

**AUDIT COMMITTEE  
27th September, 2022**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Cowen together with John Barber (Independent Person).

Thilina de Zoysa (Gareth Thornton) was also in attendance.

Apologies for absence were received from Councillors Mills and Wyatt.

**30. DECLARATIONS OF INTEREST**

There were no declarations of interest made at the meeting.

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

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

**32. 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. 35 (Assistant Chief Executive's Directorate Risk Register – Appendix 1) as it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

**33. MINUTES OF THE PREVIOUS MEETINGS HELD ON 28TH JUNE AND 28TH JULY, 2022**

Consideration was given to the minutes of the previous meetings of the Audit Committee held on 28<sup>th</sup> June and 28<sup>th</sup> July, 2022.

It was noted that Minute No. 6 of the meeting held on 28<sup>th</sup> June, 2022, should read "Audit Committee Annual Report 2021-22" and not Internal Audit Annual Report and that Minute No. 8 should read "Internal Audit Annual Report 2021-22" not Audit Committee Annual Report.

Discussion also ensued on recommendations contained within reports to the Committee and the requirements for them to be clear as to what action the Committee was being requested to take.

Resolved:- That the minutes of the previous meeting of the Audit Committee, with the clerical corrections as reported, be approved as a correct record of proceedings.

### 34. ASSISTANT CHIEF EXECUTIVE DIRECTORATE RISK REGISTER

Consideration was given to a report presented by Jo Brown, Assistant Chief Executive, supported by Fiona Boden, Head of Policy, Performance and Intelligence, Lee Mann, Assistant Director of Human Resources and Organisation Development and Tanya Lound, Corporate Improvement and Risk Officer, providing details of the Risk Register and risk management activity within the Assistant Chief Executive's Directorate.

Due to the nature of the work of the Assistant Chief Executives Directorate, 4 of the 16 risks also featured on the Council's Strategic Risk Register. These were:-

- Building stronger communities and thriving neighbourhoods
- Delivery of the Council's corporate priorities in the context of the cost of living crisis
- Hope and confidence in Rotherham
- Effective partnership working within and beyond Rotherham to maximise benefits to residents, service users and businesses

Risks were regularly discussed and reviewed at the Directorate Leadership Team by individual members of DLT and where necessary escalated to the next strategic level for inclusion on the risk register. The Assistant Director of Human Resources and Organisation Development also managed a service level risk register.

As part of the programme to embed risk management into the culture of the Council, all managers from the Assistant Chief Executive Directorate were required to attend the mandatory "Risk Management Training for Managers" workshops. New managers were invited to attend workshops as soon as possible after commencement in role.

The revised risk register (Appendix 1) aligned to the new Council Plan and Year Ahead Delivery Plan. Since the last report to the Committee in September, 2021, 3 risks had been amended, 4 risks added and 3 risks removed. There was only one risk currently assessed as being high risk and marked Red on the register.

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

- The Local Authority had a duty for the safeguarding and safety of individuals within the Borough, however, currently the management and delivery of the vulnerable people resettlement scheme was out of local authorities' control and local councils were only consultees to the process
- A new Strategy or Plan often led to consideration as to what would happen if it was not delivered hence the new risks added e.g. delivery of the Workforce Plan
- The risk register was reviewed on a monthly basis at DLT with new risks captured as they arose

- The 3 risks removed from the register were linked to the new risks that had been added to ensure they were up-to-date and reflected the current position

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.

### **35. FINAL UNAUDITED STATEMENT OF ACCOUNTS 2021/22**

Further to Minute No. 19 of the Audit Committee held on 28<sup>th</sup> July, 2022, Rob Mahon, Assistant Director Financial Services, 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 at the current time. The Council's external auditor, Grant Thornton, had indicated that they would be able to meet the revised audit deadline of 30<sup>th</sup> November, 2022.

The External Audit was progressing well with no significant pressures to note at this point in time. The revised statement of accounts would be published on the Council's website with the audited statement of accounts and ISO260 report submitted to the 29<sup>th</sup> November meeting of the Audit Committee.

An material adjustment had been identified by Grant Thornton with regard to the carrying value of plant, vehicles and equipment (PVE) assets held by the Council. A number of items had been identified which were still on the Council's balance sheet but had been disposed of in prior years. These were largely lower value assets that had been fully depreciated so held a net book value of £0 but had a gross book value remaining on the asset register that needed to be cleared. The total value of the adjustment was in the process of being identified but would be greater than £13M. The accounts would be updated when the figure was confirmed, however, it did not impact the Council's budget position of outturn position for 2021/22.

Thilina de Zoysa confirmed that the audit was progressing well and that there were weekly meetings to discuss progress. There were no significant issues at present that would impact on the completion of the audit.

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

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- They were incredibly uncertain times the country was facing at present. Benchmarking of best practice with regard to the valuation of high value assets had been undertaken. During the pandemic and through working with Grant Thornton, the Council had started to change its practice to high value assets and look to get a valuation every year to try and get on top of asset valuations but it was difficult to resource. Equally it was still felt that the 5 year rolling process of valuations was a very robust process
- Valuation of buildings was a key risk as a fluctuation in rates etc. had a massive change in the valuation
- The 5 years rolling programme was CIPFA's agreed code of practice approach and was compliant with standards

It was noted that the changes with regard to PVE would be included in the final audited statement of accounts.

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.

### **36. ANNUAL GOVERNANCE STATEMENT 2021/22**

Further to Minute No. 20 of the meeting held on 28<sup>th</sup> July, 2022, David Webster, Head of Internal Audit, submitted the final Audit Governance Statement (AGS).

There had been no changes to the AGS since the draft was produced.

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 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.

### **37. INTERNAL AUDIT CHARTER**

Further to Minute No. 41 of the meeting of the Audit Committee held on 30<sup>th</sup> September, 2021, 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 were minor changes to the Charter including the completion of follow-up reviews after a Partial or No Assurance audit opinion.

The Charter outlined 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.

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

**38. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST JUNE 2022 TO 31ST AUGUST 2022**

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 31<sup>st</sup> August, 2022, and the key issues that had arisen therefrom. The current position of the plan was outlined in Appendix A to the report.

12 audits had been finalised since the last Committee meeting 2 of which had received Partial Assurance, 2 had received Reasonable Assurance and 8 had received Substantial Assurance as set out in Appendix B to the report.

Internal Audit's performance against a number of indicators was summarised in Appendix C. Targets were met apart from the issuing of reports in the planned time which had been affected by annual leave.

It was noted that one of the Principal Auditors was taking flexible retirement as from 1<sup>st</sup> October, 2022. Recruitment had commenced for an additional full-time Senior Auditor which would enhance capacity in the medium term and aid business continuity and succession planning.

The Department was currently purchasing Data Analytics software that could be applied to databases to identify unusual or anomalous transactions for examination. This would increase the efficiency and effectiveness of audit work in the future.

Discussion ensued with the following issues raised/clarified:-

- Interviews were to take place on 30<sup>th</sup> September for the Senior Auditor position
- The lack of investigations this period could be reflecting the fact that there was now better governance within the Council as a whole, therefore, less opportunity for attempts of fraud
- 12 actions had resulted from the Enforcement (Food and Feed) audit of which 11 had been completed with the remaining action scheduled for completion by the end of the year
- Any audit that received partial assurance would be followed-up after 6 months
- The new data analytic software would facilitate the ability to look at all transactions and identify any that stood out in order to carry out further investigation. It was hoped to upload the software to laptops within the next few weeks which would be followed by a training session

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1<sup>st</sup> June, 2022 to 31<sup>st</sup> August, 2022, and the key issues that have arisen from it be noted.

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

**39. ANTI-FRAUD AND CORRUPTION POLICY AND STRATEGY REVIEW AND UPDATE**

Further to Minute No. 41 of the Audit Committee meeting held on 30th September, 2021, 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 contents had been re-arranged so that the Policy showed the Council's aims and responsibilities whilst the Strategy showed how those aims were achieved.

The revised Anti-Fraud and Corruption Policy would be submitted to Cabinet for approval.

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
- The HM Government Anti-Corruption Strategy had updated the definition of corruption i.e. "there is no universally accepted definition of corruption but it is generally understood to involve the abuse of office and position to benefit a third party (an individual, business or other organisation) in return for payment or other reward. These figures were captured in Transparency International's definition "The misuse of entrusted power for personal gain"
- Once approved by Cabinet, the Policy will be published on the intranet and issued to senior management for consideration at SLT

Resolved:- (1) That the revised Anti-Fraud and Corruption Policy be supported and submitted for approval by the Cabinet.

(2) That the revised Anti-Fraud and Corruption Strategy be approved.

(3) That the actions taken to strengthen the Council's fraud and anti-corruption arrangements be noted.

#### **40. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period November 2022 to September, 2023.

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

#### **41. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

**42. URGENT BUSINESS**

There was no urgent business to be considered.

**43. DATE AND TIME OF NEXT MEETING**

Resolved:- That a further meeting be held on Tuesday, 29<sup>th</sup> November, commencing at 2.00 p.m. in Rotherham Town Hall.