

**AUDIT COMMITTEE
26th September, 2024**

Present:- Councillor Marshall (in the Chair); Councillors Baggaley, Blackham and Elliott.

Apologies for absence were received from Councillor McKiernan and Alison Hutchinson (Independent Person).

27. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

28. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

No questions had been received in advance of the meeting and no members of the public or press were present at the meeting.

29. 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. 36 (Internal Audit Progress Report – Appendix F) and Minute No. 39 (Assistant Chief Executive's Directorate Risk Register) as defined in those paragraphs indicated below of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

30. MINUTES OF THE PREVIOUS MEETING HELD ON 30TH JULY, 2024

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 30th July, 2024.

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

31. UPDATE ON THE PUBLIC SERVICE TELEPHONE NETWORK

Further to Minute No. 24 of the meeting held on 30th July, 2024, Luke Sayers, Assistant Director Customer Information and Digital Services, presented a report which highlighted the work being undertaken by the Council to ensure that all Council services were not negatively impacted by the national shutdown of the Public Service Telephone Network (PSTN).

The PSTN was used to make 'standard' telephone calls on a landline or for other services that used the technology such as lift alarms, house alarms, some traffic lights and cameras. The Council's main telephone system did not use PSTN technology so was not impacted.

Openreach first announced in 2017 that the PSTN would be shutdown nationally on 31st December, 2025, although it had since been announced that the date for the service to cease would be delayed until 31st January, 2027.

A Project Group had been set up within the Council to identify all areas and functions that used PSTN. The majority of work to identify systems that used PSTN was now completed and all suppliers of any system using PSTN had been contacted to ensure they had appropriate and timely plans in place to complete any work that fell under their responsibility.

Rothercare was the main area of focus for the Council due to the considerable number of residents impacted by the changes and their vulnerability. An Adult Care team was managing this project to ensure that all alarm boxes within residential properties were replaced with new equipment. A number of boxes had already been replaced and all new users of the Rothercare service were automatically set up using the new technology, which was reported as working well. It was emphasised that there would be no financial costs to service users for the replacement of alarm boxes.

It was noted that Data Sharing Agreements were now in place with all telecoms providers to assist with the identification of vulnerable residents to ensure appropriate systems were put in place for those specific users.

380 RMBC PSTN lines had now been transitioned to new technology which included lift alarms, CCTV, traffic signalling, fire and burglar alarms and traditional telephone lines.

A programme communication plan was being developed and a landing page on the Council's website was now live.

The situation would continue to be closely monitored with the Council continuing to work towards completion by the original completion date of 31st December 2025 rather than the official switch off date of 31st January 2027.

The Committee, in noting the detail, asked how users had been notified about the changes and if Members could do anything to support the roll out of communications. They were advised that communications would be issued via the Council's website and crib sheets would be provided to Members to use when sharing information with residents. The Assistant Director explained that it would be necessary to access Rothercare users' properties to set up and test new technology and arrangements for those visits would be controlled and carried out in an appropriate way.

The Committee queried if there would be any costs for overruns and were advised that there would be no costs for overruns as all associated costs had been built into the overall business case. It was also noted that Rothercare was the subject of a comprehensive review by Adult Social Care Services and the outcome of that review (including reference to the new technology) would be presented to Cabinet.

The Committee also sought assurance on how third-party vendors would be managed to ensure compliance was achieved and were advised that contracts had been strengthened where appropriate and each one would be managed on a case-by-case basis.

In response to a further question regarding Internal Audit activity, the Assistant Director confirmed there was no specific plans to undertake an audit at this stage but he would welcome an audit on specific areas of the project where it was considered it would add value.

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

(2) That the work being undertaken to ensure that all residents and Council services were not negatively impacted by the changes be noted.

32. UPDATE ON STATEMENT OF ACCOUNTS 2023/24 AND ANNUAL GOVERNANCE STATEMENT (AGS)

Further to Minute No. 7 of 25^h June, 2024, Natalia Govorukhina, Head of Corporate Finance, explained that Grant Thornton was unable to conclude the audit of accounts by 30th September, 2024, deadline and as such the Council was not able to present an audited set of accounts to the Committee, nor a final/draft ISA260 report as insufficient progress had been made to date on the audit to allow for this.

The Committee had also received the Council's draft Annual Government Statement (AGS) at its June meeting. Although it related to the 2023/24 financial year, it must be up-to-date at the time of publication and include any planned changes in the coming year. Work to update the AGS was ongoing with a final document to be submitted to the November meeting of the Audit Committee for approval together with the audited financial statements subject to the external audit work having been completed.

The Committee, in noting the detail, sought assurance from the External Auditors that work was on track to be completed by November. This was confirmed by Thilina De Zoysa, Engagement Senior Manager, Grant Thornton.

Resolved:- (1) That the progress on the audit of the Statement of Accounts 2023/24 be noted.

(2) That the audited Statement of Accounts, Narrative Report and ISA260 be submitted to a future Audit Committee for review once the External Auditors, Grant Thornton, have completed their audit work.

(3) That the update on the Annual Governance Statement be noted.

33. EXTERNAL AUDIT - UPDATE

Thilina De Zoysa, Engagement Senior Manager, Grant Thornton, provided a verbal update on the external audit of the accounts and value for money work taking place.

The audit was progressing well and was on track to be finalised and presented to the November Audit Committee meeting.

The background work on the Value for Money audit had commenced with the intention of bringing an update report to the November Audit Committee meeting.

The 2023/24 audit backstop date had been set for 28th February, 2025 and was well on track to be met.

Resolved:- That the progress on the audit of the Statement of Accounts 2023/24 and Value for Money audit be noted.

34. QUARTER 1 2024/25 TREASURY MANAGEMENT UPDATE

Natalia Govorukhina, Head of Corporate Finance, reported that the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommended that Members be updated on

Treasury Management activities at least quarterly. The submitted report was the quarter 1 review for 2024/25 which detailed performance against agreed treasury and prudential indicators.

The report incorporated the needs of the Prudential Code ensuring adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). It was also explained that it was a requirement that any proposed changes to the 2024/25 prudential indicators were approved by Council.

Quarter 1 Treasury Review provided Members with details of performance against agreed treasury and prudential indicators and were set out in Appendix 1. The review indicated performance was in line with the plan and there were no proposals to vary the approach for the remainder of the year.

Reference was made to the key messages for investments, borrowing and governance.

Whilst the Council's approach to Treasury Management in recent years utilised short-term borrowing and had generated significant savings for the Council, the future outlook was more challenging. It was expected that borrowing rates had now peaked and would reduce over the next couple of years linked to the recent fall in inflation (2.2%) and much closer to the Bank of England's target 2% level.

The continuing approach to Treasury Management had been discussed with the Council's external Treasury Management Advisors who confirmed that the approach taken was prudent given the current market conditions. Borrowing rates would continue to be monitored by Advisors and they would notify the Council of any opportunities to borrow at advantageous rates.

The Committee asked what element of the Council's borrowing had been used for Capital items and were advised that borrowing was undertaken in response to the overall financing need rather than for specific projects.

The Committee, in noting the detail, asked what plans would be put in place should borrowing rates not reduce as expected and were advised that the current plan remained to borrow short term and keep minimal cash balances. However, Treasury Management Officers would maintain a watching brief on the situation and respond accordingly to the borrowing conditions.

Resolved:- That the report be received and the contents noted.

35. INTERNAL AUDIT PROGRESS REPORT

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 May to 31st July, 2024, and the key issues that had arisen.

The plan attached as part of the report showed the position up to the end of July 2024 on the completion of the audit plan for 2023/24, commencement of the 2024/25 audit plan, the reports finalised between May and July 2024 and performance indicators for the team.

Internal Audit provided 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 summary of all audit work concluded in the last quarter. 14 audits had been finalised since the last Audit Committee, 12 of which had received either Reasonable or Substantial Assurance and one Partial Assurance and one a No Assurance opinion. One audit had been removed from the 2023-24 audit plan due to a comprehensive review of procurement governance and, therefore, a corporate audit was no longer required.

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A review of the current performance indicators and changes proposed were detailed in Appendix C and client satisfaction survey responses attached at Appendix D.

Historically, progress against the Quality Assurance and Improvement Plan had been reported on an annual basis. This would form part of the quarterly Internal Audit progress report and was attached at Appendix E of the report.

A summary of a completed investigation was summarised in exempt Appendix F.

The status of all open recommendations was highlighted as part of the submitted report with 2 recommendations having been deferred due to the original due date not being achievable. It was noted that since publication of the report one of those two recommendations had now been completed.

The effective date of the new material developed by the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) would be 1st April 2025 to align with requirements for annual opinions and other relevant aspects of UK public sector governance which lined up with the financial year. In accordance with the Public Sector Internal Auditing Standards and the new Global Internal Audit Standards, Internal Audit Services would require an external assessment against the standards every 5 years. For Rotherham this would be due during the 2025-26 financial year. A report would be submitted to a future Audit Committee setting out the options available and the preferred option for discussion and approval.

Discussion ensued with the following issues raised: -

- The presentation of information relating to the status of open recommendations would be considered to show the direction of travel of recommendations to highlight where areas were making positive progress.
- As part of the extensive work being undertaken to strengthen Asset Management and Capital Programme arrangements a clearer understanding of costs and values would be established prior to inclusion on the Capital Programme.
- Contractual details relating to the information provided in Appendix F were clarified.

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st May to 31st July, 2024, and the key issues that have arisen from it be noted.

(2) That the performance objectives of Internal Audit and the actions being taken by audit management in respect of meeting the performance objectives be noted.

(3) That an update on the Audit Areas detailed in Appendix B (Asset Management Estimates and Capital Programme and Trading Standards) that had received a Partial or No Assurance rating be provided to the November meeting of this Committee, with officers from those services in attendance.

(Appendix F was Exempt under Paragraph 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))

36. ANTI-FRAUD AND CORRUPTION POLICY, STRATEGY AND SELF-ASSESSMENT AGAINST FIGHTING FRAUD AND CORRUPTION LOCALLY CHECKLIST

Further to Minute No. 25 of the Audit Committee meeting held on 26th September, 2023, consideration was given to a report presented by Louise Ivens, Head of Internal Audit. The update followed 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.

There had been only minor updates to the Policy and Strategy since the last review.

The Fighting Fraud and Corruption Locally checklist had been used to review the Council's arrangements against current best practice.

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. The contents had been reviewed with only minor changes having been made; the tracked changes were shown in Appendices C and D. Appendix E was the self-assessment against the Fighting Fraud and Corruption Locally checklist which concluded substantial compliance against current best practice. Several actions, as outlined in the action plan would be addressed over the forthcoming year to enhance the council's arrangements in place.

Resolved:- (1) That the revised Anti-Fraud and Corruption Strategy be approved.

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

37. AUDIT COMMITTEE FORWARD WORK PLAN

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

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

38. ASSISTANT CHIEF EXECUTIVE'S DIRECTORATE RISK REGISTER

Jo Brown, Assistant Chief Executive, supported by Simon Dennis, Corporate Improvement and Risk Manager, presented a report providing details of the Risk Register and risk management activity within the Assistant Chief Executive's Directorate.

The Directorate was split into 6 service areas and were the corporate champions for the Council's risk management process. The Directorate currently had 18 risks items listed and due to the cross-cutting nature of the work of the Assistant Chief Executive's Directorate, 5 of the 18 risks also featured on the Council's Strategic Risk Register.

Risks were aligned to service and team plans and progress to mitigate risks were monitored through management team meetings. Risks were also regularly discussed and reviewed at the Directorate Leadership Team by individual members of DLT and where necessary risks were escalated to the next strategic level for inclusion on the risk register. The Assistant Director of Human Resources 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's 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 and all staff were required to complete a mandatory risk management e-learning module.

The revised risk register (Appendix 1) was aligned to the Council Plan and Year Ahead Delivery Plan. Since the last report to the Committee in September, 2023, 3 risks had been amended and 1 new risk added. There was only 1 risk currently assessed as being high risk and marked Red on the register. The Committee were advised that the red risk was also influenced by elements of national policy.

The risk heat map detailed within the report was based on current scores determined as at September 2024.

Further to Minute No. 22 of the meeting held on 30th July, 2024 regarding the impact score of Corporate Strategic Risk SLT09 the Assistant Chief Executive confirmed that this had now been reconsidered and the score had subsequently been increased. Rationale was also provided to the Committee in response to the request made regarding the downgrading of the risk rating for Corporate Strategic Risk SLT10.

The Committee noted that the Incident Notification to Elected Officials Protocol had been distributed to Ward Members in January 2024 and sought assurance that this had also been issued to the newly Elected Members. This would be followed up with the Head of Service to ensure the information was provided.

The Committee also asked questions relating to Parish Council engagement and the delivery of the Council's corporate priorities and an explanation as to how those issues were being managed was provided.

The Committee referenced the Household Support Fund allocation and sought an update on how this was being implemented.

Resolved:- (1) That the progress and current position in relation to risk management activity in the Assistant Chief Executive's Directorate, as detailed in the report submitted, be noted.

(2) That an update on the implementation of the Household Support Fund be submitted to the November meeting of this Committee.

(Exempt under Paragraph 3 (information relating to the financial or business affairs of any particular person (including the Council) of Part 1 of Schedule 12A))

39. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

40. URGENT BUSINESS

There was no urgent business to be considered.

41. DATE AND TIME OF NEXT MEETING

Resolved:- That the next meeting of the Audit Committee take place on Tuesday, 26th November, 2024, commencing at 2.00 p.m. at the Town Hall.