

**AUDIT COMMITTEE
25th June, 2024**

Present:- Councillor Marshall (in the Chair); Councillors Baggaley, Blackham, Elliott, McKiernan and Michael Olugbenga-Babalola (Independent Person).

Thilina De Zoysa (Grant Thornton, External Auditor) was also present.

An apology for absence was received from Alison Hutchinson (Independent Person).

1. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no Declarations of Interest made at the meeting.

2. DECLARATIONS OF INTEREST

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

3. 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. 5 (Adult Care, Housing and Public Health Strategic Risk Register Appendix) as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

4. MINUTES OF THE PREVIOUS MEETING HELD ON 12TH MARCH, 2024

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 12th March, 2024.

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

5. RISK MANAGEMENT DIRECTORATE PRESENTATION - ADULT CARE HOUSING AND PUBLIC HEALTH

Ian Spicer, Strategic Director Children and Young People's Services, presented a report providing details of the Risk Register and risk management activity within the Adult Care, Housing and Public Health Directorate.

The Directorate level Risk Register currently had 21 risks items listed reflecting the significant scale and scope of the Directorate of which one was also included on the Corporate Risk Register:-

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- Public Health ACPH-R7 and SLT7 – To provide an effective co-ordinated multi-agency response to a future pandemic

10 new risks had been added to the register since it was last presented to Committee in June 2023 (Minute No. 104 refers) with one risk having now been closed.

Managing risk within the Directorate was subject to a 5-step approach – identify, evaluate, management, monitor, review and report with a robust risk management process in place to ensure appropriate governance and assurance was in place across all service areas of the Directorate. A scheduled programme of reviewing and updating Service and Directorate-level risk registers across the Directorate was led by risk leads for each Service and co-ordinated by a Service Improvement and Governance officer.

Risk registers were in place for each Service area to document their Service level risks which were formally monitored and reviewed at Senior Management Team meetings on a minimum monthly basis. The Directorate Leadership Team (DLT) had scrutiny and oversight of Service and Directorate-level risk registers with monthly briefings where risks were reviewed and, where necessary, could be escalated to the next strategic level for inclusion on the Corporate Strategic Risk Register.

All Directorate Managers (M2 and above) were required to undertake mandatory risk management training. A number of staff from across the Directorate had also completed the accredited Institute of Risk Management training during the current year.

Discussion ensued with the following issues raised/clarified:-

- ACHPH-R14 There were a number of challenges around the workforce. There was a national shortage of those that wanted to work in the care sector particularly on the front line as well as Social Workers. Evaluation of salaries was undertaken to ensure the Authority was an attractive proposition for potential employees, the holding of job fayres and simplification of the recruitment process
- Suggestion that an estimate should be included with the cost column because of the challenges of maintaining a sufficient and skilled workforce

Ian was thanked for his attendance.

Resolved:- That the progress and current position in relation to risk management activity in the Adult Care, Housing and Public Health Directorate, as detailed in the report now submitted, be noted.

(Appendix 1 was considered in the absence of the press and public in accordance with Paragraph 3 of the Act (Information relating to the financial or business affairs of any particular person (including the authority holding that information/financial information))

6. EXTERNAL AUDIT PLAN 2023/24 AND EXTERNAL AUDIT PROGRESS UPDATE

Thilina De Zoysa, Engagement Senior Manager, Grant Thornton, presented the 2023/24 External Audit Plan. Against a backdrop of ongoing audit reporting delays and backlogs, only 5 local government accounts had been signed by the September deadline. It was pleasing to note that such audit delays had not been an occurrence at Rotherham. The 2022/23 audit was closed in March 2024 one of the few such Councils to do so in the first quarter of the year. Grant Thornton anticipated this performance would continue for the 2023-24 accounts and would continue to work closely and effectively with senior management and the Audit Committee.

The report covered the key issues both for the national and local contexts.

The areas of significant risk were the same as in previous years, centring around management over-ride of controls, closing 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.

The planning work for the 2023/24 audit had commenced in March 2024 and continued into April. The final accounts work would begin in July and continue into the autumn.

Audit fees were set by PSAA as part of their national procurement exercise. Grant Thornton had been awarded the contract with effect from 2018/19 and was successful in the re-tendering exercise conducted in 2023. The scale fee set out in the PSAA contract for the 2023/24 audit was £383,874.

Due to the backlogs an assurance was once again given by Grant Thornton that Rotherham's audit would be completed by late November/early December 2024. Grant Thornton had been very realistic about their targets and discussed it with the Authority's Finance Team. It was an experienced external audit team who knew Rotherham's systems and had worked on the Rotherham audit previously.

Resolved:- That the update and the audit plan be noted.

7. PUBLICATION OF UNAUDITED STATEMENT OF ACCOUNTS 2023/24

Consideration was given to a report presented by Natalia Govorukhina, Head of Corporate Finance, which introduced the draft Statement of Accounts, which had been published on the Council's website by the deadline of 31st May, 2024. 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 2024. However, Grant Thornton had indicated that, due to capacity constraints, it was likely to be late November or early December for the completion of the audit of the accounts.

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 showed the Council's response to enquiries from Grant Thornton with regard to issues that informed their audit risk assessment. The areas covered included fraud, laws and regulations and accounting estimates.

The accounts had been produced in accordance with the CIPFA Code of Practice. The new standard for lease accounting, IFRS 16, was originally due to be implemented in 2021/22 but after consultation this has been delayed until 1st April 2024. Narrative has been included in the 2023/24 accounts noting the expected impact of IFRS 16 on the 2024/25 accounts

Discussion took place with the following issues raised/clarified:-

- Covid had become a much more limited reason for pressure during 2023/24 and was not expected to be seen during 2024/25. There would still be the odd reference in the accounts until the Covid grants had been fully utilised
- The costs involved in the exit packages included some redundancies but the majority were early retirements, sickness etc.

Resolved: That the draft unaudited 2023/24 Statement of Accounts be noted.

8. DRAFT ANNUAL GOVERNANCE STATEMENT

Consideration was given to the draft Annual Governance Statement (AGS) for the 2023/24 financial year as presented by Louise Ivens, Head of Internal Audit. This was published alongside the Council's Statement of Accounts on 31st May, 2024. The paper briefly set out the process that was followed to construct this AGS.

It was clarified that the process followed for constructing the 2023/24 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 2022/23. It also contained a statement from the Leader and Chief Executive.

Discussion ensued with the following issues raised/clarified:-

- Should any of the actions contained within the document change, the document would be updated and submitted to the Committee
- Health and Safety Executive – Internal Audit had carried out an audit last year, as requested by the Service, to look into the issues identified. A further audit had been carried out and a Substantial Assurance opinion received. The follow-up audit and the recommended actions was completed before the intended prosecution date
- There was no provision in the financial statements but was referred to in the accounts as a contingency liability in the narrative
- The newly established Housing Regulatory Assurance Board received detailed information with regard to compliance. There were new regulatory requirements for housing landlords involving a visit during a 4 year cycle to ensure the standards required were being met and to prepare the Authority for the level of inspection and scrutiny. A whole programme approach had been set up to ensure the Authority was clear what those compliance issues were that it would be asked about and judged against, and that there was an action plan in place. The action plan was to ensure that the work carried out met satisfactory/regulatory requirements. Progress was benchmarked and currently was good but there was still room for improvement

Resolved: That the draft 2023/24 Annual Governance Statement be noted.

9. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST FEBRUARY TO 30TH APRIL 2024

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st February to 30th April, 2024, and the key issues that had arisen therefrom.

The current position of the plan provided sufficient coverage for the Head of Internal Audit to provide their annual opinion at the end of the year. The plan attached as part of the report showed the position at the end of April 2024. The plan was updated following discussions with DLT colleagues to ensure it remained relevant and was focused on current risks. In the year to date the Service had delivered 1019 days of productive work against a plan total of 996 days.

Internal Audit provides an opinion on the control environment for all systems or services which were subject to audit review. The report detailed the audit opinions and a brief summary of all audit work concluded in the last quarter. 12 audits had been finalised since the last Audit Committee, 11 of which had received either Reasonable or Substantial Assurance and one Partial Assurance. A further 6 reports had now been finalised.

Internal Audit's performance against a number of indicators was also summarised in Appendix C.

The Relevant Internal Audit Standard Setters (RIASS) had agreed to use the new Global Internal Audit Standards as the basis for internal auditing for the UK Public Sector and had asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK Public Sector use. The IASAB planned to issue consultation material by September 2024 with a consultation period of at least 8 weeks. Subject to approval by the RIASS, the final material for application in the UK Public Sector and guidance on transition would be issued later in 2024 to allow sufficient time for preparation for implementation.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st February to 30th April, 2024, 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.

10. INTERNAL AUDIT ANNUAL REPORT 2023-24

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which summarised the work undertaken by the Internal Audit Department. Based upon the Internal Audit work undertaken and taking into account other internal and external assurance processes, it had been possible to complete an assessment of the Council's overall control environment. In the opinion of the Head of Internal Audit, the Council had overall an adequate and effective framework of governance, risk management and control during 2023-24. This opinion and the contents of the report fed into the Annual Governance Statement.

The report included:-

- Legislative requirements and Professional Standards
- The Head of Internal Audit's annual opinion on the control framework, risk management and governance
- Resources and audit coverage during the year
- Summary of audit work undertaken during 2023-24, including both planned and responsive / investigatory work
- Summary of other evidence taken into account for control environment opinion
- Summary of audit opinions and recommendations made
- Internal Audit performance indicators

Audits were carried out in all areas of the Council during the year with the overall level of control found in audits to be good. 90% of audits resulted in a Substantial or Reasonable Assurance opinion, including 44% with Substantial Assurance. During 2023-24, 91 recommendations were made to improve the internal control, risk management and governance arrangements across the Council. Of these, 3 were in the highest category (red). There were also 5 Partial Assurance audit opinions in the year.

A comparison with the previous year showed that assurance levels were at similar levels. In 2022-23, 87% of audits resulted in a Substantial or Reasonable opinion, including 53% with Substantial Assurance. During 2022-23, 107 recommendations were made of which 9 were in the highest category (red). There were 5 Partial Assurance audit opinions in the year and one No Assurance.

48 audits final reports had been issued with a further 7 audit reviews having been completed at year end with the reports in draft form. Expertise was brought in to complete ICT audits on the Authority's behalf with 2 completed and one ongoing

Resolved:- (1) That the work undertaken during the 2023-24 financial year and the key issues that had arisen therefrom be noted.

(2) That 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 be noted.

11. AUDIT COMMITTEE FORWARD PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for July 2024 to June 2025. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

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

12. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

13. URGENT BUSINESS

There was no urgent business for consideration.