

**AUDIT COMMITTEE
29th November, 2022**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Cowen, Mills and Wyatt.

Gareth Mills and Thilina de Zoysa (Grant Thornton) were also in attendance.

An apology for absence was received from John Barber (Independent Person).

44. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

45. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

No questions had been received.

46. 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. 58 (Regeneration and Environment 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.

47. MINUTES OF THE PREVIOUS MEETING HELD ON 27TH SEPTEMBER, 2022

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 27th September, 2022.

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

48. GOVERNANCE, AUDIT AND RISK

Sharon Kemp, Chief Executive, gave the following powerpoint presentation:-

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Personal Oversight

- Monthly receipt of Internal Audit reports
- Regular Monitoring Officer meetings
- Quarterly Statutory Officers meetings
 - Complaints
 - Human Resources
 - Internal Audit
 - Whistleblowing
- Quarterly External Auditor meetings
- Review and sign off of Annual Governance Statement

Strategic Leadership Team

- Internal Audit
 - Review Annual Plan and Annual Report
 - Regular review of progress against plan and reports issued
- External Inspections
 - Review completion of actions
- Quarterly review of Corporate Risk Register

Action Tracking

- Review of outstanding actions
- Progress in clearing deferred actions
 - 41 2 years ago – improved to single figures in 2021, maintained at that level in 2022. Currently 3
 - Second deferrals – personal authorisation

Discussion ensued with the following issues highlighted:-

- Importance of having annual engagement between the Chief Executive and Audit Committee
- Check and challenge work took place to ascertain if there were any issues that required correlating but there were no obvious trends/patterns identified currently
- In line with LGA good practice, quarterly meetings took place with the Monitoring and Section 151 Officers and the Chief Executive who in turn took those discussions into their respective leadership teams
- The relationship with External Audit was very important who reported on issues raised within the sector

It was noted new rules/practice guide had been issued around Audit Committees; a document regarding the role of Audit Committees and secondly with regard to the officers supporting such Committees. A report would be submitted to the January meeting summarising the guidelines and processes and outlining any possible changes the Committee may wish to consider.

Resolved:- That the presentation be noted.

49. AUDITED STATEMENT OF ACCOUNTS 2021/22

Further to Minute Nos. 19 and 35 of 28th July and 27th September, 2022, respectively, Rob Mahon, Assistant Director, and Gareth Mills, on behalf of Grant Thornton, presented the ISA 260 report.

At this point Grant Thornton were not able to provide an unqualified opinion on the Statement of Account, however, they were not indicating any significant issues outside of the national issue with infrastructure assets.

Infrastructure assets was a national issue with local authority approaches and accounting treatment for such. The issue had been raised as part of other local authority 2020/21 account reviews and had since been progressed by CIPFA. Historically this had not been considered to be an area of significant audit risk, however, due to historical information deficits, many authorities were unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they were derecognised. This had led to delays to audit completion for many authorities and the risk of widespread accounts qualifications. The Government had undertaken to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices. This was due to be confirmed in December, 2022. The override would allow local authorities using the override to not make any prior period adjustments or revisit opening balances until a workable future proof solution was in place.

None of the following impacted on the Council's budget position or outturn position for 2021/22:-

- A material adjustment identified in relation to the carrying of plant, vehicles and equipment (PVE) assets held by the Council
- 4 assets identified as requiring a change in category
- Amendment of the Statement of Accounts to show the reserve transfer in 2020/21 of the deficit balance on the Dedicated Schools Grant
- Demolition of the Oaks Day Centre which should have been impaired

Gareth Mills presented the ISA 260 noting that it could not be formally signed off until January, 2023, due to the national issues reported above.

The report highlighted:-

- A small number of IT based recommendations that would be followed up in 2022/23
- Assurance letter awaited from South Yorkshire Pensions Fund confirming no issues from the pension fund audit

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- Value for Money work underway and hoped to conclude by the end of January, 2023. No significant issues or weaknesses had been identified to prevent signing an opinion
- Materiality levels remained consistent with the Audit Plan
- No issues identified in respect of management override of controls
- Immaterial disclosure errors, as reported above, but had no impact on the Council's useable Reserves and management had amended the accounts to correct this
- Implementation of Special Educational Needs and Disabilities (SEND) reforms and DSG deficit would be areas of focus

Grant Thornton expected to issue a clean unqualified audit opinion in January, 2023.

Discussion ensued with the following issues raised/clarified:-

- The issue of infrastructure assets was first raised by auditors in the Spring. It had been expected that the Statutory Instrument would be live by now but the events nationally during the past 3 months had caused a delay
- It was not known why the letter from the South Yorkshire Pensions Fund auditors was delayed but suspected it was due to the pressure of work

Resolved:- (1) That, having taken regard of the External Audit findings, detailed within the ISA260 report, the 2021/22 Statement of Accounts, attached as Appendix 2 to the report submitted, be approved for publication as final together with the 2021/22 Narrative Report, attached as Appendix 3.

(2) That the ISA 260 be submitted to a future Audit Committee for review following the outcome of the infrastructure statutory override at which point the External Auditor will be in a position to provide their opinion on the Council's accounts.

50. ANNUAL GOVERNANCE STATEMENT 2021/22

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 2022 for the 2021/22 financial year and was published with the Council's financial statements. It was further reviewed at the 27th 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 a few points raised resulting in minor amendments to the AGS. The report submitted provided an update on the changes made i.e.

- Inclusion of the award for Most Improved Authority in 2021/22 at the Local Government Awards in July 2022 (paragraph 3.2)
- Correction of the reporting of Grant Thornton's 2020/21 annual report (paragraph 3.12)
- Paragraphs 4.4-4.7 updated to show the current position
- Paragraph 5.2 amended to show how the action plan was being monitored and reported

The full AGS was attached as Appendix A of the report submitted.

Resolved:- That the 2021/22 Annual Governance Statement be approved.

51. INFORMATION GOVERNANCE/GDPR ANNUAL REPORT 2021/22

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
Right of Access requests performance was below the target of 100% completion within the statutory time limits due to the large number of complex requests involving large volumes of historical data, Children's Services and often linked to CSE
An increase in the number of both requests received and those responded to within the statutory time period
Overall number of Freedom of Information requests received had remained static with a small decline in the number of requests responded to within the statutory time period

No valid Freedom of Information requests have been refused except for one Single Refusal Notice issued for vexatious requests

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

- Data Protection Incidents and Breaches
One data breach was reported to the Information Commissioner's Office (ICO) in 2021/22. This was a processing oversight by a small partner business and was contained. Following submission of a full report to the Information Commissioner no further action was required

Discussion issued with the following issues raised/clarified:-

- Although no definite implications for not completing 100% of FOIs/RoARs on time, there would be an instruction from the ICO and possibly legislation applied if it was to decline to 20% compliance
- The internal target for RoARs completed on time was 90%
- Early action had been taken with the information security incidents particularly the "disclosed in error" incidents. Each incident was reported to the Directorate and to each representative on the Corporate Information Governance Group

Resolved:- (1) That the General Data Protection Regulation annual report 2021/22 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 previous year's figures for data incidents (Appendix 2) to enable comparisons to be made/any trends that need to be addressed by Directorates.

52. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT - 2022/23

Consideration was given to the report presented by Rob Mahon, Assistant Director, 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. The Council borrowed £227M of long term PWLB funds during 2021/22 to take advantage of the low PWLB interest rates available at the time. This replaced short term borrowing as it matured. No borrowing had taken place during 2022/23 as the Council had cash balances remaining from the borrowing taken in 2021/22 that it had been able to invest on a short term basis to generate additional income for the Council. Making use of the current financial market conditions had lifted investment returns.

It was not expected that the Council would need to borrow any funds for the remainder of the 2022/23 financial year and, as a result, had made significant savings on borrowing costs against the plan set out in the Medium Term Financial Strategy as the Council had not been required to borrow in the current high interest rate market. 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, whilst the Council's approach to Treasury Management in recent years had in particular been to utilise short term borrowing which had generated significant savings for the Council, essential to achieving balanced budgets, the future outlook was more challenging. With increasing bank rates for borrowing, when the Council did need to borrow it would be at much higher levels than had been assumed in the Medium Term Financial Strategy. It was expected that borrowing rates would reduce over the next couple of years linked to the projections that inflation would return to the Bank of England's target 2% level.

PWLB rates fluctuated; during 2022/23 to date the rates had seen highs of 5.5% for a 50 year PWLB loan and lows of 2.42% with the 50 year rate currently standing at 3.87%. This further emphasised the positive deals that the Council took during 2021/22 with the £227M being borrowed at an average of 1.53%. Short term borrowing rates had also increased with 6 month borrowing rates standing at around 3.1% compared with 0.02% September 2021. This had not affected the Council's borrowing costs during 2022/23 as no borrowing had been taken and rates had not changed on existing loans.

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 had not changed from that set out in the approved Treasury Management Strategy (March 2022).

Resolved:- That the report be noted.

53. CODE OF CORPORATE GOVERNANCE 2022

Simon Dennis, Corporate Improvement and Risk Manager, submitted the refreshed Council Code of Corporate Governance for consideration. 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 remove 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.

54. RISK MANAGEMENT POLICY AND GUIDE REFRESH 2022

Further to Minute No. 60 of the meeting held on 30th November, 2021, Simon Dennis, Corporate Risk Manager, submitted proposed changes to the Risk Policy and Strategy.

The changes to the Policy and Guidance were minimal, however, the Risk Management Policy was submitted as a separate document so that it could be formally adopted by Cabinet. In order to ensure that the Policy could be read in isolation, some additional information had been included which had previously only appeared in the Guide.

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 Risk Management Policy be noted.

(2) That the Risk Management Guide be approved.

55. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST SEPTEMBER 2022 TO 31ST OCTOBER 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 September to 31st October, 2022, and the key issues that had arisen therefrom.

The current position of the plan was outlined in Appendix A to the report together with changes to the plan as a result of meetings with all Directorate Leadership Teams summarised in Appendix B. In the year to date the Service has delivered 563 days of productive work showing it as on target for the year as a whole.

6 audits had been finalised since the last Committee meeting one of which had received Partial Assurance, one had received Reasonable Assurance and 4 had received Substantial Assurance as set out in Appendix C to the report.

Internal Audit's performance against a number of indicators was summarised in Appendix D. 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 had taken flexible retirement as from 1st October, 2022, reducing his hours from full-time to 2 days a week. Recruitment had been completed for an additional full-time Senior Auditor with a successful internal candidate. This would enhance capacity in the medium term and aid business continuity and succession planning, however, in the short term there would be a shortfall in resource. The plan would be monitored to ensure that sufficient coverage was maintained.

The training for the recently purchased Data Analytics software had been completed.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st September, 2022 to 31st October, 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.

56. AUDIT COMMITTEE FORWARD WORK PLAN

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

It was noted that there would be 2 additional reports submitted to the January meeting i.e. final Statement of Accounts and CIPFA updated guidance for Audit Committees.

Gareth Mills, Grant Thornton, reported that a verbal update could be provided to the January meeting with regard to the Value for Money work which would hopefully be concluded by the end of January. The report could be circulated to the Committee, once agreed with the Strategic Director of Finance and Customer Services, as the following meeting was not until 14th March, 2023.

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

57. REGENERATION AND ENVIRONMENT DIRECTORATE RISK MANAGEMENT DIRECTORATE

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

4 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
- Reduction of Carbon Emissions for the Council and the Borough
- Management and Delivery of Projects, Schemes and Initiatives through numerous sources of external funding

Discussion ensued with the following issues raised:-

- Bridge structures represented risks as the recent failure on Centenary Way illustrated. However, there was a well established process for inspecting bridges on a periodic basis
- Some elements of the risks were not within the Council's overall influence control i.e. achieving economic growth so mainly focussed on the plans for regeneration and business centres and work across the Combined Authorities
- Currently energy charges was still on the Directorate register and was about working the Yorkshire Purchasing Organisation and procurement partners

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

58. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

59. URGENT BUSINESS

There was no urgent business to be considered.

60. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 10th January, 2023, commencing at 2.00 p.m.