

AUDIT COMMITTEE
17th March, 2026

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

Apologies for absence:- Apologies were received from Councillor Allen, Alison Hutchinson (Independent Person) and Judith Badger.

Council Officers and Partners in attendance:-

John Edwards – Chief Executive

Phillip Horsfield – Monitoring Officer

Rob Mahon – Service Director of Financial Services

Natalia Govorukhina – Head of Corporate Finance

Katie Stead – Policy, Improvement and Risk Manager

Louise Ivens – Head of Internal Audit

Helen Sweaton – Joint Service Director of Commissioning and Performance

Rob Savage – Departmental Business Services Manager, CYPS

Liz Luddington – Grant Thornton (External Auditors)

Greg Charnley – Grant Thornton (External Auditors)

73. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

74. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no members of the press and public in attendance at the meeting nor had any questions been received in advance of the meeting.

75. 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. 83 (Risk Management Directorate Presentation – Children and Young People’s Services - Appendix) as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

76. MINUTES OF THE PREVIOUS MEETING HELD ON 13TH JANUARY 2026

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 13th January, 2026.

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

77. GOVERNANCE, AUDIT AND RISK

John Edwards, Chief Executive, gave the following presentation on Governance, Audit and Risk. The presentation comprised of:

An overview of the Chief Executive's personal oversight including:

- Monthly receipt of Internal Audit Reports
- Regular Monitoring Officer meetings
- Quarterly Statutory Officers meetings (Complaints, HR, Internal Audit and Whistleblowing)
- Quarterly External Auditor meetings
- Review and sign off Annual Governance Statement
- Understanding risk across the Council
- Leading by example by following best practice
- Being curious about better ways of working
- Working effectively with Councillors
- Being self-aware and accountable to your colleagues and the public

The Chief Executive explained the principles behind 'The Golden Triangle' and its operational importance in the context of Council business:

- Chief Executives, S.151 officers, and monitoring officers.
- Responsible for ensuring that the Council makes lawful and prudent decisions.
- Work together closely, discussing governance issues regularly.
- Also work with the Head of Internal Audit and other colleagues with statutory responsibilities.

The Committee also explored the role of the Senior Leadership Team (SLT) in relation to governance, audit and risk:

- Internal Audit (Review Annual Plan and Annual Report, regular review of progress against plan and reports issued, alongside external assessment of IA Services received report and discussed action plan)
- External Inspections including a review completion of actions
- Quarterly review of Corporate Risk Register

The Chief Executive concluded by underlining the importance of action tracking:

- Review of outstanding actions (internal audit recommendations)
- Progress in clearing deferred actions

The Committee noted that after Covid-19, there had been a backlog of 41 actions which had improved to single figures by 2021. These had been consistently low since then, apart from a slight increase at the end of January, to 15 deferrals. As at 28th February this had been reduced to 7.

It was also confirmed that all second deferrals were authorised by the Chief Executive personally.

Discussion ensued with the following issues raised/clarified:-

- Whether 'better' meant more efficient. The Chief Executive explained that it always meant that to him, whether that was in terms of improved functionality within the Council or delivery against the Council Plan, efficiency and value for money was always a key consideration. Reducing delays, and as a consequence, costs and the need to implement remedial actions in relation to the delivery of significant projects was always top of his mind.
- Whether there were any surprises from a governance, audit and risk perspective for the Chief Executive since taking up post in the Council. The Chief Executive advised that there were no surprises, or anything that gave him cause for concern. The organisation felt well governed with good processes. A key focus for him was ensuring a firm grip on delivery of key projects going forward. A positive 'surprise' was the strength and positivity of partnership with the Internal Audit function.
- Why it took such a long time to reduce outstanding actions from 41 to 7. It was explained that it had not taken that length of time and that none of the original 41 were the same 7 outstanding actions; these were new actions that had changed over time. It was just the number of outstanding overall that had been reduced from the position during Covid-19 conditions.
- Whether there was sufficient capacity to deliver against identified risks as a Council. The Chief Executive expressed the view that it was right to invest in Internal Audit capacity within the budget and added that the ethos of good governance permeated throughout the whole organisation at all levels. Whilst there were no clear issues around capacity, prioritisation was always a consideration as was continued emphasis on that to drive continual improvement.
- Whether the Chief Executive was comfortable with action taken to mitigate the risks identified on the Corporate Risk Register and whether there was anything that kept him awake at night. The Chief Executive advised that he was comfortable with mitigations in place and the steps taken to monitor them. Whilst there were some inherent risks which must be carefully balanced against operational need, particularly in the context of factors outside of the Council's control, there was nothing specific that represented a significant

cause for concern. The Chief Executive reiterated that he worried more about delivering on identified plans and projects more than risk and demonstrating impact for the people of Rotherham.

Resolved:- That the presentation be noted.

78. EXTERNAL AUDITORS PROGRESS REPORT

Liz Luddington, Key Audit Partner and Engagement Lead, and Greg Charnley, Audit Senior Manager, presented a progress update highlighting:-

- Planning work for the 2025/26 audit had commenced in February and would continue throughout March and April. It was the intention to issue the Audit Plan to management in draft by the end of April and to Committee on 16th June, 2026.
- Working to complete some interim audit testing during March and April with the aim of bringing forward the audit work where possible.
- Audit fieldwork was scheduled to commence in late June with the ISA260 reported to the November Committee meeting and the opinion on the Statement of Accounts by early December, 2026.
- Value for Money risk assessment for the year ended 31st March 2026 had commenced with no additional significant weaknesses identified at the present time.
- The PSAA set fee totalled £429,398 for the Authority derived from the procurement exercise carried out by PSAA in 2022 reflecting the increased work auditors must now undertake as well as the scarcity of audit firms willing to do work of this nature.

The report also provided sector updates including:-

- Interviews conducted with 100 S151 officers to identify the top 3 strategic priorities, operational pressures and most in-demand skills
- CIPFA Code changes to the accounting for non-investment assets
- Audit readiness training
- Financial settlement 2026/27 and 2028/29
- SEND reform plans
- Local Outcomes Framework
- Local Government Reorganisation and Devolution Update
- Transport connectivity
- Maintaining local roads
- Unlocking land for housing
- The Crisis and Resilience Fund
- Successful legacy planning for major events
- After the backstop

Discussion ensued with the following issues raised/clarified:-

- The proposed response to significant weaknesses in 2026. It was explained when significant weaknesses were identified in-year this became a risk. Value For Money field work undertaken in the Summer and would require the Council to demonstrate progress made. A full assessment would be made at that stage regarding significant weaknesses.
- Whether Value Form Money field work would include the HRA stock assessment. It was confirmed that this was expected to be the case. It was highlighted that the auditors had to comment on the arrangements in place for the year under consideration. Whilst an improvement recommendation could be made with it being unlikely that this would be cleared, progress made could be reflected within the narrative.
- Whether there was the need to address the backstop position. It was noted that the Council was in a strong position compared to other Local Authorities. The backstop would pull forward to 30th November and work was in progress to ensure that the Local Authority and auditors were in line with this, with the Annual Report and Value For Money expected to be delivered by then.

Resolved:- That the progress report be noted.

79. TREASURY MANAGEMENT QUARTERLY UPDATE AND TREASURY MANAGEMENT STRATEGY

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.

The quarter 3 review for 2025/26 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 2025/26 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).

It was noted that the Treasury Management Strategy had been considered by Council on 4th March, 2026 as part of the Budget and Council Tax 2026/27 report (Minute No. 127 refers).

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

With regard to investments, the primary governing principle remained security over return and the criteria for selecting counterparties continued to reflect this. With regard to borrowing, the Council will maintain its strategy of being under-borrowed against the capital financing requirement. Since the mid-year report submitted to Committee in November 2025 (Minute No. 51 refers), the Council had borrowed £25M from the South Yorkshire Mayoral Combined Authority with further borrowing expected to be required before the end of the current financial year. This borrowing was to re-finance historic debt and support cash flow management.

As previously reported, the Council will predominantly adopt a short-term borrowing strategy to cover borrowing need in anticipation of lower interest rates in the medium to long term. The Council was forecast to require additional borrowing before the end of the 2025/26 financial year and would be taken on a short-term basis to avoid exposure to currently high interest rates in anticipation of lower rates in future years. There was a possibility of taking some long-term borrowing from the PWLB at the discounted HRA rate.

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

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, however, the future outlook remained challenging. The Bank of England had started to cut Base Rate and the cost of short term borrowing had reduced as a result with further reductions expected in the near future. The costs for long term borrowing, however, remained high reflecting the yield on UK gilts.

The current strategy was to maintain the Council's position of being under-borrowed against the Capital Financing Requirement. The Council was forecast to require additional borrowing before the end of 2025/26 financial year. This borrowing would be taken on a short term basis to avoid exposure to currently high interest rates in anticipation of lower rates in future years. There was a possibility of taking some long term borrowing from the PWLB at the discounted HRA rate. A further update would be provided as part of the Council's Treasury Management Strategy for 2026/27.

Discussion ensued with the following issues raised/clarified:-

- Whether the short-term borrowing strategy remained effective in the current financial climate or should it be revisited. It was clarified that, as a result of regular meetings with Treasury Management advisers, the Council remained comfortable with the current strategy. This had realised savings which had addressed budget pressures and it remained the case that interest rates were expected to fall in the long term.
- The timing of the annual report and ambiguous statements within the report at the budget Council meeting which implied that the Audit Committee had reviewed and approved the budget which was not the case. It was noted that the role of the Audit Committee was one of oversight and scrutiny and not decision making and as such it was considered appropriate that the Treasury Management Strategy was submitted to Cabinet and Council prior to scrutiny by the Audit Committee as they were the decision making bodies. However, it was agreed that the wording in the future reports would be reviewed to address ambiguity and clarify that consideration by the Audit Committee referred to therein related to the previous report.
- In relation to section 4.8 of the report relating to capital expenditure and the 2027/28 financing profile, the estimated dip for Children and Young People's Services and Corporate Services was queried. It was clarified that there had been slippage connected with the Buildings' Decarbonisation Programme and capital contingency budgets in the final year of projections, alongside a number of Regeneration and Environment projects which made the 2026/27 appear higher. Much of this was connected to the Regeneration Fund which was a time limited scheme, with delivery required before the end of 2026/27. It was also noted that the Mainline Station and Strategic Sites alongside Schools funding due to Government timelines would drop into the 2027/28 figures.
- At section 4.9 of the report, a jump in capital receipts was noted. This related to planned use of Right to Buy receipts in order to keep the HRA growth programme moving.
- The increase in external debt profile in 2028/29 was noted. It was explained that the critical issue was the Council's ability to finance its borrowing, with the Treasury Management Strategy designed to accommodate short-term spikes, whilst there remained the desire not to take the CFR too high in the long term.

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

80. INTERNAL AUDIT CHARTER, INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PLAN (QAIP) AND EXTERNAL ASSESSMENT AGAINST THE GLOBAL INTERNAL AUDIT STANDARDS (UK PUBLIC SECTOR)

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which detailed how Internal Audit was a major source of assurance to the Council on the framework of control, risk management and governance. All Internal Audit functions in Local Government must comply with GIAS (UK Public Sector) as from 1st April, 2025.

The Standards included the need for a Quality Assurance and Improvement Programme (QAIP) to provide continual improvement, based on ongoing quality assurance and an annual self-assessment, with an external assessment at least every 5 years.

An external assessment was undertaken during November and December 2025 which showed general conformance with those Standards - the highest classification that CIPFA awarded. An action plan had been developed to address the findings from the report. The action plan from the previous annual self-assessment had been updated and the 2 documents would be merged following the meeting to aid tracking of action implementation. The QAIP had also been updated to reflect that the external assessment had now taken place.

The Internal Audit Charter was in effect the Terms of Reference of the Internal Audit Service and must be reviewed periodically and submitted to the Audit Committee for approval. The Charter had been updated following the external assessment findings.

The Charter reflected the requirements of the Global Internal Audit Standards (UK Public Sector). It must be considered by the Audit Committee to confirm that it accurately reflected their understanding and expectations of the Internal Audit function.

Discussion ensued with the following issues raised/clarified:-

- The use of Copilot in relation to Internal Audit and how the Committee could be assured that this would produce reliable results. It was clarified that the use of AI was intended to create efficiency in the audit process. It would be used in conjunction with the usual audit process, following a trial to test reliability, with all existing checks and balances remaining in place.

Resolved:- (1) That the production and ongoing implementation of the QAIP and the action plan based on the internal self-assessment reported to this Committee (Appendices A, B and C attached) be noted.

(2) That the external assessment (Appendix D) of the report submitted and the resultant action plan (Appendix E) be approved.

(3) That the Internal Audit Charter, as attached in Appendix F of the report submitted, be approved.

81. INTERNAL AUDIT PLAN 2026-27

Consideration was given to the Internal Audit Plan for 2026-27 presented by Louise Ivens, Head of Internal Audit. The report explained Internal Audit's approach to the development of the Plan, as well as detailing the specific activities Internal Audit planned to review during the year. It reflected a comprehensive risk assessment process including discussions with Executive Directors and Service Directors to obtain their views of key risks and areas for audit coverage.

It was designed to enable the Head of Internal Audit to give their annual opinion at the end of the year on the adequacy and effectiveness of governance, risk management and the control framework. The Plan would remain flexible and be reviewed during the year to ensure it remained relevant.

In line with auditing standards, the proposed audit plan had been devised adopting a risk based approach using:-

- The Council's risk management processes and the Strategic and Directorate risk registers
- Reports by management to the Audit Committee on the management of risks and the outcomes of external inspection reports
- The results of previous Internal Audit work and ongoing assessment of the auditable entities within the Authority
- Planned work deferred from 2025-26
- Council Plan and Year Ahead Delivery Plan
- Knowledge of existing management and control environments
- Professional judgement on the risk of fraud or error
- Consultation with all Directorate Leadership Teams and the Strategic Leadership Team taking into account feedback from Executive Directors, Service Directors, the Monitoring Officer and the Chief Executive
- Awareness of relevant local and national issues
- Regular dialogue with authorities within South and West Yorkshire helped to ensure an awareness of emerging risks within the Authority so they could be considered during audit planning

The outputs from the planning process had been prioritised to produce a plan that balanced the requirement to give an objective and evidence based opinion on aspects of governance, risk management and internal control, the time required for anti-fraud and corruption activity, the requirement for Internal Audit to add value through improving controls, streamlining processes and supporting corporate priorities and the need to retain a contingency element to remain responsive to emerging risks.

As well as identifying all of the proposed pieces of work to be carried out during the year, the plan also explained the statutory requirements for Internal Audit, described the approach and methodology adopted in producing the plan, showed the level of resources available to deliver the plan and included a contingency for responsive work.

In line with auditing standards, the plan did not become fixed once it was approved; it remained flexible and would be revised to take into account any significant emerging risks facing the Authority. It would be subject to half year review in consultation with Executive Directors and Service Directors.

The audit plan would be delivered by the in-house team with the exception of some specialised IT audits completed by Salford City Council Technical Audit and had been based on the current establishment structure of the Team. The Internal Audit Team comprised 6.93 FTE's (7.52 2025/26). The number of days allocated in the plan for 1st April 2026 to 31st March 2027 was 1038 days and was based on a full establishment for the Team. The number of FTE's at the start of the year had reduced from 2025/26 due to the retirement of one member of the Team who had not yet been replaced; it was anticipated that the vacancy would be recruited to during Quarter 1 and would be a full-time position rather than the previous part-time post. The plan was considered sufficient to allow the Head of Internal Audit to give the annual opinion at the end of the year.

There was a contingency of 75 days allowing flexibility in the plan to respond to any new risks and priorities as they emerged.

The "very high" priority rated audits were audits that needed to be done within the financial year. The "high" rated audits were those that the Audit Team would like to do during the year. All the audits rated as "medium" or "low" were included on a separate list and would be revisited at the 6 monthly period to ascertain if the risk had changed. The audit planning process included reviewing areas that had not been audited for some time.

Discussion ensued with the following issues raised/clarified:-

- Potential duplication between Internal Audit planned activities and the housing stock activities. It was clarified that Internal Audit and other activities considered different areas so there was no duplication.
- Confidence of successful delivery of the 2026/27 plan. It was confirmed that there was confidence of successful delivery assuming successful recruitment to vacant positions with recruitment processes well progressed at the time of reporting. Nonetheless, the plan maintained the ability to flex and respond to emerging need.

- Capacity for training new recruits whilst delivering the plan. It was confirmed that capacity for that had been considered and accounted for in the plan.
- The derivation of the waste transformation project. It was noted that this was based on information within risk registers with Service involvement in relation to the scope.

Resolved:- That the Internal Audit Plan for 2026-27 be approved.

82. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST NOVEMBER TO 31ST JANUARY 2026

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 November, 2025, to 31st January, 2026, and the key issues that had arisen.

The plan attached as part of the report showed the position up to the end of January 2026, the progress of the 2025/26 audit plan, the reports finalised between November 2025 and January 2026 and Performance Indicators for the Team.

Internal Audit provided an opinion on the control environment for all systems or services which were subject to audit review. The report detailed the audit opinions and a summary of all audit work concluded in the last quarter (Appendix C). 9 audits had been finalised since the last Audit Committee, 5 of which received Reasonable Assurance, 3 received Substantial Assurance and one received Partial Assurance.

A review of the current performance indicators was detailed in Appendix D, post-audit questionnaires and results included at Appendix E.

The updated QAIP action plan had been included as a separate agenda item (See Minute No. 81). The major focus during this period was liaising with the CIPFA assessor whilst they undertook the external assessment against the Global Internal Audit Standards (UK Public Sector).

Resolved:- (1) That the Internal Audit work undertaken since the last Audit Committee, 1st November, 2025, to 31st January, 2026, 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.

83. RISK MANAGEMENT PRESENTATION - CHILDREN AND YOUNG PEOPLE'S SERVICES

Consideration was given to the report presented by Helen Sweaton, Joint Service Director, Commissioning & Performance, together with Rob Savage, Departmental Business Manager, Children and Young People's Services, which detailed the Risk Register and risk management activity within the Children and Young People's Services Directorate.

The report set out in detail the risk items which have been added or amended since the last report to Audit Committee in March 2025 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.

As at 17th February, 2026, the Directorate risk register contained 5 risks one of which (CYPS-01 and SLT-01) also featured on the Corporate Strategic Register. A further CYPS risk was consolidated in the Corporate Risk Register as a Council-wide risk (CYPS-01 and SLT-16) with CYPS holding the Directorate narrative in its own register.

The Service Risk Register was derived from key risks within operational areas following escalation from a Head of Service. These could be linked to a number of service delivery objectives such as transformation projects, service plans or outcomes from external inspections. Escalations were made from Service level to Directorate level at the discretion of a CYPS Service Director. In the event a risk reviewed by the CYPS Assurance Board needed escalating, this would be progressed by the CYPS Executive Director to the Strategic Leadership Team for consideration.

Discussion ensued with the following issues raised/clarified:-

- The processes by which it was determined a risk was no longer required because it had become an issue and therefore managed off the register. It was confirmed that where risks came to fruition they were managed through task and finish groups and re-evaluated, when a decision was made.
- The low number of risks registered in relation to a service which inherently responds to significant risks. It was noted that a significant proportion of the risks were managed as business as usual due to the nature how the services work. The causal factor was the classification and definitions of what was relevant for inclusion on this particular register. Whilst the number of risks were low, their impact was potentially huge and necessitated cross-cutting multi-disciplinary activity to ensure effective management of risk. The recent Ofsted inspection outcome was considered external validation of the Service's approach to risk management.

- The ability to deliver savings against a consistent overspend against the budget profile in the context of the grading of the savings related risk. It was clarified that spend control was an issue in relation to factors outside of the Service and Council's control. In terms of staffing budgets, in-house placement budgets etc., budget management was effective and savings delivered as projected. It was accepted that the wording of the risk did not clearly reflect the position and implied incorrect grading of risk and Helen Sweaton and Rob Mahon would review and consider rewording to more accurately reflect the position.
- The migration risks associated with the Case Management system and the steps taken to manage and mitigate risk. Internal Audit involvement on the project board, alongside other key stakeholders was noted.

Resolved:- That the progress and current position in relation to risk management activity in the Children and Young People's 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))

84. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for June 2026 to March 2027. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

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

85. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

86. URGENT BUSINESS

There was no urgent business to discuss.

87. DATES OF MEETINGS IN 2026/27

Resolved:- That meetings during the 2026/27 Municipal Year be held as follows:-

AUDIT COMMITTEE - 17/03/26

Tuesday, 16th June, 2026
28th July, 2026
Thursday, 24th September, 2026
Tuesday, 24th November, 2026
19th January, 2027
23rd March, 2027

all commencing at 2.00 p.m.