

AUDIT COMMITTEE
14th January, 2025

Present:- Councillor Marshall (in the Chair); Councillors Baggaley, Blackham, Elliott and McKiernan along with Ms. A. Hutchinson (Independent Person).

Also in attendance from Grant Thornton were:-
Michael Green, Key Audit Partner and Engagement Lead
Thilina de Zoysa, Engagement Senior Manager

An apology was received from Mr. M. Olugbenga-Bababola (Independent Person).

60. 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.

61. DECLARATIONS OF INTEREST

There were no Declarations of Interest reported.

62. 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. 72 (Corporate Strategic Risk Register) and Minute No. 73 (Finance and Customer Services 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.

63. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH NOVEMBER, 2024

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

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

64. GOVERNANCE, AUDIT AND RISK

The Chair welcomed Sharon Kemp, Chief Executive, to the meeting and invited her to share her presentation on Governance, Audit and Risk.

The powerpoint presentation highlighted:-

AUDIT COMMITTEE - 14/01/25

- The Chief Executive's Personal Oversight.
- Obligations for the Golden Triangle and Statutory Duties.
- Strategic Leadership Team's Involvement.
- Action Tracking.

The Chief Executive also wished to place on record her thanks and appreciation to the Head of Internal Audit and other officers on their involvement and work for Governance, Audit and Risk.

In receiving the presentation the Committee asked about the Quarterly Statutory Officers meetings particularly in relation to Human Resources and were advised that oversight was given to disciplinary trends and activity across all directorates and for all levels of staff.

In addition, any correlation or connection requiring further exploration was easily identified and ensured everyone was treated fairly within a good governance framework.

The Chair thanked the Chief Executive for her attendance and input.

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

65. **AUDITORS ANNUAL REPORT ON VALUE FOR MONEY**

Consideration was given to the report presented by Michael Green from Grant Thornton, which detailed the External Auditor's 2023-24 annual report for Value for Money (VFM). Under the National Audit Office Code of Practice, External Auditors were required to consider whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors now reported in more detail on the Authority's overall arrangements as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Based on the areas of focus and evidence considered, no evidence of significant weaknesses in the Council's arrangements for ensuring financial sustainability had been found. However, one improvement recommendation had been raised.

Grant Thornton reported on three specified criteria in their Value for Money review and confirmed:-

Financial Sustainability

- No significant weaknesses in arrangements identified with an improvement recommendation for the potential development of a standalone Capital Strategy.

Governance

- No significant weaknesses in arrangements identified.

Improving Economy, Efficiency and Effectiveness

- Two key recommendations were made relating to significant weaknesses in Housing Revenue Account health and safety compliance and asset management and operational building compliance. Action was recommended to address the gaps.

Overall the report was positive with Rotherham identified as a high performing Council. The hard work for all involved was highlighted and specific thanks to officers directly working with the External Auditors.

Discussion ensued on the advantages of adopting a Capital Strategy and how this would enhance and benefit the Council's arrangements.

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

66. EXTERNAL AUDITOR - TRANSPARENCY REPORT

Further to Minute No. 45 of the meeting held on 26th November, 2024, Michael Green presented the Grant Thornton UK LLP transparency report for the year ended 31st December 2023. The report included statements by key individuals for Grant Thornton.

A number of highlights were pulled from the report including the monitoring of the sector, the number of FRC reviews for 2023; all of which had scored 100% or as Good with Limited Improvement Required.

With regards to Public Sector Inspections Grant Thornton recognised the need for sector specific specialisms and were only involved with Local Government and the NHS.

Grant Thornton were, therefore, pleased with the positive results and would continue to invest and deliver going forward.

The Committee welcomed the report and in doing so noted the numbers of external reviews from several regulatory bodies from FRC and QAD, which had seen seven for 2021, six for 2022 and one for 2023.

The Committee was advised that this was a direct result of an audit backlog within the regulatory regime which was very resource intensive.

In response to further questions, Michael Green from Grant Thornton pointed out the company aimed to deliver the highest quality audits for clients and gave an assurance that, from the audit profile in Rotherham, a high level of input had been provided.

Grant Thornton confidently and professionally applied the standards correctly and asked the right kind of questions of organisations. If a problem was ever detected this would trigger enforcement and review from the FRC.

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

67. EXTERNAL AUDITOR - MINIMUM REVENUE PROVISION

Further to Minute No. 53(2) of the meeting held on 26th November, 2024, Michael Green (Grant Thornton) presented the report on Minimum Revenue Provision (MRP), a requirement of Regulation 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No. 3146).

The requirement was for the financial year commencing 1st April 2004 and every subsequent financial year, a local authority shall charge to a revenue account a minimum amount (MRP) for that financial year. The MRP was in respect of the financing of capital expenditure incurred by the local authority in that year or in any financial year prior to that year.

The resultant annual MRP charge was included as a charge to the local authority's General Fund within its annual statement of accounts. The External Auditor's objectives were to obtain reasonable assurance as to whether the financial statements as a whole were free from material misstatement, whether due to fraud or error, and to issue an auditor's report that included their opinion. Reasonable assurance was a high level of assurance but was not a guarantee that an audit concluded in accordance with ISAs (UK) would always detect a material misstatement when it existed.

It was a local authority's responsibility to determine and make a prudent MRP; it was not the role of the External Auditor to determine for an authority what was prudent. The exercise of judgement was necessarily involved in a local authority's determination of what constituted a prudent MRP not least in an authority determining the period over which their capital expenditure was expected to provide benefits. As such the level of MRP charged should not be thought of in binary "correct" or "incorrect" terms, rather than a subjective evaluation of whether a calculation was "prudent" was required.

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

68. FINAL ACCOUNTS CLOSEDOWN AND ACCOUNTING POLICIES

Consideration was given to a report and appendices presented by the Head of Corporate Finance on the closure of the accounts 2024/25.

The Accounts and Audit (Amendment) Regulation 2024 came into force on 30th September, 2024, and extended the deadline for the publication of final audited accounts to 27th February for 2024/25 accounts and required the draft accounts to be published by 30th June. The Regulations had been approved in order to clear the national backlog of local authority audits.

In line with best practice, the Council's financial reporting timetable remained in line with the 2023/24 timetable which included publishing draft accounts by the end of May 2025 (presented to Audit Committee in June 2025) with the fully audited accounts to be published in November 2025 following approval at the November Audit Committee. However, this depended on the available capacity of the Council's auditors.

The key accounting issues and main changes to the accounts in 2024/25 were set out in Appendix A to the report.

The Council's Statement of Accounting Policies (Appendix B) was reviewed and updated where necessary.

As part of asking questions the Committee were given assurance that good progress was being made on the accounts and the service was confident they would be produced on time.

Resolved:- (1) That the timetable for the production of the Council's financial statements be noted.

(2) That the key accounting issues and main changes to the accounts in 2024/25, as listed in Appendix A submitted, be noted.

(3) That the Council's revised Account Policies, attached at Appendix B submitted, be noted.

69. PROCUREMENT GOVERNANCE AUDIT PROGRESS

Consideration was given to the report presented by the Head of Internal Audit, which set out the actions taken and implementation of the recommendations made with regard to the partial assurance Internal Audit report on Procurement Governance.

An audit had been undertaken across all Directorates to provide assurance that procurement activity was robust and complied with Financial and Procurement Procedure Rules (FPPRs). It had specifically examined the work undertaken by Contract Managers across all Directorates.

Three Directorates had received partial opinions – Adult Care, Housing and Public Health, Finance and Customer Services and Regeneration and Environment and representatives from each of these Directorates were invited to provide an update.

Scott Matthewman, Assistant Director for Strategic Commissioning, on behalf of Adult Care, Housing and Public Health, thanked Internal Audit for their work and gave an update on progress and how this was being further embedded in the procurement activity and commissioning lifecycle. Further information was also provided on next steps and how compliance would continue to be ensured. The Directorate would, therefore, be moving forward to further embed strong and robust contract management processes across the broader service portfolio.

The Committee sought clarification on the contracts register and how they were included. As a result of the work that had taken place, the Directorate was in a much better position to forward plan with their contracts strategically and, therefore, plan proactively.

Rob Mahon, Assistant Director of Financial Services, echoed some of which had already been shared, particularly in the forward planning stages to ensure resources could be aligned and KPI's embedded. This would ensure value for money and drive the cost appraisals.

Sam Barstow, Assistant Director of Community Safety and Street Scene, shared his challenges for Regeneration and Environment and the better support for contracts for a consistent delivery and compliance with the rules.

The Committee in response to their questions were advised that core parts of officer roles involved with contracts were updated with additional support to enable capacity.

Whilst the Committee asked if there was any duplication across the Directorates and whether the pooling of resources was an option, it was noted that procurement was a core function that was managed centrally. Procurement staff worked very closely with Directorates to provide advice and guidance.

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

70. HEALTH & SAFETY LEGISLATION AND CORPORATE RESPONSIBILITIES FOR COUNCIL HOMES: SMOKE AND CO ALARMS AUDIT PROGRESS REPORT

Consideration was given to the report presented by the Assistant Director for Housing in relation to the actions taken and implementation of the recommendations made with regard to the partial assurance Internal Audit report on Health and Safety Legislation and Corporate Responsibilities for Council Homes: Smoke and CO Alarms.

As part of a cycle of internal audits focused on the Council's Health and Safety obligations in relation to its Council homes, an audit focusing on smoke and carbon monoxide alarms had reported in September 2024.

The purpose of the audit was to provide assurance that the risk of non-compliance with the relevant Health and Safety Regulations regarding such alarms was being managed effectively.

The audit had given a partial assurance opinion with thirteen actions recommended, the majority of which were now complete within the agreed timescale. As at 19th December, 2024, there were three outstanding actions all of which were due to be completed within the timescales agreed in the report.

- Implementation of compliance software.
- Access procedures. This was on target and would form part of the gas 'no access' procedure.
- Visiting all properties where the Council has limited/no CO alarm information. All 141 properties in scope of this action have had at least one visit. Further visits will take place and letters will be sent to try to gain access. As of the 19th December 2024, 47 properties were outstanding.

The Committee welcomed the update and sought assurance that with the inventory of stock due to commence in January, 2025 would capture all this information.

In addition, the Directorate provided their own assurance that where access could not be obtained, procedures in accordance with the Environmental Protection Act would be followed.

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

71. EXTERNAL INSPECTIONS, REVIEWS AND AUDITS UPDATE

Consideration was given to a report, presented by the Corporate Improvement and Risk Officer which provided details of recent external inspections, reviews and audits as well as a summary of progress against the recommendations from all external inspections, reviews and audits setting out details of arrangements for ensuring the accountability and governance around their implementation.

Since the last report to Committee in July 2024, seven external inspections, reviews and audits had taken place. In total thirteen recommendations/areas for improvement had been completed since the last report, twenty-one recommendations/areas for improvement which remained ongoing with two yet to start. However, none were delayed more than twelve months.

The report set out details of the seven inspections, reviews and audits that had taken place since July 2024 in Children and Young People's Services and Adult Care, Housing and Public Health.

The findings from two external reviews conducted previously had now been received i.e. Care Leavers Peer Review conducted in March 2024 (five areas for improvements identified but all now complete) and the Ofsted Focused Visit conducted May-July, 2024 (four areas for improvement identified for which an action plan was in place).

In addition, there were four annual audits that remained ongoing.

The Committee sought further information on when the two reviews were to begin and were advised that, subject to approval by Cabinet, target dates for commencement would be provided in due course.

Resolved:- (1) That the external inspections, reviews and audits that had taken place since the last report be noted.

(2) That the progress made in relation to recommendations/areas for improvement and the governance arrangements in place be noted.

(3) That the Audit Committee continue to receive regular reports.

72. CORPORATE STRATEGIC RISK REGISTER UPDATE

Consideration was given to the report presented by the Corporate Improvement and Risk Manager, which detailed the Corporate Strategic Risk Register update.

As set out in the Risk Management Policy and Guide, individual Service Management Teams and Directorate Leadership Teams had reviewed their risk registers in line with the Risk Management Policy and Strategy. Typically, teams reviewed their registers every four to twelve weeks dependent upon the individual meeting cycle and the significance of the risks they were managing.

The Corporate Strategic Risk Register had been formally reviewed by the Strategic Leadership Team and a regular cycle of quarterly reviews had been in place throughout the financial year. The Corporate Improvement and Risk Manager, through the Risk Champions, ensured updates were obtained from all risk owners, reviewed each update and drew attention to issues or missing risk register updates.

The current heat map for the strategic risks included in the update was set out in the report submitted. Movements in the heat map were compared to the risks report in the July report to the Audit Committee. No risks had been removed or added to the risk register, however, there had been significant movements in the register with five risks moving since the last report, four increasing in risk score and one reducing.

In general terms, strategic risks changed more slowly over time than operational risks. Since July 2023, 33% of risks monitored at a strategic level had reduced in assessed level, 33% had remained stable and 33%

had either increased or were new to the register. This showed that the Council's overall risk position was broadly stable although the degree of movement was higher than had been seen in recent years.

In total there remained fourteen risks on the register.

Resolved:- That the updates on the Corporate Strategic Risk Register be received and the contents noted.

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

73. RISK MANAGEMENT DIRECTORATE PRESENTATION - FINANCE AND CUSTOMER SERVICES

Consideration was given to the report presented by the Strategic Director for Finance and Customer Services, which detailed the Risk Register and risk management activity within the Finance and Customer Services Directorate.

The Asset Management Risk Register was last presented to the Audit Committee in March 2024. Since the last review of these risk registers, Asset Management had been permanently transferred to the Finance and Customer Services Directorate. The Catering and Facilities risks were first transferred from the Regeneration and Environment Directorate to the Assistant Chief Executive's Directorate before being transferred to the Finance and Customer Services in March 2024. All of these risk registers had now been combined into one risk register for the Directorate which may mean some of the original numbers of the Register may not now correlate.

The report set out in detail the risk items which have been added or amended since the last report to Audit Committee in January 2024 and it was noted that risks were discussed and reviewed at the Directorate Leadership Team (DLT) and, where necessary, escalated to the next strategic level for inclusion on the risk register.

An assurance was given on FCS1 with some Directorates failing to deliver services within budget and which would show at the next update how a balanced budget may be delivered.

In terms of FCS18 it was noted this was identifying "red" on the register in relation to the availability of land for burials. However, there was still sufficient land available so there was no imminent risk, but further discussions were ongoing.

AUDIT COMMITTEE - 14/01/25

With regards to FCS21 this was still on the register as “red” due to the huge investment required to fund and deliver the heat decarbonisation plan that had been produced for forty core operational buildings.

The Risk Register entries were closely linked to the Service Plans, Team Plans, Reports and Service meeting agendas across the Directorate and progress against key actions to mitigate the above risks was monitored through management team meetings.

The Committee welcomed the update and in doing so noted the concerns around FCS18 and the sufficiency of burial space, particularly at East Herringthorpe. This issue had been discussed at length at Improving Places Select Commission where it was noted that availability was currently adequate. Discussions with Dignity and investigations about available Council-owned land were ongoing.

Resolved:- That the progress and current position in relation to risk management activity in the Finance and Customer Services 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))

74. **AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee for March 2025 to January 2026. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

There would be an additional report submitted in March which the Monitoring Officer and Chair of the Audit Committee were aware of.

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

75. **ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral to Scrutiny.

76. **URGENT BUSINESS**

There were no urgent items of business for consideration.

77. **DATE AND TIME OF NEXT MEETING**

Resolved:- That the next meeting of the Audit Committee take place on Tuesday, 11th March, 2025 at 2.00 p.m.