

**AUDIT COMMITTEE
30th November, 2021**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Browne and Mr. J. Barber (Independent Person).

Messrs. G. Mills and Thilina De Zoya (Grant Thornton) were also in attendance.

Apologies for absence were received from Councillor Barley, Wilson and Wyatt.

49. 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. 63 (Internal audit Progress Report – Appendix C), and Minute No. 66 (Regeneration and Environment Directorate Risk Register Appendix) as they involve the likely disclosure of exempt information as defined in 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.

50. MATTERS OF URGENCY

There were no items of urgency to be considered.

51. MINUTES OF THE PREVIOUS MEETING HELD ON 30TH SEPTEMBER, 2021

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 30th September, 2021.

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

52. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

53. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

54. STATEMENT OF ACCOUNTS - EXTERNAL AUDIT REPORT ISA260

Further to Minute No. 38 of the meeting held on 30th September, 2021, consideration was given to the ISA260 presented by Gareth Mills, on behalf of Grant Thornton. As previously reported, the final publication had been delayed due to national issues with public sector audit requirements.

Due to the Value for Money (VFM) work having not yet been completed, Grant Thornton were not in a position to issue the Auditor's Annual Report. It was expected to issue this before the end of February 2022, in line with the National Audit Office's revised deadlines requiring the Auditor's Annual Report (AAR) to be issued no more than 3 months after the date of the opinion on the financial statements.

The audit of the Council's financial statements had been substantially completed and, subject to the outstanding queries being resolved, it was anticipated issuing an unqualified (clean) audit opinion by 30th November, 2021.

One possible risk of significant weakness had been identified in relation to the Dedicated Schools Grant deficit position. Further procedures had been performed in respect of this risk and consideration given to the Council's arrangements in place, actions being taken to address the deficit and the Council's engagement with relevant key stakeholders. It had been concluded that there was no residual risk of significant weakness at the time of Grant Thornton's financial statement audit opinion date. Further work on this matter and reporting would be captured in the AAR.

The report also highlighted:-

- No issues identified in respect of management override of controls
- One immaterial disclosure error but had no impact on the Council's useable Reserves and management had amended the accounts to correct this
- Valuation of pension fund net liability as reported at the previous meeting
- No issues identified in respect of management key judgements and estimates made by management

The ISA260 also confirmed that working papers were of a high standard and the audit queries were dealt with in a timely and efficient manner.

Discussion ensued with the following issues raised/clarified:-

- The DSG position would be considered in more detail as part of the VFM work which looked at the arrangements in place regarding governance in terms of how the DSG position was being managed and monitored. However, Grant Thornton was acutely aware of the situation in Rotherham and the active engagement with stakeholders
- It was hoped to meet the 30th September 2022 deadline but it was still a challenge for public sector audit
- It was hoped to sign off the audit on 30th November but if not 3rd December at the latest.
- It was hoped the VFM audit could be issued in January 2022

Resolved:- That, having taken due regard of the External Audit findings detailed within the ISA260 report, the 2020/21 audited Statement of Accounts, as submitted at Appendix 2, be approved for publication as final and the 2020/21 Narrative Report (Appendix 3) be signed and approved for publication as final.

55. ESTIMATION TECHNIQUES

Rob Mahon, Head of Corporate Finance, presented for information a series of slides which informed the audit risk assessment for the Council for the 2020/21 External Audit.

The slides illustrated the two-way communication between the Council's External Auditors and the Audit Committee as 'those charged with governance'. They also covered some of the important areas of the auditor risk assessment where the External Auditor was required to make inquiries of the Audit Committee under auditing standards.

As part of the assessment procedures, the External Auditor was required to obtain an understanding of management processes and the Council's oversight of:-

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

It was noted that the questions posed by Grant Thornton were in line with the revised Auditing Standards. The Council's Finance Team had responded to the questions and set out how they had arrived at their estimations and judgement. For the 2021/22 accounts, this paper would be submitted prior to the Statement of Accounts to enable the Committee to have sight of the questions and responses.

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

(2) That future reports include a commentary as to whether the responses provided by the Council's Finance Team were satisfactory to the External Auditor.

56. EXTERNAL AUDIT RE-PROCUREMENT

Rob Mahon, Head of Corporate Finance, presented a report on the re-procurement of External Audit. The Council's current External Auditor was Grant Thornton under a contract managed by Public Sector Audit Appointments Limited (PSAA). This contract would expire at the end of the 2022/23 financial year.

AUDIT COMMITTEE - 30/11/21

The report set out the options available for the future procurement of the external audit function:-

- The Council could continue to take part in the national procurement undertaken by PSAA
- Procure individually
- Seek to carry out a joint procurement along with (probably) neighbouring local authorities and/or the Sheffield City Region

The report highlighted the advantages and disadvantages of each of the 3 options.

If the Council was to remain within the PSAA national procurement scheme, the deadline for opting into this process was Friday, 11th March, 2022.

Resolved:- (1) That the option to continue to take part in the national procurement undertaken by Public Sector Audit Appointments Limited (PSAA) be the preferred option for the re-procurement of the External Audit function.

(2) That the report be referred to Council for approval.

57. **MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT - 2021/22**

Consideration was given to the report presented by Rob Mahon, Head of Corporate Finance, outlining the mid-year treasury review which also incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's Prudential Indicators.

The review, as set out in the Appendix submitted, provided detail of mid-year performance against the plan, the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

With regard to investments, the primary governing principle remained security over return and the criteria for selecting counterparties continued to reflect this.

The Council would maintain its strategy of being under-borrowed against the capital financing requirement. Whilst the Council would continue to utilise the short term borrowing strategy to maximise savings within Treasury Management, the opportunity had arisen during the first half of 2021/22 to access some long term (50 years) PWLB rates. During July and August, 2021, £120M of long term PWLB borrowing was taken (£100M General Fund at 1.54%, £10M HRA at 1.81%, £10M HRA at 1.86%). This was to take advantage of the low PWLB borrowing rates available at the time and would be used to replace short term borrowing

as it matured. The borrowing position would remain under review and an update of the Strategy would be submitted to Members within the Budget and Council Tax 2022/23 report to Council in March 2022.

All governance, strategies and monitoring were undertaken by the Audit Committee.

The report illustrated how the underlying economic and financial environment remained difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encouraged the Council to continue maintaining investments short term and with low risk counterparties; the downside of such a policy being that investment returns remained low. This situation had been further exacerbated by the economic impact of the Covid-19 pandemic, that had seen the Bank of England base rate fall to 0.1%.

The Council's use of long term PWLB borrowing would result in the level of short term borrowing gradually falling as short term borrowing matured. With long term borrowing rates forecast to rise over the next 3 years, this strategy had taken advantage of historically low long term borrowing rates. This provided certainty of borrowing costs and mitigated the risk of borrowing having to be taken in the future at potentially higher rates. In the short term the cost of borrowing would increase as the long term borrowing was at a higher rate than the short term borrowing it was replaced though this impact was factored into the Council's financial monitoring position.

PWLB rates fluctuated; during 2021/22 to date the rates had seen highs of 2.3% for a 50 year PWLB loan and lows of 1.5%. The immediate impact of this had seen short term borrowing falling to as little as 0.3% for 6 months. This had allowed the Council to make greater short term borrowing savings than anticipated whilst always being able to soak up additional interest rate costs of taking long term borrowing at the significantly low levels sooner than planned.

The Council continued to keep interest rates under constant review within its borrowing strategies and decisions on the mix of long term and short term borrowing.

It was confirmed that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs (aside from the under 12 months indicator referenced above) had not changed from that set out in the approved Treasury Management Strategy (March 2021).

Resolved:- That the report be noted.

58. CODE OF CORPORATE GOVERNANCE

David Webster, Head of Internal Audit, submitted the refreshed Council Code of Corporate Governance for consideration. It was presented at the meeting by Simon Dennis, Corporate Improvement and Risk Manager. There had been no new revisions to the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) guidance on delivering good governance in local government. However, it was good practice to review and revise the Council Code on an annual basis.

An annual review of the Code had been completed to ensure it remained up-to-date and relevant to the Council. Amendments had been made to include relevant elements of the Council's response to the COVID-19 pandemic as it had developed as well as other minor amendments where necessary.

The 7 key principles set out in the guidance which underpinned the governance of each local government organisation had not changed. The Rotherham Code followed each of the principles and demonstrated how they were applied and evidenced in practice.

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

59. ANNUAL GOVERNANCE STATEMENT

David Webster, Head of Internal Audit, presented the Annual Governance Statement (AGS) for approval. The draft AGS had been presented to the Committee in July 2021 for the 2020/21 financial year and was published with the Council's financial statements. It was further reviewed at the 30th September Committee meeting and published with the Council's financial statements, however, at that time the External Auditors, Grant Thornton, had not concluded their review of the AGS. That review was now complete with the few points raised resulting in minor amendments to the AGS.

The full AGS was attached as Appendix A.

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

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

60. RISK MANAGEMENT STRATEGY AND POLICY

Further to Minute No. 48 of the meeting held on 26th November, 2019, Simon Dennis, Corporate Risk Manager, submitted proposed minimal changes to the Risk Policy and Strategy.

The changes to the Policy and Guide were minor and mainly to improve clarity of information for users. The last extensive refresh of the Policy and Guide was undertaken in 2018.

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

Resolved:- (1) That the revised Risk Policy and Strategy be approved.

(2) That future reports include reference to the International Standard of Risk Management in the list of background papers.

61. IG/GDPR ANNUAL REPORT 2020/21

Consideration was given to an update and annual report presented by Paul Vessey, Head of Information Management, on the Council's compliance with the General Data Protection Regulation (GDPR) and the Data Protection Act (DPA).

Monitoring of the Council's compliance with GDPR and DPA was carried out by the Corporate Information Governance Group (CIGG) which had representatives from all Directorates and Chaired by the Council's Senior Information Risk Officer (SIRO). Any risks relating to Information Governance, including GDPR and Data Protection were monitored on a regular basis by the group. Risks and actions were logged and reviewed at CIGG meetings and, if necessary, escalated in line with the Council's risk management processes.

The key issues were:-

- Maintain compliance
Compliance with Data Protection principles was a continuous project
CIGG fulfilled a core function in monitoring and overseeing information risks
Regularly monitored the effectiveness of the Council's Data Protection Policies and each Directorate's Information Governance and Data Protection processes
- Monitor performance of Freedom of Information (FOI) and Right of Access requests
Slight increase in the number of FOIs completed on time – 87% 2019/20 91% 2021/21

AUDIT COMMITTEE - 30/11/21

Decrease in the number of Right of Access Requests (ROARs) received – 188 (2019/20) 162 (2020/21) but also decrease in the number completed on time (64%-43%)

Appendix 1 of the report submitted provided performance for the last 4 financial years.

Discussion issued with the following issues raised/clarified:-

- Performance would continue to be closely monitored with the focus on improvement
- Requests varied substantially in complexity and workload making analysing, allocating resources and forecasting problematic. In practical terms this meant that until a request was received, it could not be known how long it would take to complete
- Joint requests for information were a cause for concern and work was taking place on how the process could be improved for determining which Directorate was to provide the response
- An audit had been undertaken of the figures to provide assurance that the processes in place in terms how ROARs were dealt with were robust. It was found that delays in service had arisen mostly due to the complexity of cases, pressures on service and the pandemic. The outcomes of the report were being worked through
- A monthly reporting process had been activated
- FOI requests could be turned down if they were vexatious and/or other reasons. The number of these were not currently captured in the information presented
- There was no bench marking with other authorities

Since the last report submitted on 26th November, 2019 (Minute No. 48 refers), all outstanding tasks had been completed and all required policies and processes for compliance with GDPR and DPA were now in place and embedded within the organisation. It was now the responsibility of all Directorates and Service areas to comply with the Council's Data Protection policies and procedures.

Resolved:- (1) That the General Data Protection Regulation annual report 2019/20 be noted.

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

(3) That future reports include the number of Freedom of Information requests refused and any breaches of the GDPR Regulations.

62. 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 September to 31st October, 2021, and the key issues that had arisen therefrom. The current position of the plan was outlined in Appendix A to the report.

Six audits had been finalised since the last Committee meeting of which one had received Partial Assurance and 5 Reasonable/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 had been 3 reports 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 but was affected by sickness within the Team, however, all other 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 3 all 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.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st September to 31st October, 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 Appendix D of the report be updated to reflect the comments made at the meeting for future reports.

(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)

63. AUDIT COMMITTEE FORWARD WORK PLAN

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

It was noted that the Strategic Risk Register and Annual Report (Value for Money) would not be considered at the January meeting.

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

64. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

65. REGENERATION AND ENVIRONMENT DIRECTORATE RISK REGISTER

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

2 of the 19 risks also feature on the Council's Strategic Risk Register i.e.

- To Maintain a Safe and Operational Property Estate
- Achieving Economic Growth

Discussion ensued with the following issues raised:-

- Some of the risks were not within the Council's overall control
- Tree replacement consisted of native and non-native species dependent upon their location and ability to cope with local conditions
- Cautionary approach taken to the safe delivery of events in the Borough

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

66. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting of the Audit Committee be held on Tuesday, 11th January, 2022, commencing at 2.00 p.m. in Rotherham Town Hall.