

**AUDIT COMMITTEE
30th September, 2021**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Browne, Wilson, Wyatt and John Barber (Independent Person).

Gareth Milles (Grant Thornton) attended the meeting by telephone.

Councillor Sheppard, Cabinet Member for Social Inclusion, was in attendance at the invitation of the Chair for Minute No. 44 (Assistant Chief Executive Directorate Risk Register).

An apology for absence was received from Councillor Barley.

34. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

35. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

36. 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. 40 (Internal audit Progress Report – Appendix C), Minute No. 44 (Assistant Chief Executive Directorate Risk Register Appendix) and Minute No. 46 (Review of Grant Thornton's UKLLPs Audit of Rotherham Metropolitan Borough Council Financial Statement and the Value for Money (VfM) Arrangements Conclusion for the Year Ending 31st March, 2020) as they involve the likely disclosure of exempt information as defined in the Paragraphs 3 (financial information) and 7 (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 to the Local Government Act 1972.

37. MINUTES OF THE PREVIOUS MEETING HELD ON 29TH JULY, 2021

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 29th July, 2021.

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

38. AUDITED STATEMENT OF ACCOUNTS 2020/21

Further to Minute No. 20 of the 29th July, 2021, Rob Mahon, Head of Corporate Finance, presented the revised version of the Council's final accounts. The Council intended to publish the revised final accounts on the Council's website following approval from the Committee and the Council's Section 151 Officer.

As previously reported, it was not possible to submit an audited set of accounts nor a final/draft ISA260 report as insufficient progress had been made to date on the audit by the Council's external auditor, Grant Thornton.

At present there had been no significant material adjustment identified by the external auditor that required an adjustment to the Council's accounts. However, information had been received from the South Yorkshire Pensions Authority relating to a significant change in their fair value investment asset valuations for 2021/22. The draft accounts were published on the basis of the IAS19 report that the actuary provided to the Council, however, the valuation of investment assets at this point was based on data available as at 31st January, 2021. Following the closure of SYPA accounts, they had reviewed their valuations and updated the fair value of investment assets. The outcome was a material difference in the value of their assets and a knock-on impact for the Council of a £20M increase in pension fund assets that had to be disclosed within the Council's ISA19 note. The change did not impact the Council's budget outturn position for 2020/21.

The external audit had now commenced and no other material changes identified so far. Following completion of the audit, Grant Thornton would produce a draft ISA260 and any issues found in the audit.

There were no changes to the narrative report which had been submitted to the Committee in July.

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

- The fair value assessment valuation of the multi million pound pension fund had resulted in a material difference in the value of its assets. There had been a material change in 2019/2020 between the draft and final accounts
- This would have been raised by the external auditor had it not already been picked up and adjusted accordingly
- It was a relative common update to the annual draft accounts across the local authority sector. Forecasts were sought from SYPA in January/February to meet the Council's draft accounts deadline

Resolved:- (1) That, having taken due regard of the current position of the external audit, the 2020/21 Statement of Accounts attached as Appendix 1 be approved for publication as final together with the 2020/21 Narrative Report attached as Appendix 2.

(2) That it be noted that the ISA260 will be submitted to a future Audit Committee for review once Grant Thornton have completed their audit work.

39. ANNUAL GOVERNANCE STATEMENT 2020/21

Further to Minute No. 24 of the meeting held on 29th July, 2021, David Webster, Head of Internal Audit, presented the final version of the Annual Governance Statement (AGS) for approval.

COVID-19 had had a significant impact throughout the year and was reflected in the AGS including actions taken in response to the pandemic and lockdown.

Recommended practice required the Leader of the Council and the Chief Executive to sign the Annual Governance Statement prior to its publication alongside the Audited Statement of Accounts.

Resolved:- (1) That the final 2020/21 Annual Governance Statement be approved.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to publication of the Annual Governance Statement be noted.

40. INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st June to 31st August, 2021, and the key issues that had arisen therefrom. The current position of the plan was outlined in Appendix A to the report.

Twelve audits had been finalised since the last Committee meeting of which 6 had received Reasonable Assurance and 6 Substantial Assurance as set out in Appendix B to the report.

Internal Audit also carried out unplanned responsive work and investigations into any allegations of fraud, corruption or other irregularity. There was one report of this type issued since the last meeting (Appendix C).

Internal Audit's performance against a number of indicators was summarised in Appendix D. Target performance was almost achieved in March due to 2 complex reports, however, all indicators had been achieved in June to August.

Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. The number of outstanding actions currently stood at 9, 4 of which were due to be completed by the end of the month.

The previous issue of a high number of outstanding actions had already been resolved through the actions of the Chief Executive and Strategic Leadership Team who had been very supportive.

Discussion ensued with the following issues raised/clarified:-

- Pleasing to hear that discussions took place across the Council to develop the next Internal Audit Plan
- Details of the unplanned responsive work taking place
- Any suspected area of fraud should be reported to Internal Audit who would carry out a fraud investigation. Internal Audit would work with the senior management of the Directorate concerned

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st June to 31st August 2021, and the key issues that have arisen from it be noted.

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

(3) That once complete, the outcome of the unplanned responsive work be submitted to the Committee including consideration as to whether it would be appropriate for the relevant members of staff to pursue a Certificate in International Quality Management System Standard.

(Appendix C was considered in the absence of the press and public in accordance with Paragraph 7 of the Act – information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime)

41. INTERNAL AUDIT CHARTER UPDATE

Further to Minute No. 112 of the meeting of the Audit Committee held on 29th September, 2020, David Webster, Head of Internal Audit, presented the revised Internal Audit Charter.

The Charter, which in effect was the Terms of Reference of the Internal Audit Department, was aligned to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN)

which was mandatory for all Local Government audit departments. It also took account of the contents of the CIPFA Statement on the Role of the Head of Internal Audit. The Charter must be reviewed periodically and presented to the Audit Committee for approval.

Although none of the requirements had changed in the last year, there was one change made to the Charter outlining the use of Salford Internal Audit Services to provide ICT audits.

The Charter outlines the regulatory requirements for Internal Audit and detailed:

- The Mission, Definition, Core Principles and Code of Ethics of Internal Audit.
- The Independence, Role, Scope of Work, Responsibilities, Reporting arrangements, Relationships, Resources and Performance Reporting of Internal Audit.
- The role of Internal Audit in reducing and investigating fraud, and in consulting services.

It was noted that IT auditing was a very specialised field and there would be not be enough work within the Authority to justify the employment of a full-time IT auditor. The best compromise was to buy in that expertise; Salford Internal Audit Services provided the service for a number of authorities.

Resolved:- That the Internal Audit Charter, as now submitted, be approved.

42. ANTI-FRAUD AND CORRUPTION POLICY, STRATEGY AND SELF-ASSESSMENT AGAINST CIPFA CODE OF PRACTICE

Further to Minute No. 8 of the Audit Committee meeting held on 29th September, 2020, consideration was given to a report presented by David Webster, Head of Internal Audit. It detailed the proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy following an annual review process designed to ensure that the Policy and Strategy were up-to-date with current best practice and to take into account any changes to the Council's organisational structure.

The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption required an annual report on performance against the Strategy.

The Council's updated Anti-Fraud and Corruption Policy was attached at Appendix A of the report submitted together with the updated Strategy at Appendix B. Appendix C of the report contained an update to the self-assessment against the CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. This led to the action plan for maintaining/developing the Council's arrangements.

The main changes to the documents were:-

- Reference to anti-fraud work relating to Covid grants
- Reference to annual exercises examining the electoral roll and single person's discounts

Discussion ensued with the following issues raised:-

- A new e-learning course had been prepared and ready to be rolled out to the relevant officers within the Council to ensure they were aware of the possibility of fraud and what to do if they suspected it
- All anti-fraud and whistleblowing policies were published on the intranet, their publication was included in management briefings
- Whistleblowing referrals were received which confirmed that staff were aware of the process - approximately 5-6 whistleblowing referrals had been received so far this year
- Such referrals could be investigated by Internal Audit/HR or management
- All staff should have an awareness of anti-fraud and what to do if they suspected something was not right but should everyone undertake a course? Possibility of a shorter/awareness raising course?

Resolved:- (1) That the revised Anti-Fraud and Corruption Policy and Strategy be approved and the proposed actions intended to strengthen the Council's fraud and corruption arrangements be noted.

(2) That consideration be given to an awareness raising e-learning course for all staff and the Anti-Fraud and Corruption Policy and Strategy be included in the weekly briefings.

43. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee covering the period November, 2021 to September, 2022.

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

44. ASSISTANT CHIEF EXECUTIVE DIRECTORATE RISK REGISTER

Consideration was given to a report presented by Jo Brown, Assistant Chief Executive, supported by Simon Dennis, Acting Head of Policy, Performance and Intelligence, Tanya Lound, Acting Corporate Improvement and Risk Manager and Rob Savage, Acting Head of Change and Innovation, providing details of the Risk Register and risk management activity within the Assistant Chief Executive's Directorate.

Councillor Sheppard, Cabinet Member for Social Inclusion, was also present.

Due to the nature of the work of the Assistant Chief Executives Directorate, 5 of the 14 risks also featured on the Council's Strategic Risk Register. These were:-

- Building stronger communities and thriving neighbourhoods
- Tackling family poverty
- Hope and confidence in Rotherham
- Effective partnership working within and beyond Rotherham to maximise benefits to residents, service users and businesses
- Reduction of carbon emissions for the Council and the Borough

Attention was drawn to:-

- Regular discussion/review at the Directorate Leadership Team meeting. Where necessary any risk was escalated to the next strategic level for inclusion on the risk register
- Due to the broad policy agendas within the Directorate's oversight but delivery resting within other parts of the Council, strong linkages to ensure performance was monitored
- Risk register reviewed and revised accordingly to align with the Council Plan key priorities
- In the last 9 months the direction of travel for the risk ratings had been downward
- Discussions were taking place at Chief Executives and Leaders level with regards to the management and delivery of the vulnerable people resettlement scheme which was out of local authorities' control. The Government had contracted directly with a company to prepare properties across the region/country. Local councils were only consultees to the process

Resolved:- That the progress and current position in relation to risk management activity in the Assistant Chief Executive's Directorate, as detailed in the report now submitted, be noted.

(The appendix was considered in the absence of the press and public under Section 3 of the Act (financial information) of Part 1 of Schedule 12(A))

45. REVIEW OF GRANT THORNTON UK LLP'S AUDIT OF ROTHERHAM METROPOLITAN BOROUGH COUNCIL'S FINANCIAL STATEMENTS AND THE VALUE FOR MONEY (VFM) ARRANGEMENTS CONCLUSION FOR THE YEAR ENDED 31ST MARCH, 2020

Gareth Mills, Grant Thornton, presented the report submitted illustrating the findings of the Financial Reporting Council's review of the external audit work carried out by Grant Thornton for the 2019-20 financial year.

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The review covered both accounts, audit and the value for money arrangements review. Files were graded on a 4 point basis – 1 (Good), 2 (Limited improvement required), 3 (Improvements required) and 4 (Significant improvements required). Acceptable level was now Grade 2.

Both Grant Thornton's accounts and value for money audit work were graded at level 2 with only limited improvements required.

Discussion ensued with the following issues raised/clarified:-

- There were no findings on the 4 main audit risks – PPE and Investment Property valuations, Rotherham's share of the South Yorkshire Pension Fund deficit, use of journals and value for money (Dedicated Schools Grant) deficit
- The next external audit would include work on MRP calculations and have a specific commentary in the ISA260 report
- New value for money arrangements review to be submitted to the January Committee meeting

Resolved:- That the report be noted.

(Exempt under Paragraph 3 (financial information) of Part 1 of Schedule 12A)

46. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

47. URGENT BUSINESS

There was no urgent business to be considered.

48. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 30th November, 2021, commencing at 2.00 p.m. in Rotherham Town Hall.