AUDIT COMMITTEE
17th June, 2025

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

Also in attendance was Michael Green (Grant Thornton, External Auditors).

Apologies for absence were received from Councillors Allen and Blackham and Alison Hutchinson (Independent Person).

1. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

2. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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. 10 (Internal Audit Progress Report Appendix G) and Minute No. 12 (Adult Services, Housing and Public Health Strategic 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.

4. MINUTES OF THE PREVIOUS MEETING HELD ON 11TH MARCH, 2025

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 11th March, 2025.

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

5. EXTERNAL AUDIT PLAN AND PROGRESS UPDATE

Michael Green, Engagement Lead and Key Audit Partner (Grant Thornton) presented the 2024/25 External Audit Plan. Local authorities faced many challenges; the pandemic along with the cost of living crisis had left local governments with economic, social and health challenges to address, and, despite the best efforts of local authorities, financial pressures were affecting the scale, range and quality of council services provided to local residents.

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 including Council dwellings and valuation of defined benefit pension fund net asset/liability balance. A further risk had been identified this year, "other risk", relating to the implementation of the new accounting standard IFRS16 which came into force on 1st April, 2024.

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.

No risks of significant weakness had been identified.

On receipt of the Council's financial statements, Grant Thornton had commenced their external audit procedures and would continue through the summer. It was expected to submit the audit findings (ISA260) report and value for money report to the November meeting of the Audit Committee.

Audit fees were set by PSAA as part of their national procurement exercise. Grant Thornton had been awarded the contract with effect from 2023-24. The scale fee set out in the PSAA contract for the 2024-25 audit was £417,703. However, it was noted that there may be an additional fee charged based on the increased audit requirements relating to the review of the Council's implementation of the newly applicable IFRS16 leases accounting standard which was not included within the PSAA scale fee for 2024-25.

It was noted that the Minister of State for Local Government and English Devolution, on 18th December, 2024, had announced the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The Government's intention was to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office would be established. Building on the recommendations of Redmond, Kingman and others, the Government would ensure the core underpinnings of the local audit system were fit for purpose.

Grant Thornton welcomed the proposals which were much needed and essential to restore trust and credibility to the sector. They were keen to work with the MHCLG, existing sector leaders and the Local Audit Office as it was established to support a smooth transition to the new arrangements.

Rotherham was in a really good position having already produced its financial statement well ahead of the majority of other local authorities enabling the external auditor to commence their work. Grant Thornton aimed to report the ISA260 and auditor's annual report on value for money arrangements to the November Audit Committee meeting and confident of concluding the audit and issuing the audit opinion by the end of the 2025 calendar year ahead of the February 2026 backstop date.

Although it was a "new" external audit team, Greg Charnley, Audit Senior Manager, in the past had worked with Rotherham's Finance team. All had trained within the company's public sector contracts section.

It was difficult to predict what the additional fee would be at the present time as it would depend upon the extra work required. Some local authorities would be straight forward and others have complex arrangements in place.

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

6. PUBLICATION OF UNAUDITED STATEMENT OF ACCOUNTS 2024/25

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 on 9th June 2025. This was slightly later than the original date of 31st May, 2025 allowing for effective quality and assurance checks to be performed, however, it complied with the 30th June statutory deadline for the publication of draft accounts. The period for local electors to exercise their rights for the public inspection phase had commenced on 10th June, 2025 and would end on 21st July, 2025, 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 including full implementation of the new lease accounting standard, IFRS16, for the first time in 2025/25.

It was noted that the Audit Committee had had a training session on the Statement of Accounts prior to the meeting.

Resolved: That the draft unaudited 2024/25 Statement of Accounts be noted.

7. DRAFT ANNUAL GOVERNANCE STATEMENT 2024-25

Consideration was given to the draft Annual Governance Statement (AGS) for the 2023/24 financial year as presented by Simon Dennis, Policy, Improvement and Risk Manager. This was published alongside the Council's Statement of Accounts on 9th June, 2025. The paper briefly set out the process that was followed to construct this AGS.

A process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group which included the Strategic Director of Finance and Customer Services, the Assistant Director of Legal Services, the Head of Internal Audit and the Policy, Improvement and Risk Manager. The draft AGS was then reviewed by the Strategic Director of Finance and Customer Services, the Assistant Director of Legal Services, the Chief Executive and the Leader.

Each Strategic Director had overseen a self-assessment of governance within their Directorates comprising of a self-assessment form based on the Principles and Sub-Principles in the Code of Corporate Governance by each Assistant Director as well as a review and update of the detailed issues raised in the 2023/24 AGS. Each Strategic Director and Assistant Director was also required to submit a Statement of Assurance based on the information arising from their review of current and previous governance issues. These were then reviewed by the Corporate Governance Group also considering which issues were of sufficient significance to require reporting in the AGS.

The AGS outlined the governance arrangements in place throughout the year and how their effectiveness was monitored. The AGS also recognised the improvements made in the Council's governance arrangements throughout the financial year as well as highlighting areas for further development in 2025/26.

The document was very similar to that submitted last year, however, the issue of equal pay had been included. In line with other local authorities, Rotherham had been contacted with concerns regarding the approach and implementation of its systems for ensuring that there were no pay differentials. The Council continued to have dialogue with the relevant Trade Unions and with other local authorities to ensure awareness of the emerging regional and national picture.

It was noted that the document would be submitted to the Committee again when the External Auditor's conclusion on the statutory financial statements were received. At that point the AGS would be checked to ensure there were no other significant issues for inclusion and the document would be signed off by the Leader and Chief Executive.

An update was provided on Property and Facilities Services with regard to staffing/recruitment and the improvement plan.

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

8. TREASURY MANAGEMENT OUTTURN 2024-25

Consideration was given to the Annual Treasury Management Report, presented by Natalia Govorukhina, Head of Corporate Finance, which was the final treasury report for 2024/25. Its purpose was to review the treasury activity for 2024/25 against the Strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2024/25 in accordance with the requirements of the Prudential Code.

The Council received an Annual Treasury Strategy Report in advance of the 2024/25 financial year at its meeting on 28th February, 2024, and the Committee received a mid-year report at its meeting on 26th November, 2024, representing a mid-year review of treasury activity during 2024/25. In addition, quarterly updates were received by Audit Committee on 26th September, 2024 and 11th March, 2025.

This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council was required to comply with both Codes through regulations issued under the Local Government Act 2003.

Appendix 1 of the report submitted gave a summary of the Prudential Indicators for the Council.

The underlying economic and financial environment remained difficult for the Council to predict. Inflation had fallen back from historic highs in recent years and the Bank of England had started to cut interest rates. However, the cost of long term borrowing form PWLB had increased during the years. The main challenge with regard to investments related to concerns over investment counterparty risk. This background encouraged the Council to continue maintaining investments short-term and with low risk counterparties.

During 2024/25 the Council continued to pursue its short-term borrowing strategy in line with advice from its Treasury advisers. Borrowing was taken only as needed and would be refinanced in the next few years.

This had resulted in a significant increase in the net under borrowed position. The Council would continue to monitor the interest position with a view to taking out further long term borrowing if there were dips in the long term borrowing rates but currently was utilising short-term borrowing to cover immediate borrowing need in anticipation of lower rates in the future.

Taken together, the reduced borrowing need, additional returns on investments, and further slippage on the Council's Capital Programme had enabled the Council to transfer £8m underspend on the 2024/25 Treasury Management budget to support the Council's 2024/25 overall outturn position.

The report also included a table showing debt repayments during 2024/25 to other local authorities as had been requested by previous Audit Committee Members.

It was noted that the report would be considered by Cabinet at its meeting on 7th July, 2025.

Discussion ensued on the report with the following issues raised/clarified:-

- Cash flow was managed on a daily basis with debts maturing and repaid in accordance with the agreed terms
- Assurance given that all borrowing was in line with the Treasury Management planning and cash flow management
- Regular Treasury Management meetings were held where the cash flow position was reviewed/forecast for the coming months

Resolved:- That the Treasury Management Prudential Indicators outturn position, as set out in Section and Appendix 1 of the report submitted, be noted.

9. 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 February to 30th April, 2025, and the key issues that had arisen.

The plan attached as part of the report showed the position up to the end of April 2025, the progress of the 2024/25 audit plan, the reports finalised between February and April 2025 and performance indicators for the Team. Since the last report there had been 3 audits postponed to 2025/26 and 3 audits removed from 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. 10 audits had been finalised since the last Audit

Committee, one of which had received Substantial Assurance, 4 received Reasonable Assurance opinion and 5 Partial Assurance.

A review of the current performance indicators was detailed in Appendix D, post-audit questionnaires and results included at Appendix E and the Quality Assurance and Improvement Plan at Appendix F. Appendix G set out details of the Internal Audit responsive audit work completed.

It was noted that work continued to progress implementation of the new Global Internal Audit Standards. However, it was noted that since the last meeting, CIPFA had indicated that their fee would be in excess of that previously quoted for the undertaking of a full assessment (Minute No. 89 of 11th March 2025 refers). No further work was required with regard to the adjustment of cost to comply with the Council's procurement rules.

Discussion ensued on the report with the following issues raised/discussed:-

- The Internal Audit recommendations for Finance and Customer Services were monitored on a regular basis
- The deferred recommendations for Finance and Customer Services and Children and Young People's actions had now been completed
- In all 6 cases, of the Regeneration and Environment deferred actions it was the first time they had been postponed and were due at the end of July
- In response to a question on the KPI 'Audits completed within planned time', it was difficult to estimate how long an audit would take particularly if one had not been done previously and a number of factors impacted on the time taken .

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st February to 30th April, 2025, 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 the Assistant Director, Community Safety and Street Scene, be invited to the September meeting of the Audit Committee to discuss the outcome of the Home to School Transport Service audit.

(Appendix G was considered in the absence of the press and public in accordance with Paragraph 7 of the Act (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

10. INTERNAL AUDIT ANNUAL REPORT 2024-25

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which provided information on the role of Internal Audit; the work completed during 2024/25 and highlighted the key issues that had arisen therefrom. It provided the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance. It also provided information regarding the performance of the Internal Audit function during 2024/25.

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 framework of governance, risk management and control. A higher proportion of partial/no assurance audit reports had been issued during the year and it was on this basis that the effectiveness of the framework was considered to have diminished as some weaknesses, evidence of non-compliance with controls or ineffective controls had been identified. It was important to note that most partial/no assurance opinions had arisen in cases where management had proactively requested audit assurance in response to identified concerns reflecting a strong awareness of areas needing improved oversight or enhanced compliance with internal controls. The work undertaken during the year had clearly focused on the key risk areas of the Council and was targeted to specific areas of concern.

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 2024/25, 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. 68% of audits resulted in a Substantial or Reasonable Assurance opinion, however, the proportion of Partial opinions had increased during 2024-25 compared to 2023/24.

During 2024-25, 210 recommendations (91 in 2023-24) were made to improve the internal control, risk management and governance arrangements across the Council. Of these, 32 (3 in 2023-24) were in the highest category (red).

The Head of Internal Audit was confident that the 2025-26 Internal Audit plan would be delivered with the resources there currently was.

Resolved:- (1) That the work undertaken during the 2024-25 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.

(3) That the Committee's satisfaction with the effectiveness and efficiency of the Internal Audit function be noted.

11. 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 22 risks items listed reflecting the significant scale and scope of the Directorate. 3 new risks had been added to the Directorate risk register from Service level risk registers:-

- ACHPH-R49 – Deliver a balanced budget for 2025/26
- ACHPH-R51 – NHSE being disestablished and ICB 50% reduction in running costs. Impact on the delivery of Adult Social Care/Local Authority services both operationally and financially
- ACPH-R50 – Ensure sufficient nursing EMI beds are available in care homes to increase system flow, support admissions from the community and increase patient choice

2 risks had been removed from the register. The Corporate Strategic risk register currently included 2 ACHPH Directorate risks (ACHPH-R7 and ACHPH-R50) with ACPH-R51 being added at the next update.

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.

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)

12. CHILDREN'S CAPITAL OF CULTURE AUDIT REPORT UPDATE

Polly Hamilton, Assistant Director, Culture, Sport and Tourism, presented a report regarding the actions taken/implementation of the recommendations made relating to the Partial assurance rating by Internal Audit on the Children's Capital of Culture governance and procurement for the programme of events.

At the request of the Chief Executive, the audit was added to the 2024/25 audit plan and completed in January 2025. The overall objective had been to provide assurance on the Council's roles and responsibilities for the delivery of effective governance and procurement for the Children's Capital of Culture programme of events.

7 recommendations for implementation had been made as a result of the audit all of which were now complete.

A follow-up audit was scheduled for August 2025.

Discussion ensued with the following issues clarified:-

- No issues had arisen since the implementation of the programme decision making framework. All Children's Capital of Culture staff members had completed a Declaration of Interest form and the risk assessment had been completed by the Head of Service. There were no issues arising from this which had led to a contract being refused.

- Widening access. At the heart of the Children's Capital of Culture activity programme was the Traineeships strand, supporting skills and talent. This had enabled the employment of over 120 trainees aged between 16-25 years who were being hosted by a range of organisations across the Borough. Each traineeship involved working with that organisation on activities related to it and work with other trainees and organisations towards delivery of the Children's Capital of Culture activities. The recruitment process of trainees had been designed to be very open and inclusive and young people were encouraged to engage, including those with protected characteristics such as disability, ethnicity and neurodiversity. As a result of the Equalities Impact Assessment and the corporate priority to support young people in care, funding had been ringfenced to enable care-experienced young people to secure traineeships.

Resolved:- That the report be noted.

13. AUDIT COMMITTEE FORWARD PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for July 2025 to June 2026. 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 there may have to be a review of the September and November proposed agenda items due to the excessive number of items for the latter meeting.

Resolved:- That the Audit Committee forward work plan, as submitted, be approved subject to the reordering of the September and November meetings.

14. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

15. URGENT BUSINESS

There was no urgent business to be considered.