an auditor may consider in relation to MRP include:

- whether full Council, or the closest equivalent, approved an MRP statement for the financial year
- whether the authority has had regard to statutory guidance on MRP
- that MRP is not a negative amount and, if it is nil, that this is appropriate in the circumstances
- if changes have been made to the method(s) of calculation MRP, that these have been applied prospectively and appropriately approved
- whether MRP has been accounted for appropriately within the authority's statement of accounts.

Committee Name and Date of Committee Meeting

Audit Committee – 14 January 2025

Report Title

Closure of the Accounts 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 of Finance and Customer Services

Report Author(s)

Sarah Sweeney (Principal Finance Officer)

Finance & Customer Services Directorate

01709 254510 sarah.sweeney@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

The principal objective of the Council's annual financial statements is to make the Council accountable to a range of local and national stakeholders over the stewardship of its resources.

It is therefore important that the Council's financial statements are prepared in accordance with recognised accounting standards so that they can be relied upon by users of the accounts.

This report brings to Members attention the main changes to the local authority accounting framework in 2024/25, including their effect on the Council's accounting policies, and to the statutory framework for preparing and reporting local authority financial statements (the Accounts and Audit Regulations 2015).

The report also sets out the Council's timetable for the production of the financial statements, that Members of the Audit Committee, as the body in the Council charged with governance, are required to formally approve the audited Statement of Accounts by the 27th February 2026, based on the revised regulations which have now been implemented and apply to the following 4 years (2024/25 to 2027/28). However, in line with the best practice, the Council's financial reporting timetable will remain in line with the 2023/24 timetable, and Members of the Audit Committee will be asked to formally approve the audited Statement of Accounts by the 30th November 2025.

Recommendations

1. Audit Committee is asked to note the timetable for the production of the Council's financial statements.
2. Audit Committee is asked to note the key accounting issues and main changes to the accounts in 2024/25 listed in Appendix A;
3. Audit Committee is asked to note the Councils revised Accounting Policies attached at Appendix B.

List of Appendices Included

Appendix A Key accounting issues and changes to the accounts in 2024/25

Appendix B RMBC Accounting Policies

Background Papers

CIPFA Code of Practice on Local Authority Accounting 2024/25

Accounts and Audit Regulations 2015

The Accounts and Audit (Amendment) Regulations 2022

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Closure of the Accounts 2024/25

1. Background

- 1.1 The Code of Practice on Local Authority Accounting (the Code) together with the Accounts and Audit Regulations set the accounting and statutory framework for local authority financial reporting.
- 1.2 The Code is based on internationally recognised accounting standards (International Financial Reporting Standards (IFRS)). These form the basis for large private sector companies financial reporting. However, the funding of Local Government by central government and local tax payers is in some key aspects very different from that under IFRS. This makes local authority financial statements complex and difficult to interpret due to the need to reconcile the Council's financial performance and financial position under IFRS with that under the arrangements for funding local government.
- 1.3 The Accounts and Audit (Amendment) Regulation 2024 came into force on 30th September 2024. These amended regulations extended the publication of final audited accounts to 27th February for 2024/25 accounts and require the draft accounts to be published by the 30th June. These regulations have been approved in order to clear the national backlog of local authority audits.
- 1.4 In the production of the Councils accounts for 2023/24, the Council met the requirement for draft accounts to be published by 31st May. However, due to capacity issues in the external audit industry, fully audited accounts were not signed off by the Audit Committee and published until November 2024. The accounts are expected to receive an unqualified audit opinion. The Council is confident that the closure deadlines can be met for 2024/25 accounts.
- 1.5 In line with best practice, the Council's financial reporting timetable will remain in line with the 2023/24 timetable. This includes publishing draft accounts by the end of May 2025 (presented to Audit Committee in June 2025) with the fully audited accounts to be published in November 2025 following approval at the November Audit Committee, however this depends on the available capacity of the Council's auditors.
- 1.6 The introduction of the faster closedown requirements from 2017/18 presented challenges and as part of meeting the challenges CIPFA encourage local authorities to focus on material items only in their financial reporting. Materiality for financial reporting purposes is fundamental. It determines the amount by which items or disclosures within the financial statements would need to be misstated before it would influence the understanding or a decision a reader of the accounts might make. An item is not material if its omission or misstatement would not influence such decisions or understanding. The Council's materiality

level for 2024/25 hasn't yet been confirmed by Grant Thornton but for information the overall materiality for the 2023/24 accounts was £11.421 million, with differences of less than £571,000 being considered trivial.

2. Key Issues

Timetable

- 2.1 Although the historic decision to bring forward the timetable for publishing Local Authorities financial statements was a major challenge, the Council successfully met the 2017/18 and 2018/19 timeframes in closing its accounts. However, members will be aware that due to the unprecedented circumstances due to COVID 19 the closure of accounts deadlines were extended in 2019/20, 2020/21 and 2021/22, they reverted back to the 31st May for the 2022/23 and 2023/24 accounts. The Accounts and Audit (amendment) Regulations 2024 apply to accounts from 2024/25 to 2027/28 and move the publication of the draft accounts to 30th June for this period.
- 2.2 The Accounts and Audit (amendment) Regulations 2024 which came into force on 30th September 2024 extend the deadline for the publication of final audited accounts to 27th February for 2024/25 accounts, 31st January for 2025/26 accounts and then 30th November for 2026/27 and 2027/28 accounts. The deadline extension has been introduced to address the national backlog of local authority audits. In line with best practice, the Council's financial reporting timetable will remain in line with the 2023/24 timetable. This includes publishing draft accounts by the end of May 2025 (presented to Audit Committee in June 2025) with the fully audited accounts to be published in November 2025 following approval at the November Audit Committee, however this depends on the available capacity of the Council's external auditors.
- 2.3 Based on the amended deadlines, the Council's key dates on the timetable for the production of the accounts 2024/25 are as shown below.

Statement of Accounts Timetable - Amended Dates

Action	Amended Date
Unaudited accounts, Narrative Report & Annual Governance Statement presented to Audit Committee and then published by: (Will be presented to Audit Committee in June 2025)	31 May 2025
Public Inspection of Draft Accounts	1 June to 11 July 2025
External Audit of the Councils Accounts	June to September 2025
Audited accounts, Narrative Report & Annual Governance Statement presented to Audit Committee and then published by: (Will be presented to Audit Committee in November 2025)	30 November 2025
Councils Value for Money audit completed by:	TBC by Grant Thornton

Accounts and Audit Regulations 2015 – Local elector rights

- 2.4 The Local Audit and Accountability Act 2014 confers on local electors the right to inspect the accounting records, books, deeds, vouchers, contracts, bills and other documentation relating to the financial year in question. It also gives them the right to question the auditor about the accounting records or make a formal objection on a matter of public interest or because they think an item of account may be unlawful.
- 2.5 Under the Accounts and Audit Regulations 2015, local electors can only exercise their rights of inspection and to question the auditor or make formal objections for a single period of 30 working days commencing the day after the unaudited accounts have been published.
- 2.6 As accountability to the local electorate is an important part of the governance of the Council, notice of the inspection period will be advertised on the Council's website in advance of the unaudited financial statements being published.

- 2.7 A further consideration is that in order for the inspection period to commence, the Annual Governance Statement and Narrative Report (introduced by the Accounts and Audit Regulations 2015) will need to be published alongside the Council's unaudited financial statements on the Council's website. The timetable for preparing the Annual Governance Statement and Narrative Report is therefore being co-ordinated with the publication of the draft unaudited Statement of Accounts to meet this requirement.

Local Authority Accounting Framework

- 2.8 The implementation of IFRS 16 within Local Authorities has now been confirmed as taking place in 2024/25. This disclosure will see the removal of operational leases, with lessees expected to recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.
- 2.9 Major changes to service delivery that have taken place in 2024/25 will also have a bearing on the financial statements. This includes the continuing effect of schools converting to academies.
- 2.10 The Council's Statement of Accounting Policies is attached as Appendix B. These policies are reviewed and updated where necessary.
- 2.11 There is a national issue with Local Authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on the Council's accounts. This override is in force until 31st March 2025. The council will utilise the override again for the 2024/25 accounts. The Council is working to assess the processes that need to be put in place to ensure the treatment of infrastructure assets is compliant when the statutory override expires.

3. Options considered and recommended proposal

- 3.1 There is no discretion on whether to comply with the Code or the Accounts and Audit Regulations. The purpose of the recommendations is simply for Audit Committee to note the changes to the local authority accounting framework in 2024/25 and to note the actions being taken by officers to ensure that they are being implemented.

4. Consultation on proposal

- 4.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Accounts and Audit (amendment) Regulations 2024 came into force on 30th September 2024 and revised the statutory deadline for publishing the audited financial statements as noted in 2.2. The deadline for the Council to produced and publish draft accounts has been extended to 30th June as noted in 2.1. Deadlines for accounts from 2028/29 and subsequent accounts will revert to deadlines as per the Accounts and Audit Regulations 2015 unless additional amendments legislation is approved. In line with best practice, the Council's financial reporting timetable will remain in line with the 2023/24 timetable. This includes publishing draft accounts by the end of May 2025 (presented to Audit Committee in June 2025) with final accounts published by the end of September 2025. And, the fully audited accounts to be published in November 2025 following approval at the November Audit Committee, however this depends on the available capacity of the Council's auditors.

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

- 6.1 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet Grant Thornton's expectations.

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

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

8. Human Resources Advice and Implications

- 8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

- 11.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners.

12. Risks and Mitigation

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

13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Appendix A

KEY ACCOUNTING ISSUES / CHANGES TO THE ACCOUNTS

Area of accounts	Issue	Action taken
IFRS 16 Leases	<p>IFRS 16 removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset.</p> <p>The implementation of IFRS 16 is now confirmed to be taking place in April 2024.</p>	Assessments of any operational leases the Council holds has been carried out with a view to preparing the required notes for the 2024/25 accounts on the impact of the IFRS, further work is being done to ensure the Council is compliant by April 2024.
Infrastructure Assets	There is a national issue with local authority treatment for infrastructure assets. This relates to the way components of infrastructure expenditure are derecognised when new expenditure is incurred. A statutory override came into force in December 2022 that allowed LA's to assume that the carrying amount to derecognise is zero. This enabled auditors to give an unqualified audit opinion on LA accounts. This override is in force until 31 st March 2025. The council will utilise the override again for the 2024/25 accounts but will need to put measures in place for when the override expires.	Work is taking place to identify what information is required to account for infrastructure assets. This will ensure the Council is compliant when the override expires.
Schools converting to academy	During the course of 2024/25, a further 2 primary schools and a special school have converted to an academy. The impact on the Council's balance sheet and income and expenditure has yet to be determined but is likely to be material.	The Narrative Report will highlight the impact.

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A STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("the Code"), supported by International Financial Reporting Standards (IFRS).

The objective of the Statement of Accounts is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources.

Fundamental to making this assessment is that information is both relevant and faithfully represented.

A key feature of relevance is materiality. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information presented in the Statement of Accounts. Conversely, there is no need to comply with the accounting principles or disclosure requirements of the Code where information is not material.

Information is faithfully represented if it is complete, unbiased and properly determined using appropriate estimation techniques and judgements.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the Statement of Accounts. The accounting policies and estimation techniques selected are those that best assist users in their understanding of the financial information presented or disclosed in the Statement of Accounts. The expectation is that this will be achieved by selecting accounting policies that are compliant with the Code.

Consistent policies are applied both within the year and between years. Where policies have changed the reason and effect is disclosed.

The underlying assumptions made in preparing the Statement of Accounts are that financial performance is reported on an accruals basis and that the Council is a going concern.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

The CIES is reported using total cost principles under international financial reporting standards and not the way in which local government is funded. The income and expenditure reported in the CIES will not therefore correspond to the outturn charged to the General Fund and HRA reported against the Council's budget.

Note 1 in the Notes to the Core Financial Statements, the "Expenditure and Funding Analysis" provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants together with additional disclosure on material reconciling adjustments.

2 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied unless the Code specifies that the change should be applied prospectively.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Any material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

The general principle is that revenue is measured at the fair value of the consideration received which, in most transactions, will be the amount of cash and cash equivalents receivable. This position is in accordance with IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised when the Council satisfies a performance obligation by transferring a promised good or service to a service recipient, this can be over a period of time or at a point in time.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council acts as an agent for another party, income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

4 Overheads and Support Services

Support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement. Under the Council's current structure such costs predominantly fall within Assistant Chief Executive's or Finance and Customer Services Directorates.

5 Debtors

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see accounting policy note 21). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

6 Creditors

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see accounting policy note 21). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

7 Tax Income (Council Tax, and National Non-Domestic Rates)

Council Tax

Council Tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council's share of the year's accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New Deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors.

8 Inventories

Inventories are measured at the lower of cost and net realisable value except where acquired through a non-exchange transaction when cost is assumed to be equal to fair value at the acquisition date.

Inventories are measured at the lower of cost and current replacement cost where held for distribution at no charge or for a nominal charge.

The cost attributed to identify inventory is assigned using the first-in, first-out (FIFO) basis.

9 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

10 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised when:

- there is a present obligation (legal/constructive) as a result of a past event,
- it is probable a resource outflow will be required to settle the obligation, and
- a reliable estimate of the amount can be made.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and is measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each reporting date and adjusted to reflect current best estimates. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

Contingent Liability

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that a resource outflow will be required for an item previously dealt with as a contingent liability, a provision is recognised.

Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset is not recognised in the financial statements but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. If it has become virtually certain an inflow will arise and the asset's value can be measured reliably, a debtor and related revenue are recognised.

11 Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the sections relating to the relevant policies.

12 Government and Non-Government Grants

Government grants and third-party contributions, including donated assets are recognised as due when there is reasonable assurance that;

- the Council will comply with the conditions attached to them, and
- the grants and contributions will be received.

Where conditions of grant remain outstanding which could give rise to grant being repaid, grant is carried in the balance sheet as grant received in advance.

Conditions are stipulations that give the grant funder or donor the right to the return of their monies if it is not used for the purpose specified.

Revenue grants or contributions are credited to the relevant service line within net cost of services if specific or to Taxation and Non-Specific Grant Income if general or non ring-fenced.

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

13 Non-current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and

- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs.

Borrowing Costs - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.

- **Qualifying Assets** – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- **Borrowing costs** – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets – depreciated historical cost,
- property, plant and equipment, intangible assets and assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.
- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as an Asset Held for Sale, it will be measured at the lower of carrying value and fair value less cost to sell.

Depreciated historical cost is used as a proxy for current value for relatively short life assets such as vehicles, plant and equipment.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum they are revalued every five years. In support of this the Council carries out an annual review of its assets for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless they reverse a previous revaluation or impairment loss in which case they are credited to the relevant service line within net cost of services.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment of Assets

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

The carrying amount of an item is derecognised:

- on disposal through, for example, sale, donation, granting of a finance lease or transfer, or
- when no future economic benefits or service potential are expected from its use or disposal as a result, for example, of it being abandoned, scrapped or decommissioned.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value is the price that would be received from the selling the asset in an orderly transaction between market participants under the conditions prevailing at the end of the reporting period. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value. Depreciation is not charged on Assets Held for Sale.

Assets held solely to earn rentals or for capital appreciation purposes are classified as investment properties.

Non-operational property, plant and equipment which do not meet the criteria for reclassification as either Assets Held for Sale or investment properties are held within property, plant and equipment as Surplus Assets. Surplus Assets are carried in the balance sheet at their fair value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited

to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings over 30 Years, other buildings and non-operational properties up to 100 years)
- vehicles – straight line method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over determined useful life of the asset
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation will take place as assets are acquired, enhanced, replaced or revalued.

Revaluation gains/losses are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

14 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

- depreciation attributable to the assets used by the relevant service,

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible Non-Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP) and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. Depreciation, revaluation and impairment losses are determined in accordance with the “Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

Minimum Revenue Provision (MRP)

Prudent provision (MRP) is made annually for the repayment of debt relating to capital expenditure financed by borrowing or credit arrangements. The amount charged is determined having regard to the relevant statutory requirements and related guidance on MRP issued by MHCLG (now DLUHC).

15 Leases and Lease-Type Arrangements

Council as Lessee

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024. The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short term leases i.e. existing leases that expire on or before 31 March 2026, and new leases with a duration of less than 12 months. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A right of use asset and corresponding lease liability are recognised at commencement of the lease. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Council is reasonably certain to exercise; penalties for early termination if the lease term reflects the Council exercising a break option; and payments in an optional renewal period if the Council is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Council's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

As noted at policy 16 below IFRS16 has also been applied to Service Concession Arrangements and recognition on the resultant remeasurement of the lease liability with effect from 1 April 2024.

Council as Lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(a) Finance Leases

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated from the Capital Adjustment Account to the General Fund Balance in the Movement in Reserves Statement.

(b) Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of

the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16 PFI and PPP Arrangements

Private Finance Initiative (PFI) and similar contracts fall within scope of IFRIC 12 and are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The only exception to this is where PFI assets are transferred to academies under 125 year lease arrangements, at the point of transfer the assets are removed from the Council's balance sheet. With effect from 1 April 2024 IFRS 16 (Leases) also applies to service concession arrangements. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments. The effect of this has been to increase balance sheet assets by £XX.XXm, with an equal increase in finance lease liabilities as at 31 March 2025.

PFI assets are initially recognised at their fair value when they are first made available for use balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment (this is normally based on the relevant elements of capital cost in the operator's financial model). Initial direct costs to the Council are added to the carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows to the Council at that time, similar to an asset that a Council constructs or develops for its own use.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease),
- lifecycle replacement costs – Recognised as additions to Property, Plant and Equipment in the Balance Sheet as the scheduled works are carried out and the expenditure is incurred. Where the profile of lifecycle expenditure actually incurred by the PFI operator differs significantly from the projected profile included within the PFI model adjustments are made to account for the difference. A prepayment is recognised where planned expenditure paid for through the unitary payment exceeds the actual amount incurred by the PFI operator.

An additional liability is recognised where planned expenditure is less than that actually incurred. The prepayment/additional liability is carried forward in the balance sheet until the expenditure is actually incurred/settled, or, in the case of a prepayment when there is no longer an expectation that it will eventually be incurred by the PFI operator at which point it is charged to revenue. Lifecycle replacement costs which represent the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 13.

17 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at Fair Value being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

18 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

19 Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

20 Heritage Assets

Heritage assets' principal purpose is to contribute to knowledge and culture and are assets which are preserved in trust for future generations for their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, e.g., insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).

Operational heritage assets (i.e. those that are being held for their heritage characteristics, but are also used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in the same way as for Property, Plant and Equipment.

21 Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). These are classified as fair value through profit or loss. Equity investments are held for strategic purposes and are designated at FVOCI.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The Council has a limited number of shareholdings which would typically be measured at FVPL; however, the Council has designated these equity investments as fair value through other comprehensive income on the basis that:

- They are not quoted in an active market; and
- They are not held for trading

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month (i.e. the normal expectation of loss for this category of investment, no event occurring) or lifetime basis (whereby the initial assessment of risk has changed significantly by an event occurring). The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The authority holds loans with two local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value this being the price that would be paid in an orderly transaction between market participants on the date on which the liability is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan received. Thereafter they are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The amount of interest charged to the HRA is determined on a fair and equitable share basis by reference to the HRA's Capital Financing Requirement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed, under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

22 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis at the earlier of when the Council

can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring.

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The National Health Service Pension Scheme, administered by the NHS Business Services Authority (NHSBSA).
- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme (LGPS), administered by South Yorkshire Pensions Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for both the National Health Service and Teachers' schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health and Children's and Education Service line in the Comprehensive Income and Expenditure Statements are charged with the employer's contributions payable to the National Health Service and Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions asset/liability is analysed into the following components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- re-measurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Accounting Standard IAS19 (Employee Benefits) states an entity shall recognise the net defined benefit liability/asset in the statement of financial position. In line with IAS19 and IFRIC14 (the standard that limits the recognition of the asset), when the actuary determines a defined benefit asset, the asset is recognised at the lower of the surplus in the defined benefit plan and the asset ceiling calculated by the actuary.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

23 Value Added Tax (VAT)

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

24 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the audited Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Strategic Director Finance and Customer Services authorises the audited Accounts for issue are not reflected in the Statement of Accounts.

25 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in

the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

26 Interests in Companies and Other Entities

Where the Council exercises control, shares control or exerts a significant influence over another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. The Council's interest in another entity can be contractual or non-contractual and may be evidenced by, but is not limited to, the holding of equity or debt instruments in the entity as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Council has control over another entity, where it is able to direct the activities of that entity such that it has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

Shared control with another party or parties in a joint venture arises where decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control including the Council.

The Council can exert a significant influence over an associate where the Council has the power to participate in the financial and operating policy decisions of an entity which fall short of control or joint control.

The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local Council maintained schools within the control of the Council.

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non-Current Assets of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

Interests in companies and other entities are recorded in the Council's balance sheet as financial assets at cost, less any provision for losses.

27 Acquisitions and discontinued operations

Transfers of functions to or from other public sector bodies are accounted for with effect from the date of transfer. Assets and liabilities are transferred at their carrying value at the date of transfer unless otherwise agreed and the balance sheet restated to reflect the value of assets brought onto or removed from the balance sheet. The financial effect of functions transferred, to or from the Council are disclosed separately in the current year as "transferred in" or "transferred out" operations. The financial effect of functions transferred to another public sector body are disclosed separately in the comparative year to enable the performance of continuing operations to be compared on a like for like basis.

A function in this context is an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Discontinued operations are activities that cease completely. Income and expenditure relating to discontinued operations are presented separately on the face of the Comprehensive Income and Expenditure Statement.

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Public Report
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 14 January 2025

Report Title

Procurement Governance Audit Progress Report

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 provide assurance to the Audit Committee in relation to the actions taken and implementation of the recommendations made with regard to the partial assurance Internal Audit report on Procurement Governance.

Recommendations

That the Audit Committee note the contents of the report.

List of Appendices Included

N/A

Background Papers

Internal Audit Progress Report 26th November Audit Committee

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Procurement Governance Audit update report

1. Background

- 1.1 A procurement governance audit has been undertaken across all directorates. This was to provide assurance that procurement activity within Directorates (from initial pre-procurement planning to management and expiry of established contracts) is robust and complies with Financial and Procurement Procedure Rules (FPPR's). Previous procurement audits have been carried out that specifically reviewed processes undertaken within the Corporate Procurement Team. This audit specifically examined the work undertaken by Contract Managers across the Council's Directorates.
- 1.2 With the introduction of the Procurement Act it is important that directorates hold concise meaningful information about existing contracts, including those due to expire within 18 to 24 months as well as information on proposed new projects which Corporate Procurement may not have knowledge of.
- 1.3 Three directorates received partial opinions and an update on progress against the recommendations is included in this report. The Assistant Chief Executive and Children and Young People's Directorates both received reasonable assurance opinions and all actions against the recommendations have been identified as completed on the audit recommendation tracking system.

2. Key Issues

- 2.1 The following key areas were identified for improvement across the directorates: -
- 2.2 • 'Procurement pipeline planning' should be included as a regular management team agenda item in order to monitor progress and review contracts 18 to 24 months in advance of expiry in order to fulfil the new procurement forward planning requirements.
- 2.3 • The published Contract Register should be used to monitor and plan for contract expiry within their services to avoid the necessity for any emergency extensions with potentially unfavourable contract terms.
- 2.4 • Directorates should ensure that Contract Managers have the required knowledge and/or experience required to manage their assigned contracts effectively, and that the Contract Managers listed in the current Contract Register are aware and accepting of their contract management obligations. Any details of Contract Managers that need to be changed should be forwarded to Procurement Services by the Assistant Director concerned.
- 2.5 • Contract Managers should be reminded that social value must be considered as part of the tender bid. If this has not occurred (due to the initial estimated value) then retrospective social value commitments should be sought before the Contract is awarded to suppliers.

Directorates have provided the following updates on action taken following the audit.

Adult Care, Housing and Public Health

- 2.6 The Directorate has received the Internal Audit report and has taken a number of steps to ensure robust and proportionate contract management arrangements are fully embedded in practice across the broad service portfolio of adult social care, housing and public health.
- 2.7 Contract management is an essential part of the commissioning cycle to ensure providers deliver against agreed standards and achieve high quality, value for money services for residents within Rotherham.
- 2.8 The Directorate has implemented a number of steps, to respond to the actions and associated recommendations of the Internal Audit, namely:
- 2.9
 - Directorate Leadership Team (DLT) and the Strategic Director will receive an annual report (after yearend) across the broader Directorate portfolio. This will provide an overall position statement for the Directorate, ensure compliance to FPPR and enable any themes and learning to be shared across the Directorate to continue to inform practice and operations. The report will also identify a pipeline of future procurement activity, aligned to the strategic direction and commissioning intentions across the Directorate and the Council.
- 2.10
 - Senior Management Teams (SMTs) across Adult Care and Integration, Strategic Commissioning, Housing and Public Health will receive a quarterly report across their respective service portfolios. This will ensure compliance to FPPR, storage of relevant contract documentation and provide a vehicle for any escalations or areas of concern. This will be used to inform the annual report to DLT.
- 2.11
 - The contract register will be used to ensure all contracts are up to date, contract managers are aware of their responsibilities and able to fulfil their responsibilities and a pipeline of future procurement activity is logged. This will be a core component of the quarterly reporting into SMTs.
- 2.12
 - Training and development needs for contract managers will be identified and progressed via 1:1s and My Year Ahead Plans and fed into service delivery planning. This will ensure all contract managers are aware of their responsibilities and are supported to be able to manage contracts on behalf of the Directorate and the Council.

Finance and Customer Services

- 2.13 To address the issues identified within the Internal Audit report the Directorate has taken steps to clarify the roles and responsibilities of its contract managers. A presentation of the roles and responsibilities of contract managers was provided as part of a Directorate wide event and this was followed up with direct presentation to contract managers.

Furthermore, Assistant Directors have discussed these roles and responsibilities with contract managers to ensure that key messages are understood.

- 2.14 The Directorate has been working with Procurement to lead on the development of a Forward Procurement Plan that will enable the Directorate to plan ahead for all contract renewals and new pieces of work. This forward planning will allow greater resources allocation, greater scoping and ultimately this should lead to stronger ownership of contracts and better value for money.
- 2.15 This tool is being rolled out across the Council as best practice to move the Council into a stronger position overall. It has also assisted in the updating of the Contracts register for key contract leads.
- 2.16 Linked to this exercise the Directorate has developed a contract management dashboard to ensure the Council is ahead of the new reporting requirements of the new procurement legislation to come into force February 2025. This dashboard focuses on major contracts (£5m including VAT) and requires contract managers to take ownership of the contracts and their KPI's, producing regular reporting to Directorate Leadership Teams and Senior Leadership Team. The dashboard is to be developed further to include contract managers responsibilities towards Social Value requirements.
- 2.17 The Directorate will now also lead on developing some contract management best practice guidance, it is important that it is clear this is not a procurement specialism however, F&CS has skills across Finance, Procurement, Legal and Property and Facilities Services to establish a best practice document, so will lead on its development.

Regeneration and Environment

- 2.18 Following receipt of the Audit report and subsequent outcomes the Directorate has embarked upon a wider piece of work to create centralised oversight and support in relation to key issues such as procurement and contract management, in part informed by the outcome of the Audit. As a result of this, the Directorate has set implementation dates which allow time for the movement of relevant resources, a review of the existing approaches across the Directorate and ultimately the creation of a single approach, supported with clear expectations in relation to roles and responsibilities. Alongside this, work is underway within the Directorate to pilot the development of a forward plan of procurement activity. Due to the ongoing programme of procurement, of particular urgency was the need to address the initial stages of the process in relation to creation of Procurement Business Cases and this has therefore been addressed with information issued to appropriate staff, discharging the associated action arising from the Audit report.
- 2.19 Alongside the Directorate specific aspects referenced above, the Directorate is also now in regular receipt of the corporate contracts register

with relevant contract managers having now identified the relevant Key Performance Indicators and providing quarterly updates.

3. Options considered and recommended proposal

3.1 No further options considered at this stage.

4. Consultation on proposal

4.1 Not applicable.

5. Timetable and Accountability for Implementing this Decision

5.1 Each directorate has its own action plan which includes target dates for implementation. These are tracked and monitored by Internal Audit and Directorates. Audit action tracking data is included within the Internal Audit Progress Reports to Audit Committee.

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 direct Legal implications arising from the report.

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications arising from the report on children, young people and vulnerable adults.

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 There are no direct implications for partners.

13. Risks and Mitigation

- 13.1 Implementation of the actions identified during the audit will help to mitigate the risks.

Accountable Officer(s)

Judith Badger, Strategic Director of Finance and Customer Services
Ian Spicer, Strategic Director of Adults, Housing and Public Health
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This report is published on the Council's [website](#).

Public Report
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 14 January 2025

Report Title

Health & Safety Legislation and Corporate Responsibilities for Council Homes: Smoke and CO Alarms Audit Progress Report

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

No

Strategic Director Approving Submission of the Report

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

Report Author(s)

James Clark, Assistant Director of Housing

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Ward(s) Affected

Borough-Wide

Report Summary

The purpose of this report is to provide assurance to the Audit Committee in relation to the actions taken and implementation of the recommendations made with regard to the partial assurance Internal Audit report on Health & Safety Legislation and Corporate Responsibilities for Council Homes: Smoke and CO Alarms.

Recommendations

That the Audit Committee note the contents of the report.

List of Appendices Included

None

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Health & Safety Legislation and Corporate Responsibilities for Council Homes: Smoke and CO Alarms audit update report

1. Background

- 1.1 As part of a cycle of internal audits focused on the Council's Health and Safety obligations in relation to its council homes, an audit focused on smoke and carbon monoxide (CO) alarms reported in September 2024. The purpose of the audit was to provide assurance that the risk of non-compliance with the relevant health and safety regulations regarding smoke and CO alarms was being managed effectively.
- 1.2 Relevant regulations include those within the Smoke and Carbon Monoxide Alarm (Amendment) Regulations 2022, specifically with respect to:
- Social landlords will be required to provide a smoke alarm on every storey of their properties where there is a room used wholly or partly as living accommodation.
 - Both social and private landlords will be required to provide carbon monoxide alarms in any room of their properties used wholly or partly as living accommodation where a fixed combustion appliance is present (excluding gas cookers).
 - There will be a new obligation on all landlords to repair or replace any alarm which is found to be faulty during the period of a tenancy, and landlords will be required to repair or replace alarms as soon as reasonably practicable.
- 1.3 The audit gave a 'partial assurance' opinion with 13 actions recommended.

2. Key Issues

- 2.1 The following key areas were identified for improvement:
- Recording and record-keeping relating to the installation of smoke and CO alarms and the accuracy of annual gas service reports: agreed actions included ensuring contractors record information properly, that enhanced quality assurance checks are carried out by the Council, and that compliance software is utilised to improve efficiency and effectiveness.
 - Information on when alarms were installed and their replacement date: it was identified that the 'detector report' available to the Council did not include these details and it was agreed this should be rectified as new checks are carried out by contractors.
 - Missing CO detectors: the report identified that in some cases the reason that a CO detector was not installed was not recorded on the annual gas certificate by the contractor. Actions were agreed to address this formally with the contractor and embed into quality assurance checks. It was also agreed that the Council should proactively investigate any instance where it is known that the CO detector is missing.

- Access procedures: an action was agreed to develop a written procedure documenting how the Council will address instances of tenants refusing to have detectors installed or where it is found that detectors have been removed. It was also recommended that the Council prioritises checking those properties where access has been challenging.

2.2 The majority of recommended actions are now complete within the agreed timescale. As at 19th December 2024, there were three outstanding actions, all of which are due to be complete within the timescales agreed in the report. These are:

- Implementation of compliance software. This is on target for March 2025. Many of the recommendations in the audit report include specific actions that depend on the installation of compliance software. The Compliance Workbook (TCW) was procured during 2024 and is currently being implemented. Currently the Council is uploading all historical gas and electrical certificates into the system (approximately 80,000 certificates) going back to 2020. The system will then be configured to enable the Council to extract data and report efficiently. The system will be completely operational in all areas of compliance by the end of 2025.
- Access procedures. This is on target and will form part of the gas 'no access' procedure. The Council's contractor carries out three visits for access with letters sent, 2 weeks apart. If access is not granted, then the case is taken through a legal process that can result in a court granting a warrant of entry under the Environmental Protection Act 1988. During execution of the warrant the gas appliances are serviced / made safe, and the smoke and CO alarms are tested. Currently properties with external meters do not go through court because the meters can be capped without entering the home. This means smoke and CO alarms cannot be checked. The Council is exploring changing the approach so we gain entry even where the gas meter is external.
- Visiting all properties where the Council has limited/no CO alarm information. All 141 properties in scope of this action have had at least one visit. Further visits will take place and letters will be sent to try to gain access. As of the 19th December 2024, 47 properties were outstanding.

2.3 In addition, through the random sample of properties analysed for the audit exercise, two properties were identified where CO detectors were not installed but should have been. Both were installed during November 2024.

3. Options considered and recommended proposal

3.1 No further options considered at this stage.

4. Consultation on proposal

4.1 Not applicable.

5. Timetable and Accountability for Implementing this Decision

5.1 The Assistant Director of Housing is accountable for the actions in the audit report and the Interim Compliance Manager and Partnering Manager within Housing Property Services are responsible for implementation. All actions are due to be completed by March 2025.

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 direct Legal implications arising from the report.

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications arising from the report on children, young people and vulnerable adults.

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 There are no direct implications for partners.

13. Risks and Mitigation

13.1 Implementation of the actions agreed during the audit will help to mitigate the risks it identified.

Accountable Officer(s)

James Clark, Assistant Director of Housing.

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

**Public Report****Audit Committee**

Committee Name and Date of Committee Meeting:

Audit Committee – 14 January 2025

Report title:

External inspections, reviews, and audits update

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

No

Strategic Director Approving Submission of the Report:

Jo Brown – Assistant Chief Executive

Report Author(s):

Tanya Lound (Corporate Improvement and Risk Officer)

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Ward(s) Affected:

All

Report Summary:

In line with the Audit Committee terms of reference, the purpose of this report is to provide an overview of the recent external inspections, reviews, and audits. The report also provides assurance that ongoing and outstanding recommendations from earlier inspections, audits and reviews, are being progressed.

The report includes a summary of progress against the recommendations from all external inspections, reviews and audits and sets out the details of arrangements for ensuring the accountability and governance around their implementation.

Recommendations:

That Audit Committee:

- Note the recent external inspections, reviews and audits which have taken place and the progress made in implementing the recommendations since the last report in July 2024.

- Note the governance arrangements that are currently in place for monitoring and managing the recommendations.
- Continue to receive regular reports in relation to external inspections, reviews and audits and the progress made.

List of Appendices Included:

- Appendix 1 - External inspections, reviews, and audits recommendations/areas for improvement updates – December 2024.

Background Papers

External audit and inspection recommendations reports to Audit Committee on 11 January 2022, 28 July 2022, 10 January 2023, 27 July 2023, 9 January 2024, and 30 July 2024.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

External audits, inspections, and reviews update

1. Background

- 1.1 In line with the Audit Committee terms of reference, the purpose of this report is to provide details of the recent external inspections, reviews and audits across the Council and assurance that recommendations and areas for improvement are being progressed.
- 1.2 The last report was presented to Audit Committee on 30 July 2024. The report referred to external inspections, reviews and audits that had taken place since January 2024 which included eleven new external inspections, reviews, and audits.

2. Key issues

- 2.1 This report focusses on progress since the last Audit Committee meeting in July 2024 and is intended to provide an overview of the outcomes of external inspections, reviews, and audits. The report also aims to provide Audit Committee with assurance that arrangements are in place for managing the Council's response, including effective governance arrangements.
- 2.2 Governance arrangements are in place for monitoring and managing external inspection, review, and audit recommendations within each directorate. Regular progress against the recommendations is also reported and considered by the Strategic Leadership Team.
- 2.3 Seven new inspections, reviews, and audits have taken place since July 2024. These include:

Children and Young People's Services

Title	Date	Purpose	Outcome
Ofsted Area SEND inspection of Rotherham Local Area Partnership	September-October 2024	The review focused on the provisions for special educational needs and/or disabilities (SEND) arrangements.	<p>The final report and recommendations were published in November 2024.</p> <p>The local area partnership's special educational needs and/or disabilities (SEND) arrangements typically lead to positive experiences and outcomes for children and young people with SEND.</p> <p>Two areas for recommendations were identified. Work was already ongoing prior to the inspection to the two areas for improvement and will continue.</p>
Children's Home 037521	June 2024	Residential children's homes are inspected by HMI Ofsted under	Overall rating 'good'.

		the Social Care Common Inspection Framework (SCCIF) and focus on evaluating the impact of care and support on the experiences and progress of children.	One recommendation made.
Children's Home 2662265	July 2024	Residential children's homes are inspected by HMI Ofsted under the Social Care Common Inspection Framework (SCCIF) and focus on evaluating the impact of care and support on the experiences and progress of children.	Overall rating 'good'. One recommendation made.
Children's Home 2629335	August 2024	Residential children's homes are inspected by HMI Ofsted under the Social Care Common Inspection Framework (SCCIF) and focus on evaluating the impact of care and support on the experiences and progress of children.	Overall rating 'requires improvement to be good'. Four recommendations made.
Children's Home 2775749	July 2024	Residential children's homes are inspected by HMI Ofsted under the Social Care Common Inspection Framework (SCCIF) and focus on evaluating the impact of care and support on the experiences and progress of children.	Overall rating 'good'. Two recommendations made.

Adult Social Care, Housing and Public Health

Title	Date	Purpose	Outcome
Public Health Peer Review	October 2024	Voluntary Sector Led Improvement across the Public Health teams in the Yorkshire and Humber.	Positive feedback received and four recommendations were identified. The findings were discussed at the Public Health Senior Management Team Planning Day in November 2024 and presented to Health Select Committee in November 2024.

Regeneration and Environment

Title	Date	Purpose	Outcome
Sports Ground Safety Authority – Local Authority Audit (Sports Ground Safety Authority (SGSA))	August 2024	An audit by the National regulator to assess the Council's delivery of statutory functions under the Safety at Sports Grounds Act 1975. The audits are carried out at a frequency determined by risk assessment.	The Council was rated as low risk, and three recommendations were made. Recommendations one and three have been accepted, the one remaining outstanding recommendation will be implemented within the next 6 months.

2.4 In addition to the above and since the last report, the findings from two external reviews conducted previously have now been received:

- Care Leavers Peer Review (*Local Government Association*) conducted in March 2024.

The peer review, requested by the council, focussed on arrangements for children in care and care leavers.

Five areas for improvement were identified, which are all now complete. These are awaiting final approval at the Children and Young People's Evidence Challenge Panel before being signed off as completed.

- Ofsted Focused Visit conducted May – July 2024.

These usually take place every three years, to review the arrangements for children in need or those subject to a child protection plan.

The findings were published in July 2024 and four areas for improvement were identified. An action plan is in place to address the recommendations.

2.5 There are also four annual audits which remain ongoing. These are:

- Housing Benefit Audit 2022/23 conducted by Grant Thornton commenced in May 2024
- Statement of Accounts 2023/24 conducted by Grant Thornton commenced in March 2024
- Value for Money Review 2023/24 conducted by Grant Thornton commenced in March 2024
- Teachers' Pension Audit conducted by KPMG commenced in September 2024.

2.6 Appendix 1 provides an overview a high-level of overview of the recommendations and areas for improvement as well as he progress the Council has made in responding to these. Once recommendations and areas for

improvement are complete or closed and have been reported to Audit Committee, they will be removed from the list. Where possible to do so, recommendations and actions have been grouped together under themes.

- 2.7 In total 13 recommendations or areas for improvement have been completed since the last report. There are 21 recommendations or areas for improvement which remain ongoing and two are yet to start. Of those ongoing, two of these are delayed, however none are delayed more than 12 months. The reasons for the delays are summarised within Appendix 1.
- 2.8 With regards to residential children's homes inspections, recommendations and progress are considered monthly with oversight from the "Regulation 44" visits and Ofsted. This is more frequent than the Audit Committee schedule and therefore any recommendations and progress against these are not included within the reports to Audit Committee.
- 2.9 The status ratings applied to demonstrate the current position for each inspection, review, and audit include:

Complete	All recommendations/areas for improvement are fully complete
In progress and on track	All recommendations/areas for improvement are on track to be delivered by the original agreed deadline
In progress and partly delayed	Recommendations/areas for improvement progressing, however target date for one or more area is behind the original agreed deadline
Significant delay	All recommendations/areas for improvement delayed or one area delayed more than twelve months past the original agreed deadline
No action required	There are no recommendations/areas for improvement, or the outcome is not yet known

3. Lessons learnt

- 3.1 The Council continues to share learning from external inspections, reviews and audits across services and other directorates, where appropriate, to prevent future concerns/problems arising and enhance service delivery.
- 3.2 Furthermore, the LGA Corporate Peer Challenge report noted that the Council had '*opened itself to a range of peer reviews to support a learning culture*'. The report also stated, '*The council has undergone an impressive transformation and has many exemplary and commendable practices that other councils can learn from*'.

4. Options considered and recommended proposal

- 4.1 Audit Committee to note the recent external inspections, reviews and audits which have taken place and the progress made in implementing the recommendations since the last report in July 2024.

- 4.2 Audit Committee to note the governance arrangements that are currently in place for monitoring and managing the recommendations.
- 4.3 Audit Committee to continue to receive regular reports in relation to external inspections, reviews and audits and the progress made.

5. Consultation on proposal

- 5.1 Not applicable to this report.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The timescale for each recommendation varies depending on the individual inspection or audit. Target dates for each are included on Appendix 1.
- 6.2 The next report will be presented to Audit Committee in July 2025.

7. Financial and Procurement Advice and Implications

- 7.1 There are no direct financial and procurement implications as a result of this report.
- 7.2 Audits relating to finance and procurement and any related recommendations are outlined in the main body of the report.

8. Legal Advice and Implications

- 8.1 There are no direct legal implications arising from the recommendations within this report.
- 8.2 Audits relating to legal services and any recommendations are outlined above.

9. Human Resources Advice and Implications

- 9.1 There are no Human Resources implications.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 The recommendations in relation to inspections in both Children and Young People's Services and Adult Social Care have direct implications on the quality of services provided to children, young people and vulnerable adults. Completing the recommendations will improve outcomes for these groups.

11. Equalities and Human Rights Advice and Implications

- 11.1 When implementing changes and improvements services are to consider the impacts on services users and communities, including an individual or group with a protected characteristic. This may require the completion of an equality analysis to advance and maximise equality as well as eliminate discrimination and negative consequences.

- 11.2 An Equalities Informal Peer Challenge took place in March – April 2022 and actions are being progress via the existing Council's Equality Framework Action Plan.

12. Implications for CO2 Emissions and Climate Change

- 12.1 There are no direct CO2 emissions and climate change implications.

13. Implications for Partners

- 13.1 Partnership approaches are key to improving services and the improvements need to be of a multi-agency nature and owned cross the partnership.

14. Risks and Mitigation

- 14.1 There is a risk that actions are reported as completed without substance, it is important that arrangements are in place as part of the respective quality assurance regimes and monitored through performance management, evidencing not just completion of actions, but the associated outcomes. As governance arrangements are strengthened, these risks become mitigated.

15. Accountable Officer(s)

Simon Dennis, Policy Improvement and Risk Manager

Tanya Lound, Corporate Improvement and Risk Officer

Approvals Obtained from:-

Jo Brown, Assistant Chief Executive

This report is published on the Council's website or can be found at:

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>

Appendix 1 - External inspections, reviews and audits recommendations/areas for improvement updates – December 2024

Title and purpose	Date	Outstanding recommendations	Original target date for completion	Revised target date for completion	Status	Progress update
Children and Young People's Services						
Care Leavers Peer Review (Local Government Association) <i>Purpose: To review the arrangements for children in care and care leavers.</i>	March 2024	Overall outcome: The peer review team found: <ul style="list-style-type: none"> The commitment of senior leaders and staff was clear with high levels of passion and determination to meet the needs and improve outcomes for care leavers Clear examples of services making a real difference to the lived experience of care leavers. <p>Five areas for improvement were identified.</p> <p>Overall progress: All areas for improvement are now complete and awaiting final approval at the Children and Young People's Evidence Challenge Panel before closed down by the Directorate Leadership Team for Children and Young People's Services (CYPS).</p>				
		Area for improvement 1: Develop a dedicated Leaving Care Strategy and update the Sufficiency Strategy to create a SMART delivery plan.	November 2024	n/a		Complete Awaiting final approval at the Children and Young People's Evidence Challenge Panel before closed.
		Area for improvement 2: Improve the quality of pathway plans.	September 2024	n/a		Complete Awaiting final approval at the Children and Young People's Evidence Challenge Panel before closed.
		Area for improvement 3: Improve the effectiveness of engagement with care leavers.	October 2024	n/a		Complete Awaiting final approval at the Children and Young People's Evidence Challenge Panel before closed.
		Area for improvement 4: Consider the development of an integrated performance data dashboard.	September 2024	n/a		Complete Awaiting final approval at the Children and Young People's Evidence Challenge Panel before closed.

		Area for improvement 5: Review the membership of the Corporate Parenting Partnership.	September 2024	n/a		Complete Awaiting final approval at the Children and Young People's Evidence Challenge Panel before closed.
Ofsted Focused Visit <i>To review the arrangements for children in need or subject to a child protection plan.</i> <i>Usually undertaken every three years as part of the Inspecting Local Authority Children's Services (ILACS) Inspection Programme.</i>	Focused visit: 14 and 15 May 2024 Published: 12 July 2024	Overall outcome: The review found the response to children who are subject to child-in-need and child protection planning is very effective. A stable senior leadership team is unstinting in its determination to make children in Rotherham safer and improve their outcomes. Strong corporate support ensures a whole-council approach to understanding children's vulnerability and responding to risk and need. Four areas for improvement were identified. Overall progress: An action plan is in place to address the recommendations from the peer review. Progress is overseen by the Children and Young People's Evidence Challenge Panel and Directorate Leadership Team. An action plan to address the four areas for improvement is ongoing and remains on track to be completed by the target end dates set.				
		Area for improvement 1: Identify children's unique needs and characteristics to better inform their plans and how they will be helped and supported. And Area for improvement 4: Reduce length of children's plans as these are overly long.	October 2024	March 2025		In progress and on track <i>Note: The progress updates for areas for improvements 1 and 4 have been combined as these are closely linked.</i>
		Area for improvement 2: Reduce Child and Adolescent Mental Health Services (CAMHS) waiting lists.	December 2025	n/a		In progress and on track
		Area for improvement 3: Reduce waits for domestic abuse services.	December 2024	n/a		In progress and on track
		Overall outcome: The inspection found the local area partnership's special educational needs and/or disabilities (SEND) arrangements typically lead to positive experiences and outcomes for children and young people with SEND. The local area partnership is taking action where improvements are needed. The next full area SEND inspection will be within approximately five years. Ofsted and the Care				
NEW Ofsted Area SEND inspection of	Inspection date: 30 September					

Rotherham Local Area Partnership <i>To review the special educational needs and/or disabilities (SEND) arrangements.</i>	2024 - 4 October 2024 Report published: 14 November 2024	Quality Commission ask that the local area partnership updates and publishes its strategic plan based on the recommendations set out in this report. Two areas for improvement were identified. Overall progress: The final report and recommendations from the inspection were published on the 14 November 2024. As recognised in the report, work was already ongoing prior to the inspection in relation to the two areas for improvement and this will continue. Progress will be monitored by the local area SEND and Alternative Provision Partnership Board and overseen by the Children and Young People's Evidence Challenge Panel and SEND Executive Board.			
		Area for improvement 1: continue to improve the quality of EHC plans. This is to ensure that: <ul style="list-style-type: none"> • There is consistent and clear information from health, education and social care • All EHC plans reflect the views of children, young people and their families • EHC plans contain the support that the child or young person needs to prepare for adulthood; and • All outcomes include detail and are measurable so that children and young people receive consistent support. 	TBC	n/a	Awaiting start
		Area for improvement 2: Continue to strengthen work to reduce long waits for neurodevelopmental assessment pathways. In addition, intensify service improvements for occupational therapy and	TBC		

		speech and language therapy at a universal and targeted level to reduce waiting times. This will ensure that children and young people receive support at the right time.				
Adult Care, Housing and Public Health						
Safeguarding Peer Review (Local Government Association) <i>The Rotherham Safeguarding Adults Board (the RSAB) requested that a peer challenge be undertaken by the Local Government Association (LGA). The work was commissioned by the Independent Chair on behalf of the RSAB.</i>	11-13 July 2023	Overall outcome: Key Messages included: <ul style="list-style-type: none"> • Pride and commitment in Rotherham • Voices are listened to in Rotherham, but not yet heard at the RSAB • You can go much further on collaboration and constructive challenge • To be an outstanding SAB you need sufficient resources to support it and robust processes to plan and deliver on your strategy • Mainstream the pockets of excellent practice • Celebrate your good work! Overall progress: All of the recommendations that were made by the Peer Review team were grouped into three discussion points/themes at a development day. Themes two and three are now complete. <p>The Rotherham Safeguarding Adults Board are responsible for monitoring progress.</p>				
		THEME 1: Strengthening the User Voice. Work with partners to establish what user groups are in place.	June 2024	September 2024 December 2024		In progress and partly delayed Delayed due to the work needed with partners to further develop customer engagement across the safeguarding partnership.
		THEME 3: Making the best use of data and information.	June 2024	August 2024		Complete
		Overall outcome: Key Messages: <ul style="list-style-type: none"> • Strong and clear strategic direction • Positive workforce • Senior Leadership Team • Social work and reablement vacancy level – succession planning • Streamline pathways and new models with the focus on the voice and experience of the resident • Communication and feedback loop. 				
Adult Social Care Peer Review (Local Government Association) <i>The peer review was commissioned by ASC to measure</i>	December 2023					

preparedness for CQC assurance.		Overall Progress: Recommendations cover the 4 thematic CQC assessment areas; Working with People, Providing Support, Ensuring Safety and Leadership. 23 considerations for the service to progress with 14 completed. The programme of improvement is being driven by the service's CQC Assurance Board.			
		THEME 1: Working with People	December 2024	n/a	In progress and on track
		THEME 2: Providing Support	December 2024	n/a	In progress and on track
		THEME 3: Ensuring Safety	July 2024	November 2024	Complete
		THEME 4: Leadership	September 2024	n/a	Complete
NEW Public Health Peer Review <i>Voluntary Sector Led Improvement across Public Health teams in the Yorkshire and Humber.</i>	Conducted: 8-10 October 2024	Overall outcome: Positive feedback received. key messages included: <ul style="list-style-type: none"> Honesty, openness, and willingness has enabled us to hear from a breadth of people The public health team is incredibly well respected, knows itself and adds value Determination of partners to rebuild over the last ten years and the positive impact this has had on the strength of partnership working and governance The Children's Capital of Culture is a fantastic example of how sharing power with children and young people is re-building trust and impacting health and wellbeing Public health is effectively embedded in the wider health system and the wider health system is fully engaged in the health and wellbeing board on delivering the strategy. Presentation provided on 10 October 2024 which included four recommendations. Overall progress: Dissemination has started. Discussed at Public Health Senior Management Team Planning Day on 14 November 2024 and presented to Health Select Committee in November 2024. All recommendations are in progress and on track.			
		Recommendation 1: In the health and wellbeing strategy refresh, consider: <ul style="list-style-type: none"> Focus on outcomes Priorities informed by intelligence and engagement 	March 2025	n/a	In progress and on track

		<ul style="list-style-type: none"> Consider population groups as well as geographical areas. 				
		Recommendation 2: Go further as positive disrupters and help to maximise the impact that the cultural, physical and economic regeneration has on the health and wellbeing of the population.	January 2025	n/a		In progress and on track
		Recommendation 3: Public Health Team to reflect on how it interfaces and influences with both seldom heard communities (including those with protected characteristics), and communities of place, in how it addresses health inequalities. This may include looking for best practice outside the Borough, as well as holding reflective joint workshops with internal and external partners to empower these communities.	January 2025	n/a		In progress and on track
		Recommendation 4: Look at further opportunities to build capability within the rest of the council to maximise the impact on health and wellbeing outcomes.	January 2025	n/a		In progress and on track
Regeneration and Environment						
	March 2024	Overall outcome: "Exceeding" across all 8 benchmark criteria. Four recommendations made.				

2024 Prevent Duty Annual Assurance Assessment (Home Office) <i>To support local authorities in meeting the Prevent duty and to assure the local delivery of Prevent, the Home Office (Homeland Security Group) carries out an annual assurance process.</i>		Overall progress: Three recommendations are now complete and one remains on track.			
		Recommendation 1: The Risk Assessment could be assessed on a quarterly basis with partners. Work could be done on creation of a situational risk assessment that is directly tailored to the needs of frontline staff to keep them well informed of the risk and threat in the area.	September 2024	n/a	Complete
		Recommendation 2: The local authority should consider updating any terms of reference or standing agendas at Silver to recognise the need to identify and disrupt the influence of groups and individuals that could create a permissive environment. More communication should be afforded to private sector companies such as sharing venue hire best practice to reduce permissive environments across the region.	December 2024	n/a	In progress and on track
		Recommendation 3: The local authority could look to expand its communications and engagement to the harder to reach communities in the local area, with enhanced engagement	September 2024	n/a	Complete

		through roundtables, community events and the use of social media.				
DVSA MOT Vehicle Testing Station Site Review (DVSA) <i>Check conformity with standards expected by the DVSA – unannounced and periodic.</i>	March 2024	Overall outcome: Satisfactory rating and two recommendations made. Overall progress: The one outstanding recommendation is on track to be complete by December 2024.				
		Annual assessments try to complete before the end of December.	December 2024	n/a		In progress and on track
NEW Sports Ground Safety Authority – Local Authority Audit (Sports Ground Safety Authority (SGSA)) <i>An audit by the National regulator to assess the Council's delivery of statutory functions under the Safety at Sports Grounds Act 1975. The audits are carried out at a frequency determined by risk assessment.</i>	29 August 2024	Overall outcome: Excellent progress has been made with the recommended actions from the previous audit with all items being completed satisfactorily. The Council was rated as low risk and three recommendations were made. Overall progress: Recommendations one and three have been accepted the one remaining outstanding recommendation will be implemented within the next six months.				
		Recommendation 1: SAG Terms of reference have been produced and are excellent. They were last reviewed in April 2022 so are due to be reviewed again as these should be checked annually and a process introduced to ensure this happens. (review date August 2026).	Review date August 2026	n/a		Complete
		Recommendation 2: A tabletop exercise that included stadium staff and	Review date August 2026	n/a		In progress and on track

		emergency services has not taken place for some time and the LA will ensure this is carried out by the club this season. (review date August 2026)				
		Recommendation 3: The LA will ensure that the Policies and procedures document for the safety certification function, monitoring and enforcement are regularly reviewed on an annual basis and the review is documented.	Review date August 2026	n/a		Complete
Finance and Customer Services						
2022/23 VFM arrangements (Grant Thornton) <i>Annual audit of the 2022-2023 Value for Money Arrangements conducted by Grant Thornton.</i>	March 2024	Overall outcome: Positive outcome and no areas of significant weakness identified. Grant Thornton satisfied that adequate arrangements are in place for SEND and the recommendation was removed. Findings noted the Council's improvement journey and commented that the Council's financial position is strengthening, though referenced that the Local Authority financial environment remains challenging with a number of Local Authorities issuing S114 notices. The report identified a small number of improvement recommendations to further enhance finance, governance, and performance arrangements. There were four new recommendations and two follow up recommendations. Overall progress: the two follow up recommendations are now complete. One new recommendation is also complete and three remain in progress. Progress is overseen by the Finance and Customer Services Directorate.				
		Financial sustainability Rec 1: When Capital Budget Programme is updated, recommend Council continues to report the initially approved Capital Budget Programme amount alongside the revised number in the quarterly Financial Monitoring Reports	March 2025			In progress and on track

		(FMR) – in order that stakeholders can track the changes from the original Programme approved by Members.				
		Financial sustainability Rec 2: When transfer and virements of budgets between directorates occurring during 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.	March 2025			In progress and on track .
		Improving economy, efficiency and effectiveness: Rec 1: Develop 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)	March 2025	August 2024		Complete
		Improving economy, efficiency and effectiveness: Rec 2: Set out the key actions and challenges in achieving net zero in 2030 and update the Corporate Strategic Risk Register accordingly on a timely basis.	March 2025			In progress and on track

Assistant Chief Executive's directorate

LGA Corporate Peer Challenge

Expectation that councils receive a peer review every five years to provide robust, strategic, and credible challenge, whilst also enhancing capacity and helping to avoid insularity.

Overall outcome: Positive feedback received which stated: "Rotherham Metropolitan Borough Council serves the town well and is today an impressive organisation. Being named the 'Most Improved Council' in the country at the Local Government Chronicle (LGC) Award in 2022 provides ample evidence that it is now in a very good place. It is ambitious and has well-established and robust foundations, along with several notable and commendable practices that other councils can learn from" and seven recommendations made.

Overall progress: Action plan agreed by Cabinet in September 2023 included 20 actions which are being progressed. Progress is overseen by the Strategic Leadership Team and where relevant, actions for 2024-25 have been included in the new Year Ahead Delivery Plan.

5-8 June 2023 Findings received August 2023	Recommendation 2: Develop an externally facing compelling and positive narrative of place which will help to promote and market the borough and capitalise on Rotherham's assets.	March 2025	n/a		In progress and on track
	Recommendation 3: Use the significant investments underway to expand and attract private sector investment at scale, maximising its potential and supporting a more inclusive economic future.	March 2026	n/a		In progress and on track
	Recommendation 4: Develop effective pathways and mechanisms for local people, especially young people, to benefit from inclusive growth that can help to deliver improved health outcomes and address inequalities.	March 2025	n/a		In progress and on track
	Recommendation 5: Review performance management with a focus on demonstrating impact and an improvement in outcomes in delivering the council's	March 2025	n/a		In progress and on track

		ambition; and use the strong leadership, capacity and capability of the top-team to drive and deliver further organisational transformations and change across the borough at pace.				
		Recommendation 6: Building on the Neighbourhood working model, develop a clearer and shared understanding of integrated locality working across the public sector and increase the pace of digital transformation across the organisation to deliver improved outcomes for residents and consistently improve the customer experience.	March 2024	March 2025		In progress and on track Delayed as the following action has a revised target date of March 2025. <i>Develop a clear vision and work programme for integrated locality working under the Thriving Neighbourhoods workstream, in line with the ambitions set out in the Council Plan and Thriving Neighbourhoods Strategy.</i>

Status key

Complete	Recommendations/areas for improvement are fully complete
In progress and on track	Recommendation/area for improvement on track to be delivered by the original agreed deadline
In progress and partly delayed	Recommendation/area for improvement progressing, however target date behind the original agreed deadline
Significant delay	Recommendations/area for improvement delayed by more than twelve months past the original agreed deadline
No action required or outcome unknown	No recommendation/area for improvement, or the outcome is not yet known

Residential Children's Homes – Inspection Outcomes

Residential children's homes are inspected by HMI Ofsted under the Social Care Common Inspection Framework (SCCIF) and focus on evaluating the impact of care and support on the experiences and progress of children.

Following inspection, the children's home will receive an overall judgement based on the experiences and progress of children and young people, of Outstanding, Good, Requires Improvement to be Good, or Inadequate.

Where requirements or recommendations are made, an action plan is developed which is submitted to Ofsted detailing the progress.

The Children Act 1989 Guidance and Regulations stipulates the requirement for monthly oversight visits to Children's Homes. These visits, known as Regulation 44 Visits, are carried out under [Regulation 44 of the Children's Homes Regulations 2015](#). All residential children's homes in Rotherham receive an Independent Reg 44 visit monthly, undertaken by an Independent Person from NYAS (an independent children's rights charity). The registered Person from National Youth Advocacy Service (NYAS) seeks independent scrutiny of the home and makes best use of information to ensure continuous improvement, this includes independent oversight of any requirements or recommendations following a previous visit and/ or inspection. Ofsted reviews the content of Regulation 44 reports to inform the next inspection and uses the information to decide if we need to take any other action.

All Ofsted reports are published in the public domain, however the identity (location) of the homes remain confidential and are not disclosed in the reports. Recommendations and progress against recommendations are considered monthly with oversight from the Reg 44 visits and Ofsted. This is more frequent than the Audit Committee schedule and therefore any recommendations and progress against these are not included within this reports as they would be out of date before they were published.

The following table provides the current ratings for our four registered children's homes.

Residential Children's Home	037521	2662265	2597567	2629335	2775749	2759142 (Yet to be inspected, only registered on 20/06/24)	Peacock Lodge (Awaiting Ofsted registration)
Date of Full Inspection	11 June 2024	2 July 2024	08 April 2024	06 August 2024	29 July 2024		
Overall experiences and progress of children and young people	Good	Good	Requires Improvement to be good	Requires Improvement to be good	Good		
Sub judgements							
How well children and young people are helped and protected	Good	Good	Requires Improvement to be good	Requires Improvement to be good	Good		
The effectiveness of leaders and managers	Good	Good	Requires Improvement to be good	Requires improvement to be good	Good		

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Public Report with Exempt Appendices
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 14 January 2025

Report Title

Corporate Strategic Risk Register Update

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

No

Strategic Director Approving Submission of the Report

Jo Brown, Assistant Chief Executive

Report Author(s)

Simon Dennis (*Policy, Improvement and Risk Manager*)

Assistant Chief Executive's Department

Extension 22114

simon.dennis@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

This report forms part of the Audit Committee's remit to regularly consider risk management.

The report is the regular report on the Corporate Strategic Risk Register and aims to cover both the movements in strategic risks that have occurred over the period.

Recommendations

1. The Audit Committee is asked to consider and note the updates to the Corporate Strategic Risk Register and make any comments as necessary.

List of Appendices Included

Appendix 1 – Full Corporate Strategic Risk Register at 19 December 2024

Background Papers

Report to Audit Committee; 28 November 2023 (Risk Management Strategy and Policy 2022)

Report to Audit Committee; 9 January 2024 (Corporate Strategic Risk Register update)

Report to Audit Committee; 30 July 2024 (Annual Risk Management Summary 2023-2024)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

This paper is not intended to be circulated to other Committees or Panels and is produced solely for the Audit Committee.

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.

Corporate Strategic Risk Register Update

1. Background

1.1 The Council's ongoing risk and assurance aims are to:

- Provide Members and Senior Officers with an understanding of the key risks facing the Council and its communities, and to show how these risks are being effectively mitigated
- Implement and maintain a fluid process for business-as-usual management of risks relevant to our objectives, outcomes, services and assets
- Align reporting mechanisms for finance, risk, audit and performance providing members and senior officers triangulated risk and assurance profiles.

1.2 This report aims to summarise the principal risk management activity that has been carried out within the Council since the last report to the Committee in July. It also summarises the key movements in Strategic Risks that have occurred over the period and updates the Committee on the current risks on the Corporate Strategic Risk Register (CSRR).

2. Risk Management Responsibilities

2.1 The Council's Risk Management Policy and the separate Risk Management Guide both state that risk management is the responsibility of all Council officers. This is further set out in section 4.9 of the Policy where the specific responsibilities of all members and officers are detailed. In this section, 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.

2.2 As well as the key responsibilities set out in the Policy, 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 Policy, Improvement and Risk Manager and Officer form the Risk Champions Group. This group is responsible for co-ordinating risk management across the Council.

2.3 Overall strategic responsibility for risk management rests with the Assistant Chief Executive, with day-to-day responsibility delegated to the Policy, Improvement and Risk Manager. The team working on corporate risk management also includes a "Corporate Improvement and Risk Officer". The team's responsibilities are wider than corporate risk management, but the presence of the additional post ensures that there is resilience in the Council's risk management activity.

3. Risk Management Process

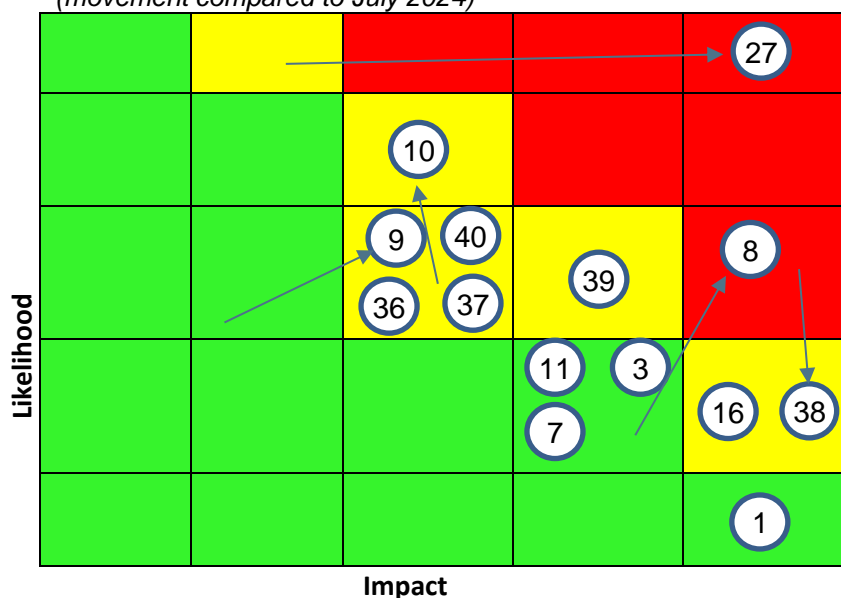
- 3.1 As set out in the Risk Management Policy and Guide, individual Service Management Teams (SMTs) and Directorate Leadership Teams (DLTs) have reviewed their risk registers in line with the Risk Management Policy and Strategy. Typically, teams review their registers every four to twelve weeks depending on the individual meeting cycle and the significance of the risks they are managing. The Council aims to achieve best practice, through DLTs considering risk at every meeting, but in a way that is proportionate to the risks being faced by the services in question.
- 3.2 The CSRR has been formally reviewed by the Strategic Leadership Team (SLT), both at joint SLT/Assistant Director meetings and at separate SLT meetings. The regular cycle of quarterly reviews has been in place throughout the 2024-25 financial year and remains in place to date.
- 3.3 The CSRR is also reported regularly to the Audit Committee alongside the annual “deep dives” of Directorate Risk Registers. Additionally, the Policy, Improvement and Risk Manager, through the Risk Champions, ensures updates are obtained from all risk owners, reviews each update, and draws attention to issues or missing risk register updates.

4. Corporate Strategic Risk Register at 6 December 2024

- 4.1 The current “heat map” for the strategic risks included in this update of the register is shown in the table below. Movements in this heat map are compared to the risks reported in July 2024’s CSRR, which was presented to the Audit Committee in the same month. Since that report, no risks have been removed from the risk register and no new risks have been added. However, there has been significant movement in the register, with five risks moving since the last report, four increasing in risk score and one reducing.

Current Risk Heat Map at 20 December 2024

(movement compared to July 2024)



- 4.2 In general terms, strategic risks change more slowly over time than operational risks. The table below shows the longer-term pattern of assessed risk on the CSRR level, covering a two-year period. Since July 2023, 33% of risks monitored at a strategic level have reduced in assessed level, 33% have remained stable and 33% have either increased or are new to the register. This shows that the Council's overall risk position is broadly stable, although the degree of movement is higher than has been seen in recent years.

Number	Risk Summary	Jul 23	Dec 23	Jul 24	Dec 24	Two year risk movement (Dec 2024 compared to July 2023) ↓ = Risk level reduced, or risk removed ↑ = Risk level increased or new risk → = Risk level static
SLT01	Children's safeguarding	10	10	5	5	↓
SLT03	Failure to deliver the Council Plan due to the pressures generated by the cost-of-living crisis	12	8	8	8	↓
SLT04	Making sustainable improvement in Children's Services	10	-	-	-	↓
SLT07	Response to a future pandemic	8	8	8	8	→
SLT08	Failure to enhance community cohesion	8	8	8	15	↑
SLT09	Communications fail to be of sufficient quality	6	6	6	9	↑
SLT10	Failure to attract new business and investment	12	12	9	12	→
SLT11	Risk of lack of effective partnership working	12	12	8	8	↓
SLT16	Financial plans and budget gap	10	10	10	10	→
SLT27	Health and Safety and operational risks from property	9	9	10	25	↑
SLT 36	Insufficient resources committed to	9	9	9	9	→

	Carbon Reduction Plan					
SLT37	Failure to manage and deliver projects	9	9	9	9	→
SLT38	Business Continuity - Closure of the PTSN Network	15	15	15	10	↓
SLT39	Maintaining a sufficient, skilled, workforce to deliver statutory services	-	12	12	12	↑
SLT40	Council housing assets do not comply with regulatory standards	-	-	9	9	↑

4.3 As noted in paragraph 4.1, since its last full update reported in July 2024, there has been no new risks added to the CSRR and no risks have been removed or de-escalated from the register. In total, there remain 14 risks on the CSRR.

4.4 Appendix 1 shows the full CSR. This document shows current mitigations in place and makes clear what mitigations are still to be delivered. The document also sets out the current target level of risk for each risk. This final column is an expression of the Council's risk appetite for that risk.

4.5 A project is underway to regenerate the CSRR from scratch. This has involved workshops with the Council's Strategic Leadership Team and Assistant Directors to consider the performance risks, wider sector risks and other risks currently facing the Council. These will be developed into a new series of risks and will form the basis of a rewritten register in the next twelve months.

5. Options considered and recommended proposal

5.1 Not applicable.

6. Consultation

6.1 The risks included in this report have been drawn from Directorate Risk Registers and the Strategic Risk Register.

7. Timetable and Accountability for Implementing this Decision

7.1 Not applicable.

8. Financial and Procurement Implications

8.1 The risks contained in the table at section 4.2 require ongoing management action. In some cases, additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the

management of these risks will be contained within overall budgets or otherwise reported through the monthly financial monitoring arrangements and to Cabinet if appropriate.

9. Legal Implications

- 9.1 There are no direct legal implications arising from the risk register. Any actions taken by the Council in response to risks identified will consider any specific legal implications.

10. Human Resources Implications

- 10.1 There are no Human Resources implications associated with the proposals.

11. Implications for Children and Young People and Vulnerable Adults

- 11.1 The Strategic Risk Register incorporates the CYPS risks that are of significance at a corporate / strategic level.

12. Equalities and Human Rights Implications

- 12.1 Proposals for addressing individual risks within the register incorporate equalities and human rights considerations where appropriate.

13. Implications for Partners and Other Directorates

- 13.1 The actions relating to any issues affecting partners are reflected in the risk register and accompanying risk mitigation action plans.

14. Risks and Mitigation

- 14.1 It is important to review the effectiveness of our approach to capturing, managing and reporting risks on an ongoing basis. This report sets out how the approach to risk management will be developed over the course of the coming year.

15. Accountable Officer:

Simon Dennis (Policy, Improvement and Risk Manager)

Approvals Obtained from: -

Jo Brown, (Assistant Chief Executive)

This report is published on the Council's website or can be found at:

Not Applicable for the Appendices – Private Report

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

Document is Restricted

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Public Report with Exempt Appendices
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 14 January 2025

Report Title

Finance and Customer 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

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

Report Author(s)

Andrew Dyson, Directorate Risk Champion
andrew.dyson@rotherham.gov.uk

Ward(s) Affected

All

Report Summary

Directorate risk registers are received annually by the Audit Committee.

This report provides an update to the Audit Committee in relation to the current position of the Finance and Customer Services Directorate Risk Register and Risk Management activity within the Directorate.

Recommendations

The Audit Committee is asked to note the progress and current position in relation to risk management activity in the Finance and Customer Services Directorate.

List of Appendices Included

Appendix 1 – Finance and Customer Services Directorate Risk Register.

Background Papers

Finance and Customer Services Risk Register to the Audit Committee in January 2024.

Asset Management Risk Register report to the Audit Committee in March 2024.

Update on Public Service Telephone Network to the Audit Committee in September 2024.

Corporate Strategic Risk Register report to the Audit Committee in July 2024.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

Yes, the appendix.

An exemption is sought for the covering report and 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.

Finance and Customer Services Directorate Risk Register Update

1. Background

- 1.1 The Finance and Customer Services Risk Register was last presented to the Audit Committee in January 2024. The Audit Committee requested a specific briefing on the Public Services Telephone Network (PSTN) – risk FCS17 & SLT38 which was presented at the September 2024 meeting.
- 1.2 The Asset Management Risk Register was last presented to the Audit Committee in March 2024. Since the last review of these risk registers Asset Management has been permanently transferred to the Finance and Customer Services Directorate. The Catering and Facilities risks were first transferred from the Regeneration and Environment Directorate to the Assistant Chief Executive's Directorate before being transferred to the Finance and Customer Services Directorate in March 2024. All of these risk registers have now been combined into one risk register for the Directorate.
- 1.3 The transfer of these risks to F&CS has taken place at the same time as significant staffing changes within these services. As a result, the priority for F&CS management has been to ensure that all relevant risks have been identified, assessed and the mitigation actions can be effectively monitored. Further work on mitigating these risks and reducing the gap between the current risk score and the target risk scores is ongoing.
- 1.4 The current Finance and Customer Services Directorate Risk Register has twenty-one risk items listed (Appendix 1).
- 1.5 Due to the nature of the work of the Finance and Customer Services Directorate some significant Directorate risks also feature on the Council's Strategic risk register, these are referenced below:
 - **FCS1 & SLT16 Directorates failing to deliver services within budget.**
Risk detail: Directorates 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.
 - **FCS17 & SLT38 PSTN impact on business continuity**
Risk detail: Impact on business continuity following the closure of the PSTN in January 2027.
 - **FCS19 & SLT27 Operational Property Estate**
Risk detail: The Council's maintenance programme needs to be designed to ensure that the estate is operational and there needs to be sufficient resources to deal with issues arising and maintain the agreed average 20% per annum which ensures that the Council has a 5-year rolling programme of condition surveys in place. The stock condition programme surveys are delivered in accordance with agreed policy and procedure.

2. Key Issues

2.1 There are five services within the Finance and Customer Services Directorate:

- Financial Services
- Customer, Information and Digital Services
- Legal Services
- Internal Audit
- Property and Facilities Services

2.2 Risks are discussed and reviewed at the Directorate Leadership Team (DLT), by individual members of DLT and, where necessary, risks are escalated to the next strategic level for inclusion on the risk register.

2.3 The Assistant Director of Property and Facilities Services has responsibility for the risks that were previously part of the Regeneration and Environment Directorate following the permanent transfer of these services to this Directorate. These risks primarily relate to the Property Estate, School Meals and Caretaking services.

2.4 As part of the programme to embed risk management into the culture of the Council, all M3 managers from the Finance and Customer Services Directorate 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. All staff are also required to complete a mandatory risk management e learning module.

2.5 The Finance and Customer Services Risk Register being presented to Audit Committee uses the Council’s detailed risk template, which includes both existing controls and actions, as well as further mitigations. The register also includes both the current score with existing measures and the target score.

2.6 Risk items which have been added or amended since the last report to Audit Committee in January 2024 include:

Risk No	Business objective	Risk Detail	Change since last report
FCS18	Adequate burial space in cemeteries to meet demand over the term of the contract.	Availability of land for burial.	<i>New Risk added. Escalated from the service risk register.</i>
FCS20	To have a Maintained Schools Capital Maintenance programme, ensuring schools are fit for purpose and safe in delivering education to communities across the borough.	By not having a planned scheme of works, identified through surveys, building could fall into a state of disrepair impacting on the ability for pupils to be educated. Budgets will not be prioritised, leading to high cost of future repair and a reactive approach to works.	<i>New Risk added . Escalated from the service risk register.</i>
FCS19 Previously R&E13	To maintain the Operational Property Estate through backlog	The Council’s maintenance programme needs to be designed to ensure that the estate is operational and there	<i>Risk renumbered and reworded.</i>

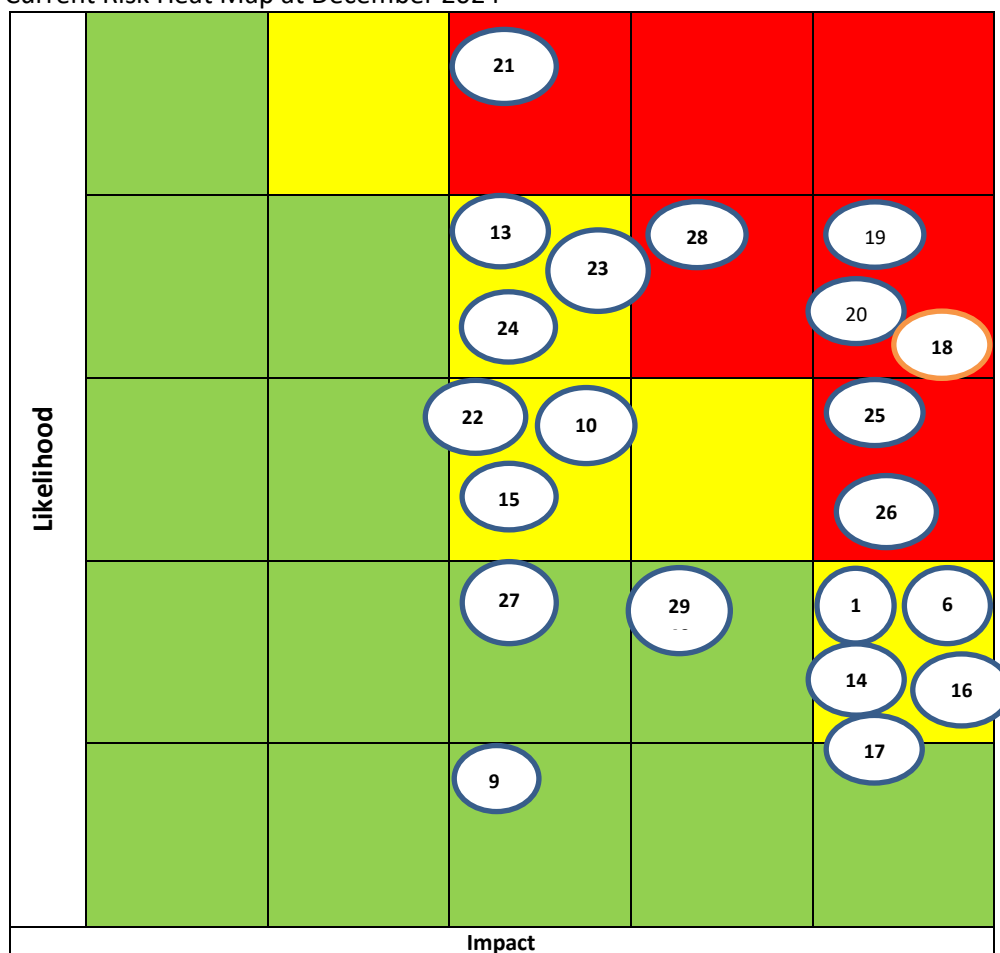
PRT13 & (SLT27)	maintenance funding & stock condition surveys.	needs to be sufficient resources to deal with issues arising and maintain the agreed average. 20% per annum which ensures that the Council has a 5-year rolling programme of condition surveys in place. The stock condition programme surveys are delivered in accordance with agreed policy and procedure.	
FCS21 Previously PRT9	To decarbonise operational properties in compliance with Corporate NZ30 target by 2030.	Failure to fund and deliver the heat decarbonisation plan that has been produced for 40 core operational buildings with an estimated £14.3m investment required to achieve the NZ30 target. If additional smaller sites are included this is projected to cost £21m.	<i>Risk renumbered.</i>
FCS22 Previously PRT38 and R&E 25	To ensure that the Corporate Landlord has an effective approach to fire safety.	The Council does not have in place the proper and required elements to ensure the safety of our buildings and ensure compliance with the relevant fire safety regulations.	<i>Risk renumbered.</i>
FCS23 Previously R&E26 PRT39	To ensure that buildings' security is maintained across the estate and ensure that measures are in place.	Potential risk to customers, staff, information and property by intruders accessing the council's buildings.	<i>Risk renumbered and reworded</i>
FCS24 Previously PRT10	To maintain a safe and fully, compliant Corporate Landlord estate (RAAC and Fire risks are separate risks).	Failure to maintain and comply with statutory and legislative compliance and approved codes of practice.	<i>Risk renumbered.</i>
FCS25 Previously R&E42 PRT48	To provide a cost-efficient property estate through effective procurement and use of energy supplies.	Budget overspends arising from increased costs of energy for the property estate.	<i>Risk renumbered.</i>
FCS26 Previously RE53 PRT54	To maintain a safe and operational Property Estate.	Risk to the structural failure of the roofing elements of buildings through the identification of Reinforced Autoclaved Aerated Concrete, (RAAC) within the initial construction.	<i>Risk renumbered.</i>
FCS27 Previously RE45	Meeting the Governments statutory School Food Standards across all Council School Catering Contracts. (Council Plan - Every child able to fulfil their potential).	The Council does not meet the legal requirement for School Food Standards due to a lack of training and knowledge, increased costs of food products and/or availability through the supply chain.	<i>Risk renumbered.</i>
FCS28 Previously PRT44	To provide a sustainable, business focused School Service (Cleaning, Catering, Caretaking) that offers value for money.	The cost of operating and providing services outweighs the income generated and the services becomes non-sustainable. Schools drop out of the current SLA's due to affordability of service and greater	<i>Risk renumbered.</i>

	(Council Plan - Every child able to fulfil their potential).	competitiveness in the marketplace.	
FCS29 Previously PRT45	Ensure all catering units have effective processes to manage food -hygiene for all customers. (Council Plan - Every child able to fulfil their potential).	Poor food hygiene standards and safety.	<i>Risk renumbered.</i>

2.7 No risk items have been removed since the last report to Audit Committee in January 2024 and March 2024.

2.8 The “heat map” below for the Finance and Customer Services Risk Register is based on the current scores at December 2024:

Current Risk Heat Map at December 2024



2.9 The table below shows the risk movement since the last report in January 2024:

Number	Risk	Dec 23 /Mar 24	Dec 24	Risk Movement (FCS Jan 24, Estates March 24, Facilities March 24 compared to Jan 25) ↓ = Risk level reduced, or risk removed ↑ = Risk level increased or new risk → = Risk level static
FCS1 (SLT1)	Directorates 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.	10	10	→
FCS6	Failure to protect children due to understaffing of the Children and Legal Team. Key risk elements include inability to recruit and retain permanent staff with the required professional expertise, also availability and retention of Locums, the increasing demand for this work and its increasing complexity.	10	10	→
FCS9	Lack of planning and effective engagement with external auditors could lead to deadlines not being achieved. Challenges from closing the 2023/24 account with the audit only finishing in November 2023 may impact deliverability of accounts 2024/25.	3	3	→
FCS10	Council Tax increases along with external pressures such inflation, energy that are impacting the cost of living may impact collection rates.	9	9	→
FCS13	Failure to effectively plan for procurement activity including contract renewals/expiry and produce 18 month (minimum) 3-5 years preferred procurement pipeline recommended as best practice by Cabinet Office.	12	12	→
FCS14	Significant service and business disruption from cyber-attack and/or data loss/breach and consequential financial penalty.	10	10	→
FCS15	Failure to comply with relevant information management and information security compliance legislation. This includes a failure to provide timely and appropriate responses to requests for information via FOI and Subject Access Requests.	9	9	→
FCS16	Ongoing rise in household living costs /inflation with consequent impact on disposable income and financial security of Rotherham Residents and Businesses.	10	10	→
FCS17	Impact on business continuity following the closure of the PSTN in January 2027.	15	10	↓
FCS18	Availability of land for burial.		20	N/A Risk escalated from service risk register.
FCS19 Previously	The Council's maintenance programme needs to be designed to ensure that the estate is operational and there needs to be	10	20	↑

R&E13 PRT13& SLT27	sufficient resources to deal with issues arising and maintain the agreed average 20% per annum which ensures that the Council has a 5-year rolling programme of condition surveys in place. The stock condition programme surveys are delivered in accordance with agreed policy and procedure.			
FCS20	By not having a planned scheme of works, identified through surveys, buildings could fall into a state of disrepair impacting on the ability for pupils to be educated. Budgets will not be prioritised, leading to high cost of future repair and a reactive approach to works.		20	N/A Risk escalated from service risk register.
FCS21 Previously PRT9	Failure to fund and deliver the heat decarbonisation plan that has been produced for 40 core operational buildings with an estimated £14.3m investment required to achieve the NZ30 target. If additional smaller sites are included this is projected to cost £21m.	15	15	→
FCS 22 Previously PRT38 and R&E 25	The Council does not have in place the proper and required elements to ensure the safety of our buildings and ensure compliance with the relevant fire safety regulations.	16	9	↓
FCS23 Previously R&E 26 & PRT39	Potential risk to customers, staff, information and property by intruders accessing the council's buildings.	12	12	→
FCS24 Previously PRT10	Failure to maintain and comply with statutory and legislative compliance and approved codes of practice.	12	12	→
FCS25 Previously R&E42& PRT48	Budget overspends arising from increased costs of energy for the property estate.	15	15	→
FCS26 Previously RE53& PRT54	Risk to the structural failure of the roofing elements of buildings through the identification of Reinforced Autoclaved Aerated Concrete, (RAAC) within the initial construction.	15	15	→
FCS27 Previously RE45	The Council does not meet the legal requirement for School Food Standards due to a lack of training and knowledge, increased costs of food products and/or availability through the supply chain.	6	6	→
FCS28 Previously PRT44	The cost of operating and providing services outweighs the income generated and the services becomes non-sustainable.	16	16	→

	Schools drop out of the current SLA's due to affordability of service and greater competitiveness in the marketplace.			
FCS29	Poor food hygiene standards and safety.	8	8	→
Previously PRT45				

2.10 Seven of the twenty-one risks on the Finance and Customer Services Risk Register are currently assessed as being a high risk, marked as 'Red' on Appendix 1. These are:

- **FCS18 Burial space in cemeteries**
Risk detail: Availability of land for burial.
- **FCS19 (SLT27) Property Maintenance Programme.**
Risk detail: The Council's maintenance programme needs to be designed to ensure that the estate is operational and there needs to be sufficient resources to deal with issues arising and maintain the agreed average 20% per annum which ensures that the Council has a 5-year rolling programme of condition surveys in place. The stock condition programme surveys are delivered in accordance with agreed policy and procedure.
- **FCS20 Planned Scheme of works for Property Maintenance.**
Risk detail: By not having a planned scheme of works, identified through surveys, building could fall into a state of disrepair impacting on the ability for pupils to be educated. Budgets will not be prioritised, leading to high cost of future repair and a reactive approach to works.
- **FCS21 Fund and deliver the heat decarbonisation plan.**
Risk detail: Failure to fund and deliver the heat decarbonisation plan that has been produced for 40 core operational buildings with an estimated £14.3m investment required to achieve the NZ30 target. If additional smaller sites are included this is projected to cost £21m.
- **FCS25 Increased costs of energy for the property estate.**
Risk detail: Budget overspends arising from increased costs of energy for the property estate.
- **FCS26 Structural failure of roofing elements.**
Risk detail: Risk to the structural failure of the roofing elements of buildings through the identification of Reinforced Autoclaved Aerated Concrete, (RAAC) within the initial construction.
- **FCS28 Services become financially untenable.**
Risk detail: The cost of operating and providing services outweighs the income generated and the services becomes non-sustainable.

Schools drop out of the current SLA's due to affordability of service and greater competitiveness in the marketplace.

- 2.11 Risk Register entries are closely linked to the Service Plans, Team Plans, Reports and Service meeting agendas across the directorate.
- 2.12 Progress against key actions to mitigate the above risks is monitored through management team meetings.

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 Finance and Customer Services Directorate and comment as required.

4 Consultation on proposal

- 4.1 The Corporate Strategic Risk Register is reviewed quarterly by the Strategic Leadership Team, and the Finance and Customer Services Risk Register is reviewed quarterly by the Directorate Leadership Team. A strategic Risk Champions Forum is also in place and the Finance and Customer Services Directorate is actively represented at all meetings.

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

7 Legal Advice and Implications

- 7.1 There are no direct legal implications arising from the Finance and Customer Services Directorate Risk Register. Any actions taken by the 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. However, the risks contained in the Finance and Customer Services Risk Register (Appendix 1).

9 Implications for Children and Young People and Vulnerable Adults

- 9.1 There are no direct implications arising from this report. Children and young people and vulnerable adult implications linked to risk mitigations are closely scrutinised and monitored.

10 Equalities and Human Rights Advice and Implications

10.1 There are no direct equality implications arising from this report.

11 Implications for CO2 Emissions and Climate Change

11.1 **FCS32** includes CO2 emissions and climate change implications from this report.

12 Implications for Partners

12.1 Actions relating to issues affecting partners are reflected in the risk register and closely scrutinised and monitored.

13 Risks and Mitigation

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

14 Accountable Officer(s)

*Report Author: Andrew Dyson, Finance and Customer Services
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Public Report
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 14 January 2025

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

Report 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.

Recommendations

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 that 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 direct financial or procurement implications 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 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 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.

Accountable Officer(s)

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

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
March 2025	Treasury Management	Treasury Management Quarterly Update	Rob Mahon
	Governance Risk and Control	Procurement Annual Report	Karen Middlebrook
	Internal Audit / Governance Risk and Control	IA Progress Report	Louise Ivens
	Internal Audit	IA Annual Plan	Louise Ivens
	Internal Audit	Public Sector Internal Audit Standards/ Internal Audit Quality Assurance and Improvement Plan and Audit Charter	Louise Ivens
	Internal Audit	External Assessment of Internal Audit	Louise Ivens
	Governance Risk and Control	Risk Management Directorate Presentation - Children and Young People's Service	Nicola Curley
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens
June 2025	Financial Reporting	Draft Statement of Accounts	Rob Mahon

	Governance Risk and Control	Draft Annual Governance Statement	Judith Badger
	External Audit	External Audit Plan and Progress Update	Grant Thornton
	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
July 2025	External Audit	External Audit Progress Report	Grant Thornton
	Treasury Management	Annual Treasury Management Report	Rob Mahon
	Governance Risk and Control	Dedicated Schools Grant	Joshua Amahwe
	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
September 2025	Treasury Management	Treasury Management Quarterly Update	Rob Mahon
	Financial Reporting	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 2025	Financial Reporting	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 and quarterly update	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	Andrew Bramidge
	Internal Audit / Governance Risk and Control	IA Progress Report	Louise Ivens
	Audit Committee Accountability	Audit Committee Forward Work Plan	Louise Ivens
January 2026	Governance Risk and Control	Chief Executive Presentation	Sharon Kemp
	Financial Reporting	Final Accounts closedown and accounting policies	Rob Mahon
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance Risk and Control	Value for Money Opinion	Grant Thornton
	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

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