

**AUDIT COMMITTEE
26th November, 2024**

Present:- Councillor Baggaley (in the Chair); Councillors Blackham, Elliott and McKiernan, Alison Hutchinson and Michael Olugbenga-Bababola (Independent Persons).

Michael Green, Key Audit Partner and Engagement Lead, and Thilina de Zoysa, Engagement Senior Manager, Grant Thornton, were also in attendance.

An apology for absence was submitted from Councillor Marshall.

42. 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.

43. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

44. 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. 47 (Regeneration and Environment Directorate Risk Register Appendix 1) and Minute No. 49 (Asset Management Estimates and Capital Programme Audit Update Appendix) 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.

45. GRANT THORNTON, EXTERNAL AUDITORS

Reference was made to a question asked at the 6th November Council meeting (Minute No. 88(1) refers) with regard to the errors in the South Yorkshire Police accounts/forecasts and the role of Grant Thornton as External Auditor. Given that Grant Thornton was also the Council's External Auditor, it was suggested that the Committee ascertain whether the Council still had confidence in the company's ability to conduct a thorough audit of the Council's finances.

Resolved:- That Grant Thornton, External Auditor, submit a report to the January meeting of the Audit Committee setting out their audit compliance as required by International Standards on Auditing (UK) and the quality assurance arrangements in place.

46. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH SEPTEMBER, 2024

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26th September, 2024.

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

47. REGENERATION AND ENVIRONMENT DIRECTORATE RISK REGISTER

Andrew Bramidge, Strategic Director of Regeneration and Environment, presented a report providing details of the Risk Register and risk management activity within the Regeneration and Environment Directorate.

The Committee was advised that the risk register currently had 18 risks listed, 3 of which were also included on the Strategic Risk Register.

A regular scheduled programme of reviewing and updating Service area and Directorate level risk registers had been implemented across the Directorate. Risks were regularly discussed and reviewed at Senior Management Team and Directorate Leadership Team meetings and, where necessary, risks were escalated to the next strategic level for inclusion on the risk register.

As part of the programme to embed risk management into the culture of the Council, managers from Regeneration and Environment had attended the mandatory Risk Management Training for Managers workshops as well Risk Champions attending individual service area Senior Management Teams to provide an overview to support and advise managers in relation to risk register development and maintenance.

The report also included an update on the implementation of the Household Support Fund (Minute No. 27 of the 26th September, 2024 refers) which had been extended by Government to cover the period from October 2024 to March 2025. A report had been considered by Cabinet at its meeting on 18th November, 2024 (Minute No. 76 refers).

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

(Appendix 1 was Exempt under Paragraph 3 (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))

48. TRADING STANDARDS UPDATE

In accordance with Minute No. 35(3), Sam Barstow, Assistant Director Community Safety and Street Scene, presented an overview of the audit activity conducted within the Trading Standards Service as well as an overview of the actions taken in order to improve service delivery in line with the requirement of the audit report.

The Trading Standards function was audited between September and December 2023 with a draft report released on 14th May, 2024. It had made 13 recommendations with a number of sub-clauses relating largely to evidence storage and procedure with a completion timeline of up to 31st March 2025. It was anticipated that all actions would be completed 3 months ahead of schedule.

Resolved:- That the progress in completing the actions of the audit be noted.

49. ASSET MANAGEMENT ESTIMATES AND CAPITAL PROGRAMME AUDIT UPDATE

Kevin Fisher, Assistant Director Property and Facilities Services, presented a report setting out the actions taken and implementation of the Audit recommendations made with regard to the Partial Assurance Internal Audit report on Asset Management Estimates and Capital Programme.

The audit had included an indepth review of process, procedures, resource and training within the Building Design Team. The aim was to review the management and delivery arrangements for capital projects to ensure they were robust and to provide assurance that projects were delivered on time and within budgets. Arising from the audit and identification of issues, 7 recommendations were made and 7 key actions identified to be completed with an overall end date for closure of all actions by April 2025.

6 of the 7 actions were focused on the need to improve process and documentation through the life of the project ensuring both the Business Development Team and their clients were clear on roles and responsibilities, consultation and communication.

Work was underway to improve process and documentation with good progress being made. Once in place it would be a further requirement to embed them fully within the Service and the Council.

Discussion ensued with the following issues raised/clarified:-

- The issue had come to light through a number of project overspends. On investigation it revealed that when an “estimate” had been requested, full details of the projects had not been provided resulting in the “estimate” not being for the complete project. There had to be a very clear specification at the outset to enable the correct costings to be provided
- The Building Design Service had new staff members coming into the Service. Work was taking place on the induction into the Service

Resolved:- That the report be noted.

(The Appendix was Exempt under Paragraph 3 (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))

50. INFORMATION GOVERNANCE ANNUAL REPORT 2023-24

Paul Vessey, Head of Information Management, presented the annual report on the Council’s compliance with Data Protection and Freedom of Information legislation.

Appendix 1 of the report provided Freedom of Information and Right of Access Requests performance for the last 4 financial years.

90% of Freedom of Information requests were responded to within the statutory time limits with the number of requests received during 2023/24 increasing to 1,307 compared to 1,145 in 2022/23.

Despite a 2% drop in performance compared to 2022/23, there had been a numerical increase in the number of requests responded to within the statutory time to 1,177. This was more than in each of the previous 3 years.

No Freedom of Information requests had been formally refused as invalid. There was one individual who was vexatious on a specific line of enquiry. However, should a vexatious request be received it still received a formal response under the Act.

Overall 41% of Right of Access requests (RoARS) were completed within the statutory time limits. The number of requests received during 2023/24 remained the same at 214. Performance fell by 15% compared with 2022/23 and this was reflected by a numerical decrease in the number of requests responded to within the statutory time to 87.

Performance was affected by a smaller proportion of the RoARS received that were classed as ‘simple requests’ which were easier and quicker to process. However, the number of large and complex RoARS had increased and now made up the majority received by the Council. These were resource intensive as they involved reviewing large volumes of historical data, specialists within Children’s Services and were often linked

to CSE. Additional resources had been added to the team's capacity to improve performance.

Appendix 2 provided a breakdown of the number and classification of Information Security Incident for 2023/24.

The Council actively encouraged services to report any suspected data incidents and all reported cases were investigated. Monitoring information security incidents enabled the Council to proactively improve the Council's risk profile by learning lessons from an incident and reducing the likelihood of it happening again.

One data breach was reported to the Information Commissioner's Office (ICO) in the 2023/24 financial year. This was a cyber security related incident and reported as a precaution. Following an internal investigation, it was ascertained that no data was lost or exposed and no action was taken by the Information Commissioner.

Discussion ensued with the following issues raised/clarified:-

- It would be useful to have a similar breakdown to that which the Fire Authority provided i.e. summary of the FOI data received, the number of questions received/refused, number of hours spent collating the information, details of the individual data protection breaches
- The counting of Fols was in accordance with the ICO reporting requirements i.e. one FOI request with 3 questions was counted as one request
- Rotherham's performance rate compared favourably with that of most local public services
- The 2 additional posts were making inroads into the RoAR response waiting times
- The more complex requests took time due to the historical nature of the documentation and the manual finding of the information
- A number of the low risk breaches were down to user error
- Currently there was no information held as to how long staff spent on a FOI and on the costs involved. However, there was a cost threshold of £50

Resolved:- (1) That the Data Protection/FOI Annual Report 2023/24 be received and the contents noted.

(2) That the requirement of the Council to continue its maintenance of its Information Governance policies and processes in compliance with legislation be noted.

51. AUDITED FINAL STATEMENT OF ACCOUNTS

Further to Minute Nos. 7 and 32 of 25th June and 26th September, 2024, respectively, Natalia Govorukhina, Head of Corporate Finance, and Michael Green, on behalf of Grant Thornton, presented the Audited Final Statement of Accounts and the ISA 260 report.

The Committee noted that under the Accounts and Audit (amendment) Regulations 2022, local authorities were required to publish their unaudited accounts no later than 31st May 2024, for the financial year 2023/24, accompanied by a Narrative Report and draft Annual Governance Statement.

At present, as part of the draft ISA 260, the following changes have been recommended by Grant Thornton and accepted by the Council, with adjustments made to the Council's accounts:-

- A balance of £5.991M was held as Assets Under Construction in the Note 19 (PPE) for Century Business Park Phase 2. As this asset was an investment property, this balance should have been included in Note 20 (Investment Property). Opening balances for 2022/23 and additions in 2022/23 had been amended so that this balance was shown under investment properties in Note 20 rather than Note 19 (PPE) in the 2023/24 opening balance;
- An overstatement of £3.18M had been corrected on the land and buildings revaluations. This related to the valuations of Riverside House £2M and Bramley Sunnyside Primary School £1.18M. The balance of Other Land and Buildings in the Note 19 and the Revaluation reserve had been corrected. Other notes in the accounts had been amended as appropriate;
- S75 funding (population health funding) of £13.905M had been misclassified as Grants Received in advance. This has been reclassified as creditors under receipts in advance. The change did not impact the Council's financial position or balance sheet as both fell under creditors. It was a categorisation issue.

Grant Thornton intended to issue an unqualified opinion on the Statement of Accounts subject to formal completion of their audit. The Value for Money work had not concluded as yet and as such was not able to confirm an unqualified opinion in respect of the Council's Value for Money arrangements.

Michael Green stated that the work was substantially complete and Grant Thornton expected to issue an unqualified opinion on the financial statements before Christmas. Once again, Rotherham would join a small number of authorities to receive an opinion in 2024 which reflected the hard work of Rotherham's Finance Team and the engagement with Grant Thornton.

A number of small of disclosure/classification adjustments had been recommended and accepted by the Council with adjustments made to the Council's accounts but had no impact on the Council's available useable resources.

Work was taking place on finalising the findings of the Value for Money work. It was expected to identify 2 significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. These were in relation to arrangements around health and safety and compliance relating to the Housing Revenue Account and wider asset management and compliance arrangements. These were issues that were not unknown to the Council.

Thilina de Zoysa, Grant Thornton, presented the ISA 260 report setting out the overall conclusions from the 2023/24 audit, key findings and other matters arising from the statutory audit and preparation of the Council's financial.

The key points were set out in detail as part of Appendix 4 with attention drawn to the following:-

- Materiality was reconsidered on receipt and review of the 2023/24 draft accounts. It had been included that the most appropriate benchmark/criteria was gross expenditure in surplus/deficit on the provision of services rather than gross expenditure on the cost of services. This resulted in a minor change to the set materiality figures
- The 3 significant risks identified had not changed i.e. management override of controls, value of land and buildings and valuation of defined benefit pension scheme
- IFRS16 implementation. A recommendation had been made that the Council should accelerate the progress of identifying such assets as a priority and ensure full impact was determined well before the 2024-25 closedown. This had no impact on the 2023-24 audit
- Non-significant deficiencies identified during the Information Technology assessment but would further strengthen the Council's IT control environment when implemented
- Sufficient appropriate audit evidence to enable conclusion that a material uncertainty related to going concern had not been identified and that management's use of the going concern basis of accounting in the preparation of the financial statements was appropriate

Resolved:- That, having taken due regard of the external audit findings detailed within the ISA 260 report, the 2023/24 Statement of Accounts, attached as Appendix 1, be approved for publication as final along with the 2023/24 Narrative Report attached as Appendix 2.

52. FINAL ANNUAL GOVERNANCE STATEMENT 2023/24

Further to Minute No. 8 of the meeting of the Audit Committee held on 25th June 2024, Simon Dennis, Policy Improvement and Risk Manager, presented the Council's draft Annual Governance Statement (AGS) for the 2023/24 financial year. The draft AGS was published alongside the Council's draft financial statements.

This was further reviewed on 26th September 2024 ready to be published alongside the Council's financial statements. Each Directorate had returned the required Statements of Assurance and supporting documents with the Corporate Governance Group having reviewed the evidence contained therein. The Group had also considered which issues were of sufficient significance to require reports in the AGS. The document presented to the Committee had been reviewed by the Monitoring Officer and Strategic Director of Finance and Customer Services,

The AGS outlined the governance arrangements in place throughout the year and how their effectiveness was monitored recognising the improvements made in the Council throughout the financial year. It also highlighted areas for further developments in 2024/25.

The full Annual Governance Statement was attached as Appendix A of the report submitted.

Resolved:- That the 2023/24 Annual Governance Statement be approved.

53. MID-YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT - 2024/25

Consideration was given to the report presented by Natalia Govorukhina, Head of Corporate Finance, which detailed how the regulatory framework of treasury management required the Council to produce a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury outturn report. It was also now a requirement that the prudential indicators as at the end of June 2024/25 were reported.

This mid-year review for 2024/25 incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It was also a requirement that any proposed changes to the 2024/25 prudential indicators were approved by Council.

The monitoring as set out in the Appendix to the report was structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

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

Whilst the Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, had generated significant savings for the Council, essential to achieving balanced budgets, the future outlook was more challenging. The current strategy was to delay all new borrowing as late as possible and to only enter into short term borrowing in order to minimise the interest cost to the Council. There was a discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which was available until March 2026. The borrowing position would remain under review and an update of the strategy would be presented to Members within the budget and Council Tax 2025/26 report to Council in March 2025.

The underlying economic and financial environment remained difficult for the Council; on investment the main challenge related to concerns over investment counterparty risk. This background encouraged the Council to continue maintaining investments short term and with low risk counterparties. The Bank of England base rate dropped from 5.25% to 5% during the first half of 2024/25 and was cut to 4.75% on 7th November, 2024.

The Council's use of long term PWLB borrowing during 2021/22 resulted in the level of short term borrowing gradually falling as short term borrowing matured. The proceeds of this borrowing had since been fully utilised and further financing has been required. With interest rates expected to be cut in the coming months, the Council has delayed as much borrowing as possible and only committed to short term borrowing.

The continuing approach to treasury management had been discussed with the Council's external Treasury Management Advisers, Link Asset Services, who had confirmed this was a prudent approach given current market conditions. Link Asset Services would continue to monitor borrowing rates and inform the Council if there were opportunities to borrow at advantageous rates.

It was noted that information with regard to the Minimum Revenue Provision (MRP) was part of the Treasury Management Strategy which was considered by Council when setting the Budget and Council Tax for the forthcoming financial year. Discussion would take place as to what could be presented to the Audit Committee and the timing thereof due to the linkage with Capital Programme investments and the associated commercial/confidentiality issues.

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

(2) That a report be submitted to a future meeting of the Committee on the Minimum Revenue Provision.

54. CODE OF CORPORATE GOVERNANCE

Consideration was given to the report presented by Simon Dennis, Corporate Improvement and Risk Manager, which detailed how in April 2016 the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives published revised guidance on delivering good governance in Local Government. The Council's Code of Corporate Governance was refreshed at the time to comply with this guidance and attached as appendices were the tracked change and clean documents.

It was good practice to review and revise the Council's Code on an annual basis and in Rotherham monitored quarterly. Although there had been no subsequent changes to the guidance, an annual review of the Code had been completed to ensure it remained up-to-date and relevant to the Council. The changes this year were very minor in nature and could be seen on Appendix 1.

Resolved:- That the refreshed version of the Code of Corporate Governance be approved.

55. ANTI-MONEY LAUNDERING POLICY REVIEW

Consideration was given presented by Louise Ivens, Head of Internal Audit, proposing an update to the Council's Anti-Money Laundering Policy to ensure that it was in line with current best practice and took into account any changes to the Council's organisational structure. It was last updated in 2017.

The amendments to the Policy have been made in accordance with the updated legislation and the CIPFA publication "Combatting Financial Crime, Practical Advice for the Public Sector" (2020). The amendments did not change any of the underlying responsibilities or requirements of staff.

Alongside the Policy review, Internal Audit were examining controls within higher risk areas within the Council and would assess whether there were appropriate and proportionate anti-money laundering arrangements in place. This included staff awareness of the risks, customer due diligence, record keeping, monitoring, reporting lines and general awareness and training. The outcomes of the reviews would be included in the Internal Audit progress report once the final reports were issued.

Discussion ensued on the £10,000 cash payment limit and whether or not this needed to be revised due to the reduced amount of cash payments. It was anticipated that a better understanding of the amount of cash payments that took place would be gained during the Internal Audit review.

Resolved:- That the revised Anti-Money Laundering Policy be noted together with the actions being undertaken to review the Council's anti-money laundering arrangements.

56. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST AUGUST TO 31ST OCTOBER 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 August to 31st October, 2024, and the key issues that had arisen.

The plan attached as part of the report showed the position up to the end of October 2024, the progress of the 2024/25 audit plan, the reports finalised between August and October 2024 and performance indicators for the team. Since the last report there had been 5 audits deferred, one removed and one addition to the plan.

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. 8 audits had been finalised since the last Audit Committee, 4 of which had received Reasonable Assurance and 4 received Partial Assurance opinion.

A review of the current performance indicators was detailed in Appendix D and client satisfaction survey responses attached at Appendix E.

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 F of the report.

The new Global Internal Audit Standards (GIAS) were issued on 9th January, 2024, and would become globally effective from 9th January, 2025. They would then replace the International Professional Practice Framework the mandatory elements of which were the basis for the current UK Public Sector Internal Auditing Standards (PSIAS). The Relevant Internal Audit Standard Setters (RIASS) has agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and 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

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IASAB had determined that if GIAS was applicable to the internal audit of UK public sector bodies, subject to a small number of additional requirements and interpretation. The IASAB had developed the "Application Note: Global Internal Audit Standards in the UK public sector".

CIPFA was consulting on a Code of Practice for the Governance of Internal Audit from the perspective of the organisation i.e. local government responsible for internal audit. The Code complemented the standards which applied to the practice of internal audit from the perspective of the Head of Internal Audit.

The effective date of the new material developed by IASAB was 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. Until then, the existing PSIAS based on the old Internal Professional Practices Framework would continue to apply.

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

57. AUDIT COMMITTEE FORWARD WORK PLAN

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

It was noted that the External Audit Value for Money opinion was listed for the March 2025 meeting when in fact it should be January.

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

58. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

59. URGENT BUSINESS

There was no urgent business for consideration.