

**AUDIT COMMITTEE
Wednesday 7 June 2023**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Browne, Ball, Mills and Barber.

Apologies were received from Councillor Wyatt.

92. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Wyatt.

93. MINUTES OF THE PREVIOUS MEETING HELD ON 14TH MARCH 2023

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 14 March 2023.

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

94. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

95. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no members of the public or press present at the meeting nor had any questions being received in advance of the meeting.

96. 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. 104 (Adult Care, Housing and Public Health 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.

97. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

98. DRAFT STATEMENT OF ACCOUNTS 2022-2023

Consideration was given to a report presented by Rob Mahon, Assistant Director - Finance, which introduced the draft Statement of Accounts, which had been published on the Council's website by the deadline of 31 May 2023. The Council was now into the public inspection phase, which would then follow on to the external audit phase of the process. It was

proposed that the final accounts would be produced by the end of September 2023 with the final sign off taking place in November 2023,

The Statement of Accounts included 4 appendices, the first was the narrative report, which was a more user-friendly summation of the Council's financial position, which covered the key areas of the accounts. Appendix 4, was a report on a new process introduced this year, which was a series of questions around audit risk, fraud and risk assessment of accounting estimates that the Council took in terms of its day to day management.

A key change in the accounts was the movement within the Pension Fund moving from a deficit to a surplus position. Whilst the movements within the Pension Fund position had been significant, it was clarified that this did not impact the Council's Pension Fund contributions.

In response to a query regarding assumptions for the future, around unknown facts and situations it was explained that the sources of the estimations in the accounts were more around asset valuations, the valuations around the Council's property, pensions as apposed to the more Medium-Term Financial Strategy (MTFS) considerations relating to the economic environment such as inflation and payroll. The biggest challenges to the Council were external factors such as pay increases and inflation which was covered by the MTFS.

Discussions took place regarding how many questions had been received on the accounts and it was queried if more could be done in the future to publicise that the accounts were available to residents to view. It was agreed that officers would give consideration as to what additional methods could be used to publicise the Statement of Accounts within the borough.

The External Auditors clarified that they had not received any formal questions from members of the public on the Council's accounts within the past four years and highlighted that members of the public had the opportunity to raise questions with them during the next 30 days.

Resolved: That Audit Committee:

1. Received the draft unaudited Statement of Accounts 2022/23.
2. Agreed that officers would give further consideration to publicising that the draft unaudited Statement of Accounts is available for consultation within the borough.

99. ANNUAL GOVERNANCE STATEMENT 2022/23

Consideration was given to the draft Annual Governance Statement (AGS) for the 2022/23 financial year as presented by David Webster, Head of Internal Audit. This was published alongside the Councils Statement of Accounts on 31 May 2023. The paper briefly set out the

process that was followed to construct this AGS.

He clarified that the process followed for constructing the 2022/23 AGS involved each Strategic Director overseeing a self-assessment of governance within their Directorates. This information was reviewed, and the Strategic Directors added their own Statement of Assurance based on the information arising from their review of current and previous governance issues. The Corporate Governance Group then reviewed those statements and produced the AGS. The AGS was then reviewed by the Strategic Director Finance and Customer Services, the Monitoring Officer, The Chief Executive and the Leader.

The AGS included a framework of governance arrangements and how it related to the CIPFA guidance. It included how it was monitored and the assurances it received along with an update on matters referred to in the AGS for 2021/22. It also contained a statement from the Leader and Chief Executive.

A suggestion was made that the section referring to the Chief Executive, Strategic and Assistant Directors in the table setting out the key elements of an effective governance framework be updated to include reference to the Monitoring Officer. That was agreed and will be included in the Final AGS.

Resolved: That Audit Committee: Reviewed the draft 2022/23 Annual Governance Statement and raised queries, as necessary.

100. GRANT THORNTON EXTERNAL AUDIT PLAN 2022-2023

Gareth Mills, Grant Thornton, presented the External Audit Plan in which the Council's external auditor, Grant Thornton, praised the Council that the draft accounts had been prepared in line with the end of May deadline given the pressures and difficulties faced by many Local Authorities across the country to achieve it.

He highlighted that the core audit team remained consistent, and this was the fifth year that the same team had led on the audit, providing a consistent approach to the audit process for both parties.

The report covered both the national and local contexts and discussed the key matters. The ongoing Dedicated Schools Grant (DSG) position was noted along with the receipt of the Safety Valve Funding (SVF). The receipt of the SVF was in recognition of the Council's good performance, in managing the DSG deficit along with its stable financial position.

There were around 600 Local Authority audits outstanding at the time of the meeting and it was expected that this could increase due to the issues around the national backlog. They were proposing to conclude their audit in November 2023, which was after the national deadline of 30 September 2023.

The areas of significant risk were the same as in previous years, centring around management over-ride of controls, valuation of land and buildings and valuation of the net pension fund balance. Materiality was calculated on a similar principle as previous years but if items went above those thresholds they would be considered separately within the audit.

Most of the value for money work would be undertaken during the summer and autumn with an aim to conclude the work by the end of the year when a report would be presented to the committee in January 2024.

The audit fee was broadly in line with the previous two years however next years fee would be increased. He also clarified that they remained independent from the Council.

In response to queries Gareth Mills made the following points:

- They had seen a strengthening of arrangements in terms of financial stability and governance over the previous 4 years but that was not to say that the Council was without its risk.
- The official deadline for completion of the audit was 30 September 2023 however auditors were discussing the feasibility of that deadline given there were around 600 audits to be signed off by that date. He clarified that completing the audit by the end of November would be feasible.
- A significant proportion of audit time was spent looking at the Pension Fund balances which were subject to loss of fluctuations and variations due to outside influences. As part of the regulation's auditors are asked to challenge those assumptions and other factors that could affect the Pensions and Land and Buildings funds.

Resolved: That Audit Committee noted Grant Thornton, External Auditor's 2022/23 audit plan.

101. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST FEBRUARY 2023 TO 30TH APRIL 2023

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided an up-to-date position on the Internal Audit Plan, a summary of Internal Audit work completed during 1 February to 30 April 2023 and the key issues that had arisen from it. Appendix A indicated the latest position however since publication another seven audits had been finalised.

The Chair explained that she had been notified of an audit report that had received an audit opinion of 'No Assurance' which was the Tree Management audit. Polly Hamilton, Assistant Director, Culture, Sport & Tourism and Leanne Buchan: Head of Creative Programming & Engagement attended the meeting.

Polly Hamilton explained that three reports had been commissioned with the Internal Audit review being focused on specific areas of concern. The review provided a series of 20 recommendations to strengthen areas of weakness. She clarified that 14 of the 20 recommendations were complete and a further 2 would be completed by the end of June. All the urgent and red rated tree works had now been addressed and a quality assurance system had been developed and implemented to address the recommendations.

It was clarified that the audit was commissioned as a result of a specific incident of which it was deemed the Council was not at fault but emphasis around strengthening the processes followed.

The Head of Internal Audit explained that a follow up audit would be planned before the end of the year. The Chair requested to see a copy of that audit report regardless of the rating it received. She was pleased that the audit had been seen as a positive tool to improve and hoped those improvements would be sustained.

Resolved: That the Audit Committee:

1. Noted the Internal Audit work undertaken since the last Audit Committee, 1st February 2023 to 30th April 2023, and the key issues that have arisen from it.
2. Noted the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of their performance.

102. INTERNAL AUDIT ANNUAL REPORT 2022-23

Consideration was given to a report presented by David Webster, Head of Internal Audit, which summarised the work undertaken by the Internal Audit Department. The report provided the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance. His opinion and the contents of the report feed into the Annual Governance Statement.

The report provided information on the definition and role of Internal Audit, confirmed their independence and outlined the work carried out during the year.

A section of the report listed that there were five Partial Assurance audit opinions in the year and one with No Assurance and he highlighted an error within that Partial Assurance table which was 'Museum Collections' for R&E should have been included in the table and S278 Agreements should have been removed.

He explained that forty-seven audits had been completed within the year. No investigations had been completed but 70 days had been spent on

investigations during the year. Expertise was brought in to complete any ICT audits on their behalf.

It was suggested that information on any overdue recommendations be included within the report going forward. In terms of receiving feedback, fourteen client satisfaction surveys were completed. He did not feel that it would be higher in other authorities, and it was not something that he would want to insist that managers complete.

In response the Head of Internal Audit explained that 40 days had been spent on anti-fraud work during the year, most of which took place during the National Fraud Initiative.

Resolved: That the Audit Committee:

1. Noted the Internal Audit work undertaken during the financial year 2022-23 and the key issues that have arisen from it.
2. Noted the overall opinion of the Head of Internal Audit on the adequacy and effectiveness of the framework of governance, risk management and control within the Council.

103. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee, which was presented by David Webster, Head of Internal Audit.

The Chair explained that if any member could speak with the Head of Internal Audit or herself regarding adding an audit to the work plan.

Resolved: That the Audit Committee reviewed the Forward Work Plan.

104. ADULT CARE, HOUSING AND PUBLIC HEALTH (ACPH) DIRECTORATE RISK REGISTER

Consideration was given to a report, presented by Ian Spicer, Strategic Director, Adult Care, Housing and Public Health, which provided details of the Risk Register and risk management activity within the Adult Care, Housing and Public Health Directorate.

A detailed breakdown was given of the Directorate's approach to risk management and monitoring and the efforts to ensure transparency and the understanding of risk management by all staff.

During discussions, it was requested that future reports include a comparison to show the difference between the information presented at the last meeting against the current information.

Resolved: That the Audit Committee noted the progress and current position in relation to risk management activity in the Adult Social Care, Housing and Public Health Directorate, as detailed in the report.

105. URGENT BUSINESS

There was no urgent business to report.

106. DATE AND TIME OF NEXT MEETING

Resolved: That a further meeting be held on 27 July 2023, commencing at 2pm in Rotherham Town Hall.