

Committee Name and Date of Committee Meeting

Council – 05 October 2022

Report Title

Audit Committee Annual Report 2021/22.

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

This report presents the final draft of the Audit Committee Annual Report for 2021/22 for Members' approval, having been endorsed by the Audit Committee on 28th June 2022.

The purpose of the Annual Report 2021/22 is to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complies with current best practice for audit committees. It allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the Council and is thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management and financial and business controls.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees operate effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this Audit Committee is attached. A copy of the Audit Committee's Terms of Reference is included for information.

Recommendations

That the Audit Committee Annual Report 2021/22 be approved.

List of Appendices Included

Audit Committee Annual report for 2021/22

Audit Committee Terms of Reference

Background Papers

Relevant reports presented to the Audit Committee and minutes of the meetings of the Audit Committee.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

Yes

Exempt from the Press and Public

No

Audit Committee Annual report 2021/22

1. Background

- 1.1 The Audit Committee is a key component of corporate governance and provides an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement.
- 1.2 The Committee's specific powers and duties are set out in section 9 of the Constitution under the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is attached for information.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities.

2. Work Undertaken during 2021/22

- 2.1 The Audit Committee met on six occasions in the year to 31 March 2022, in accordance with its programme of work. The frequency of meetings ensures the Audit Committee can fulfil its responsibilities in an efficient and effective way.
- 2.2 During this period the Committee assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from Officers, the internal auditors and the external auditors.
- 2.3 The Committee sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified during the period. The Committee also sought to ensure that effective relationships continue to be maintained between the internal and external auditors, and between the auditors and management.
- 2.4 The specific work undertaken by the Committee is set out in the report.

3. Options considered and recommended proposal

- 3.1 This report presents the final draft of the Audit Committee Annual Report for 2021/22 for Members' approval, having been endorsed by the Audit Committee on 28th June 2022.

4. Consultation on proposal

- 4.1 None.

5. Timetable and Accountability for Implementing this Decision

- 5.1 As Council is recommended to approve the Annual Report, there are no further stages in the decision-making process.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report.

7. Legal Advice and Implications

7.1 Appendix 9, Paragraph 5 of the Council's Constitution, the Audit Committee's Terms of Reference, requires the Audit Committee to submit an annual report to the Council and this report is submitted to meet that requirement.

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

10. Equalities and Human Rights Advice and Implications

10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for CO₂ Emissions and Climate Change

11.1 None.

12. Implications for Partners

12.1 Partners can be reassured that the Audit Committee is fulfilling its role within RMBC.

13. Risks and Mitigation

13.1 None.

14. Accountable Officer(s)

David Webster, Head of Internal Audit

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This report is published on the Council's [website](#).

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE ANNUAL REPORT 2021/22

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FOREWORD

In commending the 21/22 Audit Committee Annual Report, I would like to thank all the Officers involved in its production, and Grant Thornton, our external auditor. The highlights of the report are testament to their professionalism and the robust governance processes implemented by the Council. I would also like to thank the Members of the Audit Committee, for their invaluable contribution, that has enabled this report to be published.

Cllr J Baker-Rogers, AC Chair June 2022

INTRODUCTION

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. RMBC's Audit Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.

A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

This role is reflected in the Committee's Terms of Reference which are given below for information.

The Audit Committee had the following membership during 2021/22:

Member	Jun 2021	Jul 2021	Sep 2021	Nov 2021	Jan 2022	Mar 2022
Cllr Baker-Rogers (Chair)	x	x	x	x	x	x
Cllr Hoddinott (Vice Chair)	x	x				
Cllr Browne (Vice Chair)			x	x	x	
Cllr Cowen (Vice Chair)						x
Cllr Barley	x	x	x	x	x	
Cllr Wilson	x	x	x	x	x	
Cllr Mills						x
Cllr Wooding						x
Cllr Wyatt	x	x	x	x	x	x
Mr Barber (Independent Member)	x	x	x	x	x	x

HIGHLIGHTS OF THE YEAR

There have been many benefits from the work of the committee. The main outcomes and improvements include:

- An unqualified External Audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness
- The timely sign-off of the accounts to the amended timetable
- An Annual Governance Statement that reflected the developments within the Council
- A positive opinion from the Head of Internal Audit in his Annual Report
- A Risk Management process that is embedded within the Council

SUMMARY OF WORK UNDERTAKEN IN 2021/22.

The Audit Committee completed the following during 2021/22

External Audit – Grant Thornton

- Received and considered a Progress Update and the audit plan to review the financial statements. This included the changes necessary to comply with new auditing standards issued by the Financial Reporting Council and an updated Code of Audit Practice issued by the National Audit Office.
- Received and considered the detailed results of the external auditor's work in relation to the audit of the 2020/21 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion.
- Received and considered a report detailing the information received from RMBC management which informed Grant Thornton's audit risk assessment.
- Received a report from the Financial Reporting Council giving the results of their review of Grant Thornton's work at RMBC in 2020/21. The Committee was pleased to note that the work was graded at level 2, only limited improvement required, which is an acceptable level.
- Received a report on the re-procurement of external audit by the Public Sector Audit Appointments Ltd after the current contract with Grant Thornton expires at the end of 2022/23. The committee recommended to Council that RMBC opt-in to the PSAA re-procurement exercise.

Internal Audit

- Continued to oversee the internal audit arrangements for the Council. This included approving the review of the Internal Audit Charter which outlines the terms of reference of the department and is aligned to the Public Sector Internal Audit Standards.

- Received and approved the Internal Audit Annual Report for 2020/21. This included the Annual Audit Opinion on the adequacy and effectiveness of the framework of control, risk management and governance within the Council. The Committee was pleased to receive a positive opinion.
- Received and approved the Internal Audit Plan for 2022/23. The plan ensures that internal audit resources are prioritised towards those systems and areas which are considered to be most at risk or which contribute most to the achievement of the Council's corporate objectives. It is designed to enable the Head of Internal Audit to give his opinion at the end of the year, but is flexible to ensure it remains relevant throughout the year.
- Monitored the delivery of the Internal Audit Plan for 2021/22 through regular update reports presented by the Head of Internal Audit. Reviewed variations to the audit plans which were considered necessary to reflect new or changed Council priorities.
- Received and considered the results of internal audit work performed in respect of each Directorate.
- Monitored the progress made by management during the period to address identified control weaknesses. The closure of actions improved significantly during the year.
- Monitored the performance of the Internal Audit team through the regular update reports.
- Received and considered the implementation of the Quality Assurance and Improvement Plan for 2021 and the results of the self-assessment against Public Sector Internal Audit Standards leading to a revised plan for 2022.

Anti-fraud and Corruption

- Received and considered updates to the Anti-Fraud and Corruption Policy and Strategy, including the introduction of an e-learning course for staff.
- Received and considered updates on completed fraud investigations as part of the Internal Audit Progress Reports.

Risk Management

- Continued to oversee the Council's risk management arrangements and strategy, including updates to the strategy and policy.
- Received a summary of risk management activity during 2020/21.
- Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register twice during the year.

- Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in their Risk Registers. Presentations were received from Strategic Directors on their approach to risk management.

Corporate Governance

- Considered changes to the refreshed Code of Corporate Governance prior to approval. The Code reflects the core principles and requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'.
- Considered the draft and final Annual Governance Statement for 2020/21 on behalf of the Council, showing how the Council complied with the Code of Corporate Governance and highlighting areas of continued progress.
- Produced its own Annual Report for 2020/21 setting out the work undertaken by the committee.
- Received and considered at each meeting its own forward plan for the year ahead, ensuring that all relevant areas are covered during the year.
- Members completed a self-assessment against CIPFA Guidance for Local Authority Audit Committees. This will be used to inform an ongoing training programme for them.

Finance

- Considered the unaudited draft Statement of Accounts for 2020/21.
- Considered and approved the Statement of Accounts for 2020/21 on behalf of the Council.
- Received and considered a report on the final accounts closedown and accounting policies updates for 2021/22. A second closedown report showed the timetable for reporting the accounts.
- Continued to review the Council's Treasury Management arrangements. This included reviewing the Annual Treasury Management Report for 2020/21 which covered the actual Prudential Indicators, and the Mid-Year Monitoring Report which included the actual and proposed treasury management activity.

Other

- Received and considered two update reports on progress made to implement recommendations arising from external audits, inspections and reviews.
- Received and considered reports on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA). There had been no usage of these powers by the Council during 2020/21.

- Received an annual report on Information Governance, including compliance with GDPR and the Data Protection Act.
- Received a report on procurement, including the update to Contract Procedure Rules introduced during the year and the training provided to Officers by the Procurement team.

TRAINING AND DEVELOPMENT

There were a number of new Members to the Committee during the year. They each received induction training covering the main role and areas of responsibility of the Committee. In addition, training or a briefing was offered before most meetings based on the papers to be presented to the Committee and the results of the self-assessment.

AUDIT COMMITTEE TERMS OF REFERENCE 2021/22

Committee Size

To comprise:

- Five Councillors, none of which are Members of the Cabinet.
- One person who is not a Councillor or Officer of the Council (independent member).

Statement of purpose

- 1 The Audit Committee is a key component of RMBC's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the Audit Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of RMBC's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider RMBC's code of governance.
- 4 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 5 To approve the final AGS for publication.
- 6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 8 To monitor the effective development and operation of risk management in the Council.
- 9 To monitor progress in addressing risk-related issues reported to the committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 12 To monitor the counter-fraud strategy, actions and resources.
- 13 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

- 14 To approve the Internal Audit Charter.

- 15 To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 16 To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- 17 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
- 19 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards. This will include:-
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is so severe that it must be included in the AGS
- 20 To consider reports from the Head of Internal Audit on Internal Audit's performance during the year. These will include updates on the work of Internal Audit including:
 - progress against the plan
 - key findings and issues of concern
 - action in hand as a result of internal audit work
 - performance indicators
- 21 To approve the Head of Internal Audit's annual report:-
 - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
 - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 22 To consider summaries of specific Internal Audit reports.
- 23 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 24 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for him/her to meet privately with the committee.

External audit

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 27 To approve the external auditor's annual plan.
- 28 To approve any revisions to the external auditor's plan.

- 29 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30 To consider specific reports as agreed with the external auditor.
- 31 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 32 To commission work from internal and external audit.
- 33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 34 To receive the draft annual Statement of Accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 35 To approve the final audited annual statement of accounts for publication. Specifically to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 36 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 37 To deal with any matters referred to the Committee by the Strategic Director Finance and Customer services in relation to his/her responsibilities under section 151 of the Local Government Act 1972.

Treasury Management

- 38 To review treasury management policy, strategy and procedures and to be satisfied that controls are satisfactory.
- 39 To receive annual reports on treasury management, specifically the outturn report and the mid-year report.
- 40 To review the treasury risk profile and adequacy of treasury risk management processes.
- 41 To review assurances on treasury management, for example an internal audit report, external audit report or other review.

Accountability arrangements

- 42 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 43 To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 44 To submit a report on the work of the committee to the Council on an annual basis.