

# **Audit Committee**

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**Wednesday 1 August 2012 at 6.00 pm**

**To be held at the Town Hall, Pinstone Street, Sheffield, S1 2HH**

**The Press and Public are Welcome to Attend**

## **Membership**

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Councillors Ray Satur (Chair), Steve Jones, Martin Lawton, Sioned-Mair Richards, Anders Hanson and Joe Otten.

## **Independent Co-opted Members**

Mrs Beryl Seaman and Mr Rick Plews.

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## **PUBLIC ACCESS TO THE MEETING**

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The Audit Committee is a key part of the Council's corporate governance arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2003 and consider the Annual Letter from the Auditor in accordance with the Accounts and Audit Regulations 2003 and to monitor the Council's response to individual issues of concern identified.

A copy of the agenda and reports is available on the Council's website at [www.sheffield.gov.uk](http://www.sheffield.gov.uk). You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday, or you can ring on telephone no. 2734552. You may not be allowed to see some reports because they contain confidential information. These items are usually marked \* on the agenda.

If you require any further information please contact Dave Ross on 0114 273 5033 or email [dave.ross@sheffield.gov.uk](mailto:dave.ross@sheffield.gov.uk).

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## **FACILITIES**

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There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

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**AUDIT COMMITTEE AGENDA  
1 AUGUST 2012 AT 6.00 P.M.**

**Order of Business**

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- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**  
To identify items where resolutions may be moved to exclude the press and public.  
  
(Note: The report at item 14 (Financial/Commercial Monitoring of External Partnerships) is not available to the public and press because it contains exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended).
- 4. Declarations of Interest**  
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Appointment of Deputy Chair**  
To appoint the Deputy Chair of the Committee for 2012/13.
- 6. Minutes of Previous Meeting**  
To approve the minutes of the meetings of the Committee held on 15 and 16 May 2012.
  - 6.1 Minutes 15 May 2012**
  - 6.2 Minutes 16 May 2012**
- 7. Progress Report on Human Resource/Payroll Procedures**  
Report of the Executive Director, Resources.
- 8. Whistleblowing Policy**  
Report of the Executive Director, Resources.
- 9. Section 106 Planning Income**  
Report of the Executive Director, Place.
- 10. Progress on High Opinion Audit Reports**  
Report of the Executive Director, Resources.
- 11. Summary of Internal Audit Output**  
Report of the Executive Director, Resources.
- 12. IT Risk Assessment Summary Report**  
Report of the District Auditor.

**13. Work Programme**

Report of the Director of Modern Governance.

**14. Financial/Commercial Monitoring of External Relationships**

Report of the Executive Director, Resources.

(Note: The report is not available to the public and press because it contains exempt information).

**15. Summary of the Statement of Accounts**

Report of the Executive Director, Resources.

**16. Date of Next Meeting**

The meeting of the Audit Committee will be held on Wednesday 26 September 2012 at 6.00 p.m.

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## ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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A new Standards regime was introduced on 1<sup>st</sup> July, 2012 by the Localism Act 2011. The new regime made changes to the way that your interests needed to be registered and declared. Prejudicial and personal interests no longer exist and they have been replaced by Disclosable Pecuniary Interests (DPIs).

The Act also required that provision is made for interests which are not Disclosable Pecuniary Interests and required the Council to introduce a new local Code of Conduct for Members. Provision has been made in the new Code for dealing with “personal” interests.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously, and has been published on the Council’s website as a downloadable document at [-http://councillors.sheffield.gov.uk/councillors/register-of-councillors-interests](http://councillors.sheffield.gov.uk/councillors/register-of-councillors-interests)

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

Further advice can be obtained from Lynne Bird, Director of Legal Services on 0114 2734018 or email [lynne.bird@sheffield.gov.uk](mailto:lynne.bird@sheffield.gov.uk)

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## AUDIT COMMITTEE

### Meeting held 15 May 2012

**PRESENT:** Councillors Ray Satur (Chair), Bob Johnson, Martin Lawton and Joe Otten.

Co-opted Non-Voting Members

Beryl Seaman and Rick Plews.

Officers in attendance

John Mothersole (Chief Executive), Alistair Griggs (Director of Modern Governance), Allan Rainford (Deputy Director of Finance), Stephen Bower, Clive Sellens, Kayleigh Inman and Helen Molteno (Internal Audit), Lynne Bird (Director of Legal Services), David Phillips (Audit Commission), David Caulfield (Head of Planning), Paul Billington (Head of Culture and Environment) and Dave Ross (Democratic Services).

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**1. APOLOGIES FOR ABSENCE**

1.1 Apologies for absence were received from Councillors Shaffaq Mohammed and Jack Scott.

**2. DECLARATIONS OF INTEREST**

2.1 Rick Plews declared a personal interest in item 13 (Progress Report on Financial/Commercial Monitoring of External Relationships) as he was a Trustee/Director of the Sheffield Industrial Museums Trust and the Seven Hills Leisure Trust.

**3. MINUTES**

3.1 The minutes of the meeting of the Committee held on 11 January 2012 were approved as a correct record.

**4. INTERNAL AUDIT PLANNING REPORT 2012/13**

4.1 Kayleigh Inman (Finance Manager, Internal Audit) introduced a report of the Executive Director, Resources setting out Internal Audit's future strategy and Work Programme for 2012/13, in light of the budget reductions in 2011/12 and over the next two years. The strategy for future Internal Audit work would focus on some specific areas of activity which could provide assurance that risk and internal control issues were being properly managed by Directors in service areas. Following discussions with the Director of Finance and the Executive Director Resources, a fundamental shift in the utilisation of Internal Audit's resources was proposed, structured around the following:

- Further utilisation of the information provided by Directors under the Annual Governance Statement process.
- Further utilisation of the Corporate Risk Management process.
- Utilisation of the corporate performance management system 'Performance Plus' as part of the Performance Management Framework.
- Internal Audit of Projects and Programmes
- Internal Audit of Partnership arrangements, including contracts and grant regimes
- Provision for re-active work on whistle blowing allegations and mismanagement issues.
- Re-active counter fraud work.
- Pro-active counter fraud work, such as the National Fraud Initiative.
- Expansion of the pro-active counter fraud exercises.
- Main Financial Systems work.
- Risk based audits of systems, services and functions.

4.2 The Finance Manager explained that the approach would also ensure sufficient coverage of procurement arrangements and the major Council contracts, together with maintaining the ICT contract that Internal Audit currently had in place with Salford Audit Services. In terms of building in resilience, initial discussions had been held with the Core Cities Authorities who were all receptive to the development of a protocol to govern resource sharing and this would be explored further with neighbouring authorities. Also the planning process would be very challenging and need to be much more flexible and responsive than in previous years.

4.3 **Resolved** that:

- (a) in respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice, the Internal Audit programme of work for 2012/13 attached to the report now submitted, be endorsed; and
- (b) the Chief Internal Auditor be requested to submit a progress report to each meeting of this Committee in 2012/13 on delivering the new approach to Internal Audit activity.

## 5. **COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

5.1 Stephen Bower (Finance Manager, Internal Audit) introduced a report of the Executive Director, Resources that highlighted to the Committee how it could demonstrate to the External Auditors that it had exercised the required oversight in order to meet the requirements of the International Standards on Auditing.

5.2 **Resolved** that:

- (a) the Committee confirms that the contents of the report now submitted gives an accurate reflection of the reports that the Committee has



received and considered during 2011/12 and that it has a significant overview at the highest level of the Council's systems of internal control, so it is assured that it is fulfilling the requirements of "those charged with governance" under the International Auditing Standards;

- (b) the Chief Internal Auditor be requested to examine how reports that are made available to Members and Officers on the Council's intranet, such as the recent Fraud Response Plan, are made available to the Committee's Independent Members;
- (c) the Director of Legal Services and the Director of Human Resources be requested to examine having a simple form to assist people that want to whistleblow; and
- (d) the Director of Human Resources be requested to (i) submit the revised Whistleblowing Policy to the Committee and (ii) ensure that, for any compulsory e-learning, staff have been tested to give assurance of their understanding of that element.

## 6. **AUDIT COMMISSION REPORT – PROTECTING THE PUBLIC PURSE**

6.1 Clive Sellens (Finance Manager, Internal Audit) introduced a report of the Executive Director, Resources that (a) informed the Committee of the contents and key recommendations of the Audit Commission's annual report on 'Protecting the Public Purse' published in November 2011 and (b) provided an update of fraud investigation activity within the Council. Appended to the report was a completed checklist for 'those responsible for governance' that identified the key fraud risks.

6.2 **Resolved** that:

- (i) the contents of the report now submitted and the completed checklist for 'those responsible for governance' appended to the report, be noted; and
- (ii) Internal Audit's ongoing implementation of counter fraud initiatives throughout the authority is supported by the Committee.

## 7. **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2010/11**

7.1 David Phillips (Appointed Auditor & Senior Audit Manager, Audit Commission) submitted a report on the certification work on the Council's claims and returns for 2010/11 in relation to grants and subsidies it received from the Government and grant paying bodies. Fifteen claims had been certified with a total value of £494m and, arising from the work, nine had been certified without amendment, compared with five for the previous year. The report included the recommendations arising from the work and details of progress made in implementing the recommendations arising from previous certification work.

7.2 **Resolved** that:

- (a) the report now submitted be noted; and

- (b) the Director of Finance be requested to submit a report to the Committee on progress in implementing the External Auditor's recommendations arising from the certification of the Council's claims and returns in 2010/11.

**8. EXTERNAL AUDITOR APPOINTMENT FOR 2012/13 AND FUTURE YEARS**

8.1 David Phillips (Appointed Auditor & Senior Audit Manager, Audit Commission) reported that KPMG had been appointed as the External Auditor for the Council and the Yorkshire and the Humber area for five years from 1 September 2012. The Audit Commission would continue as the Council's External Auditor until September. He also referred to the reduced audit fees arising from the new contract.

8.2 **Resolved** that the information now reported be noted.

**9. CODE OF CORPORATE GOVERNANCE**

9.1 Alistair Griggs (Director of Modern Governance) introduced a report of the Deputy Chief Executive that contained a revised Code of Corporate Governance. The Code outlined why good governance was important, how the Council defined this and how it would ensure that it took place. The report explained that good governance ensured that the Council fulfilled its purpose wisely and openly with all due accountability to local people. The Code was a key tool for ensuring the quality of the Council's governance arrangements and a clear public statement of the principles the Council would follow. The Director stated that the revised Code had been approved by the Council Leader and was shorter and fit for purpose.

9.2 **Resolved** that:

- (a) the Revised Code of Corporate Governance be noted;
- (b) the Director of Modern Governance be requested to (i) discuss with relevant officers, the testing of whether the Code helped staff do their job, possibly through existing staff surveys and (ii) discuss with the Leader and the Chief Executive, whether the Code should reflect having a leadership role beyond the City e.g. City Region; and
- (c) the Director of Human Resources be requested to include a shorter version of the Code as part of staff induction.

**10. SECTION 106 PLANNING INCOME**

10.1 Following a request at the meeting of this Committee on 11 January, 2012, David Caulfield (Head of Planning) introduced a report of the Executive Director, Place that provided further detail and progress in response to the recommendations of an internal audit of Section 106 Planning Income concluded in August 2010. Appendix 1 of the report contained a summary of the recommendations and actions to date.

10.2 **Resolved** that:

- (a) the report now submitted be noted; and
- (b) the Head of Planning and Director of Finance be requested to (i) undertake further work on the reconciliation of the databases to improve on the 93% of the value of the Section 106 Agreements that had been reconciled and (ii) submit a progress report to the next meeting of the Committee

11. **WORK PROGRAMME**

11.1 Dave Ross (Principal Committee Secretary, Democratic Services) introduced a report of the Director of Modern Governance on a provisional Work Programme for the Committee for 2012/13. He outlined proposed training for members of the Committee and that the work programme would include an outstanding item on the level of bad debt that remained unpaid or written off and the items requested at this meeting.

11.2 **Resolved** that:

- (a) the Committee's Work Programme now submitted be approved with the inclusion of the following items:
  - The Level of Bad Debt that Remained Unpaid or Written Off
  - Risk Management
  - A review of the Independent Members' first year
  - A progress report to each meeting on delivering the new approach to Internal Audit activity
  - Revised Whistleblowing Policy
  - A progress report in implementing the District Auditor's recommendations arising from the certification of the Council's claims and returns in 2010/11.
  - A progress report on the reconciliation of the databases to improve on the 93% of the value of the Section 106 Agreements that had been reconciled;
- (b) the Director of Modern Governance and Director of Finance, in consultation with the Chair of the Committee, be requested to arrange a half day training session for members of the Committee on an introduction to audit and the role of the Committee, setting the work programme and the Statement of Accounts; and
- (c) the Director of Modern Governance and the Chief Internal Auditor be requested to clarify the process for consideration of High Opinion Audit reports at this Committee.

12. **EXCLUSION OF THE OF THE PRESS AND PUBLIC**

12.1 **Resolved** that the public and press be excluded from the meeting before

discussion takes place on the following item of business to be considered on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

13. **FINANCIAL/COMMERCIAL MONITORING OF EXTERNAL RELATIONSHIPS**

Progress Report

- 13.1 **Resolved** that, at the request of the Executive Director, Resources, the report be withdrawn from consideration and an updated report be submitted to the next meeting of the Committee.

Report back from the Working Group

- 13.2 The Committee received a report of the Director of Modern Governance that provided details of the key issues and recommendations from the Working Group that examined the financial and commercial risks in relation to the Council's relationship with Museums Sheffield (Sheffield Galleries and Museums Trust). The Working Group was established at the meeting of the Committee on 11 January 2012 to allow a more detailed examination of the financial and commercial risks of a small number of the Council's major external relationships.
- 13.3 The Chair of the Committee, Councillor Ray Satur, highlighted the two key issues arising from the Working Group relating to (a) the governance structure and reporting back arrangements and that the outcome should provide a template for all the Trusts and (b) the role of Councillors on Trust Boards.
- 13.4 **Resolved** that:
- (a) the report and key issues raised by the Working Group be noted;
  - (b) the Deputy Chief Executive be requested to review the role of Councillors on all Trust Boards;
  - (c) the Director of Culture and Environment be requested to prepare an A4 diagram that shows clear, simple and transparent reporting arrangements and governance structure for the Council's relationship with Museums Sheffield and this is circulated to members of the Committee for comment; and
  - (d) the diagram developed in (c) above, be used as a template to explain the reporting arrangements and governance structure for the Council's relationship with all the other Trust Boards.

14. **NEXT MEETING**

- 14.1 **Resolved** that meeting dates for 2012/13 would be circulated to members of the Committee.

Signed \_\_\_\_\_  
(Chair)

Date \_\_\_\_\_

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SHEFFIELD CITY COUNCIL

AUDIT COMMITTEE

Meeting held 16 May 2012

PRESENT: Councillors Anders Hanson, Steve Jones, Martin Lawton, Joe Otten and Sioned-Mair Richards.

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1. **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor Ray Satur.

2. **APPOINTMENT OF CHAIR**

RESOLVED: That Councillor Ray Satur be appointed Chair of the Audit Committee

3. **DAY AND TIME OF MEETINGS**

RESOLVED: That meetings of the Committee be held as and when required on dates and times to be determined by the Chair.

Signed \_\_\_\_\_(Chair)

Date \_\_\_\_\_

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## Audit Committee Report

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**Report of:** Laraine Manley, Executive Director

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**Date:** 1<sup>st</sup> August 2012

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**Subject:** Progress Report on HR/Payroll Procedures

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**Author of Report:** Mark Sherwood/Julie Toner

**Summary:** Sheffield City Council (the Council) implemented a pay review that was designed to improve the consistency of pay and rewards to all staff in the Council who perform similar roles. The review aimed to promote the Council as a fair employer, while also enabling it to simplify its payroll activities, which had developed organically over a number of years.

To provide assurance that the transition process had been undertaken accurately and completely, the Council's Internal Audit team undertook a sample review of salaries affected by the pay protection scheme in September 2010. Its report, which was published in January 2011, identified that about ten per cent of those staff it had sampled were being overpaid because their pay protection entitlement had been incorrectly calculated and/or applied.

A further review was commissioned by Grant Thornton on behalf of Sheffield City Council, which contained a number of recommendations. This report provides an update on the recommendations subsequent actions taken to address these.

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**Recommendations:** **The recommendations made by Grant Thornton have now been addressed and therefore this work is now complete.**

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**Background Papers:**

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**Category of Report:** OPEN

This report is commercially sensitive as it contains information about the performance of a third party organisation

**If Closed add – ‘Not for publication because it contains exempt information under Paragraph... of Schedule 12A of the Local Government Act 1972 (as amended).’**

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**Statutory and Council Policy Checklist**

<b>Financial Implications</b>
NO Cleared by:
<b>Legal Implications</b>
NO Cleared by:
<b>Equality of Opportunity Implications</b>
NO Cleared by:
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
YES
<b>Property implications</b>
NO
<b>Area(s) affected</b>
<b>Relevant Cabinet Portfolio Leader</b>

<b>Relevant Scrutiny Committee if decision called in</b>
Not applicable
<b>Is the item a matter which is reserved for approval by the City Council?</b>
<b>NO</b>
<b>Press release</b>
NO

## **Progress report on HR/Payroll procedures**

### **1.0 INTRODUCTION**

Sheffield City Council (the Council) began a pay and grading project that was designed to improve the consistency of pay and rewards to all staff in the Council who perform similar roles. The project aimed to promote the Council as a fair employer, while also enabling it to simplify its payroll activities, which had developed organically over a number of years.

The pay and grading project resulted in the implementation of revised salary bandings from April 2010. Although some groups of employees were excluded (including teachers and senior management), the pay and rewards of about 14,000 staff were reviewed and the pay scale points of some 4,000 were subject to changes.

As the process was designed to harmonise pay and rewards, some staff were required to take a cut in salary, and others received an increase. In order to ease the transition for those whose salaries were reduced, the Council agreed to award "pay protection" to compensate them for the loss of pay for a period of nine, 12 or 18 months commencing in April 2010.

To provide assurance that the transition process had been undertaken accurately and completely, the Council's Internal Audit team undertook a sample review of salaries affected by the pay protection scheme in September 2010. Its report, which was published in January 2011, identified that about ten per cent of those staff it had sampled were being overpaid because their pay protection entitlement had been incorrectly calculated and/or applied.

A further review was commissioned by Grant Thornton on behalf of Sheffield City Council. The scope of the review included:

- Review the Council's Internal Audit work in relation to the project to confirm that a robust process and valid results were achieved.
- Perform CAATs testing to identify those employees where salaries paid did not appear to align to the output of the pay and grading process.
- Analyse the processes used to implement the revised salaries to provide an accurate payroll in April 2010, including whether the checking of inputs and outputs provided assurance to management.
- Evaluate Capita's processes for managing the Council's payroll against good practice.

### **2.0 SUMMARY**

Findings of the Grant Thornton report proposed a number of actions and those that related to the HR / Payroll service provided by Capita were agreed between SCC and Capita as follows:

- 1. Capita payroll manager to allocate resource to work with SCC to reconcile this data, follow up on all individual cases and to give detail on potential cost implication to the Council.*

2. *Capita will provide monthly payroll change reports for HR business partners to review, this will include starters, leavers and contract changes affecting pay. HR Business partners will use this data with SCC managers to confirm accuracy of pay data, the aim of this is to develop ownership and achieve business compliance*
3. *Capita has exemption in the contract from the provision of the SAS70 report. Capita has an alternative assurance model, they will provide evidence of this model and approach to the council to give reassurance.*
4. *The Council should review the approach taken by Capita for reviewing exception reports and clarify its expectations. Capita currently perform this check on the gross pay within tolerance levels and have put in place new Business assurance checks which take place before payroll is run.*
5. *In future projects involving changes to the pay roll the critical importance of setting appropriate tolerance levels and assurance that the right level checks have taken place is noted.*

### **3.0 MAIN BODY OF THE REPORT**

The agreed actions together with an update of the status of each individual action are detailed as follows:

1. Capita payroll manager to allocate resource to work with SCC to reconcile this data, follow up on all individual cases and to give detail on potential cost implication to the Council.

*Update: Capita assigned a senior member of staff, who had been part of the pay and grading team, to work alongside SCC's HR Project Manager. The review commenced December 2011 and concluded 22<sup>nd</sup> February 2012. This review found that the overall accuracy of assimilation was well within the project tolerances set. Errors that occurred were broadly identified and corrected within the following two/three months. 183 cases were referred for further investigation of which 5 may require further action (potential recovery of £2,045).*

*Our key findings from this review are:*

- *Grant Thornton applied a set of logical tests to the March 2010 and April 2010 payrolls to establish areas of potential error. Whilst these checks would identify errors, they were also all scenarios where the potential discrepancy could be a legitimate outcome of the Pay Review. For example, pay could be legitimately lower in April than in March if the detriment was due to a change in terms and conditions, rather than the salary point for the post (e.g. retainer pay for drivers).*
- *In the vast majority of cases it has been established that the assimilation process was accurate. There were instances of incorrectly calculated protection but those have now been resolved. In other cases the incorrect grade was entered but has subsequently been corrected.*

- *Many of the errors that did occur were in complex cases, falling in to two areas: (1) Where the employee was the holder of multiple posts, each of which may have a different treatment, and (2) Where a normal business as usual change was made in the period immediately prior to, during or immediately after the implementation of the new pay scales. This was a risk that was accepted by the project - the decision was made not to implement a change freeze over the period of implementation due to the disruption this would cause within the organisation as a whole (although we still wouldn't expect them to happen). These are generally changes to post grade or changes to hours.*

*Following this review further activity was undertaken to validate payments outside of the scope of the Pay and Grading exercise.*

2. Capita will provide monthly payroll change reports for HR business partners to review. This will include starters, leavers and contract changes affecting pay. HR Business partners will use this data with SCC managers to confirm accuracy of pay data, the aim of this is to develop ownership and achieve business compliance

*Update: Payroll change reports were developed in October, tested during November and December and sent to HR in January and on an ongoing monthly basis.*

3. Capita has exemption in the contract from the provision of the SAS70 report. Capita has an alternative assurance model; they will provide evidence of this model and approach to the council to give reassurance.

*Update: In lieu of a SAS70 assurance report Capita offered an audit report to be provided by the Capita Group Risk Team in October 2011. This has been used as an alternative to SAS70 for another of Capita's local government clients and met the same requirements of SAS70. This option is currently with the Council for consideration.*

4. The Council should review the approach taken by Capita for reviewing exception reports and clarify its expectations.

*Update: Capita performs a validation check on variance in gross pay via a system generated exception report. The variance levels are applied specific to each payroll. In addition new Business / Quality Assurance checks on all new starters, leavers, contract changes, variable pay, mileage and expense claims are performed on a pay period basis before the final payroll is run. The result of these checks has shown a significant improvement in payroll accuracy with attainment of 99.85% accuracy being achieved.*

*It is recommended that an additional one-off exercise is undertaken to identify and confirm the correct treatment of posts currently listed as APT&C service conditions or with an assigned SUG grade.*

5. In future projects involving changes to the payroll, the critical importance of setting appropriate tolerance levels and assurance that the right level checks have taken place is noted.

#### **4.0 Recommendation**

**The recommendations made by Grant Thornton have now been addressed and therefore this work is now complete.**

**It is recommended therefore that this report is the final piece of work relating to this matter.**





## Audit Committee Report

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**Report of:** Laraine Manley, Executive Director of Resources

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**Date:** 1 August 2012

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**Subject:** Whistle-blowing Policy

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**Author of Report:** Cheryl Blackett, Head of HR – Specialist & Advisory Services  
0114 2734080

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### Summary:

This report

- Provides The Audit Committee with information on activity under the Whistleblowing Policy since the revised policy was introduced in April 2010;
- Sets out the revised policy and procedure which incorporates feedback on its operation;
- Informs the Committee of the recruitment and training of additional contact advisors to support employees who raise concerns under Whistleblowing and Dignity and Respect.

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### Recommendations:

It is recommended that the Audit Committee:

- Note the information on activity under Whistleblowing since the revised policy was introduced in April 2010;
- Note the the changes to the Whistleblowing policy and procedure;
- Note the activity on the recruitment and training of contact advisors;

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**Background Papers:** N/A

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**Category of Report:** OPEN

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**If Closed add – ‘Not for publication because it contains exempt information under Paragraph... of Schedule 12A of the Local Government Act 1972 (as amended).’**

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\* Delete as appropriate

## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES/NO      Cleared by:
<b>Legal Implications</b>
YES/NO      Cleared by:
<b>Equality of Opportunity Implications</b>
NO      Cleared by: Cheryl Blackett
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
YES
<b>Property implications</b>
NO
<b>Area(s) affected</b>
<b>Relevant Cabinet Portfolio Leader</b>
<b>Relevant Scrutiny Committee if decision called in</b>
Not applicable
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

# REVIEW OF THE WHISTLEBLOWING POLICY AND PROCEDURE

## 1. INTRODUCTION

The Public Interest Disclosure Act 1998 protects workers who, out of a sense of public duty, reveal serious employer misconduct. Workers who make 'protected disclosures' - referred to as 'Whistleblowing' - who suffer detriment through victimisation, or disciplinary proceedings are entitled, under this legislation, to bring a claim against their employer. Dismissal for a reason connected with a disclosure would be automatically unfair.

The Whistleblowing Policy provides a route for a Whistleblower to disclose concerns and an opportunity for the Council to investigate and endeavour to manage concerns internally in the first instance, rather than there being external public disclosure. The Council's current Whistleblowing Policy was introduced in April 2010.

## 2. SUMMARY

This report:

- Provides The Audit Committee with information on activity under the Whistleblowing Policy since the revised policy was introduced in April 2010;
- Sets out the revised policy and procedure which incorporates feedback on its operation;
- Informs the Committee of the recruitment and training of additional contact advisors to support employees who raise concerns under Whistleblowing and Dignity and Respect.

## 3. MAIN BODY OF THE REPORT

### 3.1 Activity under Whistleblowing

Since the new policy and procedure was introduced there have been 8 complaints (3 in the financial year to April 2012) relating to the following issues:

- Malpractice relating to service users – possible safe-guarding issues;
- Malpractice relating to commercial issues;
- Harassment, discrimination, victimisation and bullying;
- Breach of Health and Safety regulations;
- Malpractice relating to compliance with Standing Orders, annual leave, sickness, time recording and overtime claims;
- Financial mismanagement.

### **3.2 Reason for the review and proposed changes**

A number of improvements to the policy and procedure have been proposed following feedback from managers and complainants who have been involved in recent investigations. These are incorporated in the attached revised document at Appendix 1.

In addition, since the introduction of a central register of Whistleblowing complaints, it is evident that the policy is under-utilised. This may be because the policy is not widely known about. In order to address this, the revised policy will be implemented with an accompanying communications campaign.

Key changes are as follows:

- Support to parties during an investigation – contact advisors;
- Clarity over handling complaints under other procedures during a Whistleblowing investigation;
- Management guidance is being developed to support managers involved in commissioning and conducting investigations under this procedure;
- Clarity about the governance and ownership of an investigation and resulting report and recommendations.

### **3.3 The Contact Advisor Scheme**

The Contact Advisor Scheme was introduced as part of the Dignity and Respect Policy and Procedure. The role of Contact Advisor is to enable employees to access relevant advice and information and to help them to explore and understand various routes to resolving the issues.

Feedback on the Whistleblowing policy has identified a need to have similar support for people using this procedure or people who are subject to Whistleblowing investigations. We have therefore broadened the Contact Advisor role to include support in these circumstances.

The number of active Contact Advisors had reduced as people have left the Council or given up this additional responsibility. We have therefore recently recruited a further 8 Contact Advisors who will undergo training shortly.

### **3.4 Conclusions**

This review has been undertaken following feedback on activity in the year since the revised procedure was introduced.

## **4. RECOMMENDATIONS**

It is recommended that the Audit Committee:

- Note the information on activity under Whistleblowing since the revised policy was introduced in April 2010;

- Note the changes to the Whistleblowing policy and procedure;
- Note the activity on the recruitment and training of contact advisors.

**Cheryl Blackett**  
**Head of HR – Specialist and Advisory Services**

SHEFFIELD CITY COUNCIL

**WHISTLEBLOWING**

**SEE IT – SAY IT**

**SECTION 1 – INTRODUCTION AND POLICY**

**1.1 INTRODUCTION**

All of us at one time or another have concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or dangers to staff, the public or the environment, it can be difficult to know what to do.

You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the Council. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.

Sheffield City Council has introduced this policy to enable you to raise your concerns about such issues at an early stage and in the right way. We believe that enabling our employees to raise concerns safely is an important part of corporate health and we want to promote this. We would prefer you to raise the matter when it is just a concern rather than wait for proof provided you believe the concern is true and we encourage you to do so through this procedure.

The Council's Code of Conduct for employees requires that you report genuine concerns of fraud, theft or unethical behaviour etc. This policy provides you with ways of doing that.

If something is troubling you which you think we should know about or look into, please use this policy. If, however, you are aggrieved about your personal position, please use the Grievance Procedure - which you can view on the Council's Intranet site or get from your manager or the Human Resources Team. If you are complaining that you have suffered harassment, discrimination, victimisation or bullying at work please use the Dignity and Respect Procedure which is on the intranet. If, however, your concern is about the dignity and respect of others then it may be appropriate to use this procedure. This Whistleblowing Policy is primarily for concerns where the interests of others or of the organisation itself are at risk.

This policy applies to employees of Sheffield City Council including those on permanent, temporary or fixed terms contracts and casual workers. School based employees are not within the scope of this policy but have a separate policy agreed by the Governing Body.

It does not apply to members of the public who should raise their concerns through the Council's complaints procedure either online at: [Customer Feedback - Online Form](#) by telephone on 2735000 or by email at: [complaint@sheffield.gov.uk](mailto:complaint@sheffield.gov.uk)

### Your safety

The Council is fully committed to this policy. It will be followed by managers at all levels. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in good faith, it does not matter if you are mistaken. Of course we do not extend this assurance to someone who maliciously raises a matter they know is untrue.

### Confidentiality

The processes of investigating any complaints or issues raised must comply with natural justice and that will often lead to disclosure of the source of the information. We will not tolerate the harassment, bullying or victimisation of anyone raising a genuine concern, however, we recognise that you may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping it confidential, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court) we will discuss with you whether and how we can proceed.

Remember that if you do not tell us who you are, it will be much more difficult for us to look into the matter, protect your position or give you feedback. While we will consider anonymous reports, this policy is not well suited to concerns raised anonymously.

### Information and support

The Council has a number of Contact Advisors who can provide advice and information to help you explore the appropriate routes to raise your concern. The Contact Advisors can also provide support as the investigation progresses.

If you are a member of a recognised Trade Union your Trade Union can also support you.

### Your right to support in meetings

You have the right to be accompanied by your Trade Union Representative or a work colleague who is not involved and would not be called as a witness, in any meetings, which have a connection to your whistleblowing concern.

The meetings you may be required to attend are:

- Meeting a manager or Whistleblowing Contact or Co-ordinator to raise the concern
- Meeting an investigation officer in connection with the concern
- Taking part as a witness in any action taken as a result of raising the concern.

We hope you will feel able to raise your concern with your manager or another manager in your service area, but we know that this will not always be the case and may not be appropriate. For this reason we have provided a number of different ways to raise your whistleblowing concern and these are described in Section 2.

This section will tell you about



- 
- How to raise a concern
  - Who will receive and handle the information on behalf of the Council
  - Your right to be represented or supported in any meetings

#### **1.4 HOW WE WILL HANDLE THE MATTER**

Once you have told us of your concern, we will look into it to assess initially what action should be taken. This may involve an internal inquiry or a more formal investigation e.g. by the Police or by an external regulatory body.

We will tell you who is handling the matter, how you can contact them and whether further assistance may be needed from you.

If your concern falls more properly within the Grievance Procedure or the Dignity and Respect Procedure we will tell you.

When you raise the concern you may be asked how you think the matter might best be resolved. If you do have any personal interest in the matter, you must tell us at the outset.

**In Sections 2 and 3** we have set out what you can expect from us when we handle and respond to your concern.

#### **1.5 IF YOU ARE THE SUBJECT OF A COMPLAINT UNDER THIS POLICY**

If you are the subject of a complaint under this policy and procedure you have the right to be accompanied by your Trade Union Representative or a work colleague at any meetings relating to the complaint but this should not be your line manager as they may be required to implement any recommendations that come out of the investigation.

The Council's Contact Advisors can provide support and guidance about the whistleblowing procedure and investigations to both parties. You can access that support if you have whistleblowing allegations raised against you.

If you are the subject of a complaint or investigation under this policy your confidentiality will be respected as with any other procedure.

#### **1.6 INDEPENDENT ADVICE**

If you are unsure whether to use this policy or you want independent advice at any stage, you may contact:

- A Whistleblowing Contact – contact details are provide in Appendix C or on the intranet
- Your union – contact details are provided in Appendix C or are available on the Council's Intranet service
- The independent charity Public Concern at Work on 020 7404 6609. Their

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lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

## **1.7**

### **EXTERNAL CONTACTS**

We hope this policy gives you the reassurance you need to raise such matters internally, but if you feel unable to raise the concern internally we would prefer you to raise the matter with the appropriate agency than not at all. Provided you are acting in good faith and you have evidence to back up your concern, you can also contact

- Your local Council member (if you live in the area of the Council)
- External Audit (Audit Commission)
- Relevant professional bodies or regulatory organisations
- Your Solicitor
- The Police
- Other bodies prescribed under the Public Interest Disclosure Act, eg
  - Information Commissioner's Office
  - Serious Fraud Office
  - Environment Agency
  - Health and Safety Executive

If you do take the matter outside the Council, you need to ensure that you do not disclose confidential information, or that disclosure would be privileged. You should, therefore, first check with Legal Services, who will give you confidential advice; you do not have to give your name if you do not wish to. You will find a contact telephone number in Appendix C.

## **1.8**

### **IF YOU ARE DISSATISFIED**

If you are unhappy with our response, remember you can use the other routes detailed in this Policy at paragraph 1.6.

While we cannot guarantee that we will respond to all matters in the way that you might wish, we will try to handle the matter fairly and properly. By using this policy, you will help us to achieve this.

If you are unhappy with the way you are treated when raising your concern or during the investigation, you can raise this under the Grievance Procedure or under the Dignity and Respect procedure as appropriate but you should not use these alternative procedures to raise the same issues that you raised in your original whistleblowing complaint.

## **SECTION 2 – RAISING A WHISTLEBLOWING CONCERN**

### **2.1**

#### **WHAT TYPES OF CONCERNS CAN BE RAISED**

You can use the Whistleblowing Policy to raise concerns about something, involving employees, which is happening at work that you believe to be

- Unlawful conduct
- Financial malpractice
- Causing a danger to staff, the public or the environment
- Contradicting the Council's Code of Conduct

- 
- Deliberate concealment of any of the above.

We have provided some examples of the kind of issues the Council would consider as malpractice or wrong-doing that could be raised under this Policy at **Appendix B**, however, this should not be considered to be a full list.

If you are in doubt – raise it!

## **2.2 WHO WILL RECEIVE AND HANDLE THE INFORMATION**

The council has trained and prepared members of staff to handle whistleblowing concerns. Some staff will act as **Whistleblowing Contact Officers** and will be a point of contact for you, as an alternative to speaking to your manager. We have also named **Whistleblowing Co-ordinators**, who will be responsible for considering or investigating the matter and letting you know what is happening.

We have tried to make roles and responsibilities as clear as possible so that you can be confident that your concerns will be addressed properly. These are set out in **Appendix A** to this policy.

The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. The Monitoring Officer will report outcomes, as necessary to the Standards Committee, in a form that will maintain your confidentiality as far as possible. The Monitoring Officer may delegate this responsibility to the Deputy Monitoring Officer. Contact details are provided at the end of this document.

## **2.3 HOW TO RAISE A CONCERN**

There are a number of different ways to raise a whistleblowing concern. You can choose the one that suits you. It doesn't matter which, you can be assured that a named manager will properly consider it. However you decide to raise the concern, please ensure that you state that you are doing so under the Whistleblowing Policy.

If at any stage we feel that your concern is a grievance or a complaint about dignity and respect, rather than a whistleblowing matter, we will tell you.

You or your trade union representative on your behalf can:

**a) Raise it with your supervisor, manager or a more senior manager in your service.**

If you have a concern, which you believe is covered by the Whistleblowing Policy, we hope you will feel able to raise it first with your supervisor or manager.

If you feel unable to raise the matter with your line manager, for whatever reason (for example, they may be involved in the issue that you are concerned about), you could raise it with a more senior manager in your service or you can use one of the alternative options below.

You can do this verbally or in writing, by letter or email.

Make sure you ask for your concern to be considered under the Whistleblowing Policy.

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Please say if you want to raise the matter in confidence so that arrangements can be made to speak to you in private.

**b) Raise it with a Whistleblowing Contact Officer**

You can use any of the contact numbers listed to raise your concern in confidence. You will speak to a member of Council staff who is trained and prepared to take your call and who will pass it onto the most appropriate Whistleblowing Co-ordinator for consideration or investigation.

**c) Raise it directly with a Whistleblowing Co-ordinator**

If you feel the matter is so serious that you cannot discuss it with your manager or a Whistleblowing Contact Officer, you can raise your concern directly with a Whistleblowing Co-ordinator. or the Councils Monitoring Officer who will allocate it to an appropriate Whistleblowing Co-ordinator..

**d) Raise it with the Council's Monitoring Officer.**

If you feel the matter is so serious that you cannot discuss it with any of the officers set out above you can raise it with the Councils Monitoring Officer who will allocate it to an appropriate Whistleblowing Co-ordinator.

Concerns can be raised verbally, by arranging a meeting with the appropriate officer, or in writing by letter or email.

**e) Using email**

There is no reason why you cannot use email to raise a whistleblowing concern. However, if you choose to use email, please take extra care to make sure that your message is sent to the correct person and consider that, due to the nature of email it may be read by other people. Putting your concerns into an email is the same as writing a letter. To help make sure your concerns are seen and handled quickly, mark the subject box:

*Whistleblowing – confidential – recipient only.*

**f) Raising concerns anonymously**

If you choose not to tell us who you are, it will be much more difficult for us to look into the matter or to protect your position or to give you feedback. While we will consider anonymous reports, our policy and procedure are not well suited to concerns raised in this way. Please take time to read the policy which sets out our assurances to you if you raise a concern under this procedure.

**Your right to support in meetings**

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If you are asked to attend a meeting in connection with the concern you have raised you may be accompanied in the meeting by your Trade Union Representative or a work colleague (who is not involved and would not be called as a witness), in any meetings, which have a connection to your whistleblowing concern.

## **SECTION 3 – THE PROCEDURE**

### **STAGE 1 - VERIFICATION**

Concerns raised under this procedure may be resolved by the person that you raise them with. This could be your supervisor, manager or a more senior manager in your service. If they are not able to resolve the matter or you have raised your concern with a Whistleblowing Contact it will be referred, on the day that it is received, to the Whistleblowing Co-ordinator most appropriate to the nature of the complaint.

The Whistleblowing Co-ordinator will make initial enquiries to assess whether an investigation is required and, if so, what form it should take. Although you are not expected to prove the truth of any allegation, you will need to demonstrate that there is a sufficient reason for making initial enquiries. This policy provides protection to employees who raise issues in the genuine belief that there is serious cause for concern. If the complaint is found to be in bad faith disciplinary action may be considered.

If it is confirmed that the Whistleblowing Procedure is the appropriate route and an investigation is required, the concern will be recorded, an Investigating Officer will be identified and an investigation commissioned by the Whistleblowing Co-ordinator in consultation with the appropriate service manager or Director. Where managers or Directors within the service may be the subject of the allegations then the Whistleblowing Co-ordinator will consult with a more senior manager within the service or, where appropriate, with a manager from another service or Portfolio. The Whistleblowing Co-ordinator will tell you who will investigate and the likely timescale for the investigation.

If there is insufficient information to make a decision about the most appropriate investigation route the Whistleblowing Co-ordinator will ask you for more information. To ensure that your concern is dealt with efficiently and appropriately it is important that the right process is followed. If the Whistleblowing Co-ordinator considers that the concern falls within the scope of another procedure, such as the Grievance Procedure or Dignity and Respect, they will tell you and advise that it is referred to the relevant manager for appropriate action. This does not mean that your concern is not taken seriously but that it can be addressed more effectively using another procedure. You will be informed which procedure will be used to address the concerns you have raised.

If it is decided not to investigate further you will be told what enquiries have been made and the reasons for the decision.

The verification of your complaint should take place within 10 working days of you raising it.

When any meeting is arranged to discuss your concerns, you have the right to be accompanied by a Trade Union Representative or other person employed by the Council who is not involved in the area of work to which the concern relates and who also could not be called as a witness.

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## **STAGE 2 – THE INVESTIGATION**

In consultation with the appropriate service manager or Director, the Whistleblowing Co-ordinator will identify an investigating officer or team. Where managers or Directors within the service may be the subject of the allegations then the Whistleblowing Co-ordinator will consult with a more senior manager within the service or, where appropriate, with a manager from another service or Portfolio, the Monitoring Officer or the Chief Executive.

The investigating officer or team will be supported by a HR Advisor.

The Whistleblowing Co-ordinator and the service manager or Director will jointly commission the investigation.

The Investigating Officer will ask you to put your concerns in writing and provide as much evidence as possible. It may also be necessary to ask you to provide a witness statement. You will have the opportunity to confirm that it is accurate and complete.

You will be asked to agree that the information you have provided and your name may be disclosed so that we can decide how the Council will respond and investigate the issue.

If you do not want to disclose your identity the Whistleblowing Co-ordinator will decide how to proceed in consultation with the Monitoring Officer.

The Investigating Officer may need to contact you or other witnesses during the investigation.

The investigation will be carried out as quickly as possible but the time taken will depend on the nature of the matters raised and the availability and clarity of the information required however we aim to conclude whistleblowing investigations within 12 weeks wherever possible. You will be informed if this is not achievable and you will also be advised when the investigation is concluded.

If you are required to take part in the investigation you have the right to be accompanied by a Trade Union Representative or other person employed by the Council who is not involved in the area of work to which the concern relates and who also could not be called as a witness.

## **STAGE 3 – THE OUTCOME**

The investigation will be concluded with a written report of enquiries made, the findings on the strength of the evidence and whether the substance of the allegations has been established. If the investigation concludes that the allegations are not substantiated the report will conclude whether the concerns were raised in good faith.

The report will be presented to and considered by the Whistleblowing Co-ordinator and the commissioning manager or Director. The commissioning manager or Director will be responsible for implementing agreed recommendations with the support of the Whistleblowing Co-ordinator or HR where appropriate. A clear and reasonable timescale should be set for implementing the recommendations which shouldn't exceed three months.

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The report will include appropriate recommendations and will be presented, in the first instance, to the commissioning Whistleblowing Co-ordinator. They will be responsible for ensuring it is presented to the appropriate officers, internal and external bodies.

As this procedure is aimed at raising concerns where the interests of others or the organisation may be at risk, the person raising the complaint will not normally receive the report. Where legal and confidentiality constraints allow, you will receive information about the outcome of any investigation. This may include findings and recommendations.

The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure and will provide support.

### **Monitoring**

A central record of all whistleblowing complaints, including dates, substantive issues, findings and outcomes is retained by Human Resources. This is provided on a quarterly basis to the Monitoring Officer who provides reports as necessary to the Standards Committee. The Monitoring Officer will be updated on a regular basis where cases are investigated.

Revised June 2012

### **ROLES AND RESPONSIBILITIES**

#### **Monitoring Officer**

The Monitoring Officer has a statutory duty to consider issues, which have or may result in the Council being in contravention of the law or a Code of Practice. For this reason the Monitoring Officer has overall responsibility for the maintenance and operation of this policy.

The Monitoring Officer will receive an updated log of whistleblowing complaints on a quarterly basis including details of complaints received, action taken and analysis of trends. The Monitoring Officer will provide information relating to whistleblowing issues and trends to the Council as appropriate.

#### **Contact Advisors**

The Contact Advisors are trained volunteers drawn from across the Council and from each Portfolio. Their contact details are published in the Whistleblowing Policy and on the Intranet.

The Contact Advisors are responsible for

- Receiving the initial contact from the individual raising their concern
- Providing support and guidance on the policy and procedure
- Referring the complaint to the appropriate Whistleblowing Co-ordinator where this is requested by the person raising the complaint
- Completing reporting requirements

The Contact Advisors are trained to handle situations and individuals sensitively, fairly and promptly and to maintain confidentiality wherever possible.

#### **Whistleblowing Co-ordinators**

The Whistleblowing Co-ordinators are named officers from the following services

- Human Resources e.g. for employment matters
- Legal e.g. for issues relating to unlawful practice
- Governance e.g. for concerns relating to decision making
- Audit e.g. for concerns relating to financial irregularity, fraud, corruption, theft
- Finance e.g. for matters relating to financial irregularity, financial mismanagement
- Health and Safety e.g. for issue about unsafe or dangerous practices
- Safeguarding e.g. for matters involving service to children and vulnerable adults
- Commercial Services.

Their role is to

- Receive complaints relating to their specific professional area referred by the Contact Advisors or directly from individual employees
- Make initial enquires and assess whether an investigation is required and, if so, what form it should take
- If appropriate, commission the investigation, receive and consider findings in consultation with the commissioning manager or Director



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- Where the concerns or allegations fall within the scope of specific procedures (e.g. disciplinary procedure) refer them to the relevant manager for consideration under those procedures except where this may result in investigation by a person who may potentially be implicated
  - Communicate with the individual who initially raised the concern to inform them of the process to be followed, progress and the outcome
  - Complete reporting requirements

## **Human Resources**

The Human Resources Team are responsible for:

- Development and maintenance of the policy
- Communicating and publicising the policy
- Maintaining the list of Contact Advisors and Co-ordinators and ensuring that appropriate briefing and training is provided
- Provide advice to managers on the appropriate procedure for concerns raised initially under this procedure
- Supporting investigations

## **Human Resources Business Support Team**

The Human Resources Business Support Team will:

- Maintain a central log of whistleblowing complaints, actions and outcomes
- Provide the updated log to the Monitoring Officer on a monthly basis including details of complaints received, action taken and analysis of trends

## **Corporate Risk Management Group**

The Corporate Risk Management Group will receive quarterly reports on whistleblowing issues including analysis of trends.

## **Audit Committee**

The Audit Committee will receive reports on finance or fraud related issues raised through the whistleblowing procedure.

The Audit Committee will also consider the operation of the policy in its annual review of governance arrangements in terms of accessibility and robustness.

## **Standards Committee**

The Standards Committee role is to check within ethical governance frameworks (which are reviewed annually) that the policy exists and is implemented and to be informed about implications for conduct and ethics within the Council.

**EXAMPLES OF CONCERNS WHICH MAY BE RAISED**

This list shows the kind of issues that may be raised under the Whistleblowing Policy. However, there may be other concerns that can be raised under the policy that are not shown here. A Whistleblowing Contact will be able to advise you if you are not certain whether this is the appropriate process.

- Poor or unprofessional practice by a member of staff or an agency which results in the service user not getting the same quality of service which is available to others
- Improper/unacceptable behaviour towards a service user which could take the form of emotional, sexual or verbal abuse, rough handling, oppressive or discriminatory behaviour or exploitative acts for material or sexual gain
- Any unlawful activities, whether criminal or a breach of civil law
- Fraud, theft or corruption
- Concerns regarding possible breaches of Health and Safety Regulations
- Harassment, discrimination, victimisation or bullying of employees and/or service users
- Leaking confidential information in respect of Council activities or records
- Doing undisclosed private work which may conflict with working for the Council, or which are being carried out during working time
- Inappropriate contact with members of the public within Council facilities, or whilst carrying out Council duties or outside of working time
- Taking gifts or inducements
- Inappropriate use of external funding
- Maladministration as defined by the Local Government Ombudsman
- Breach of any statutory Code of Practice
- Breach of, or failure, to implement, or comply with any Council policy
- Misuse of Council assets, including computer hardware and software, buildings, stores, vehicles

## WHISTLEBLOWING CONTACT OFFICERS

If you are unable to report a genuine concern by any of the means explained in the policy, you may choose to telephone one of your Directors' numbers as listed below. Outside normal office hours, a voicemail or answer machine facility will be in operation. Please remember that you must leave your name and telephone number at which you can be contacted.

### Deputy Chief Executive Team

Alistair Griggs	Director of Modern Governance	34019
Joe Fowler	Director of Communications and Performance	34019
James Henderson	Director of Policy and Research	53126
Edward Highfield	Director of Economy, Enterprise & Skills	53126
Chris Shaw	Director of Health Improvement	53126
Lynne Bird	Director of Legal Services	34018
Aurial Majumdar	Head of Business Support	34250

### Resources Leadership Team

Eugene Walker	Director of Finance	35872
Julie Toner	Director of Human Resources	34081
Cheryl Blackett	Head of Human Resources, Policy & Governance	34080
Sue Palfreyman	Head of Human Resources, Service Delivery	35530
Nalin Seneviratne	Director of Property & Facilities Management	34120
Paul Green	Director of Information Services	36818
Barry Mellor	Commercial Director	2053819
Julie Bullen	Director of Customer Services	36967
Kevin Foster	Director of Transformation Programme	2053478
Neil Dawson	Head of Transport Services	2037595

### Children, Young People and Families

Jayne Ludlam	Deputy Executive Director of Children & Families	2930063
John Doyle	Director of Business Strategy	35663
Maggie Williams	Children's Commissioner	2930968
Tony Tweedy	Director of Lifelong Learning, Skills & Communities	2296140

### Place

John Charlton	Deputy Executive Director/Director of Streetforce	36552
Paul Billington	Director of Culture and Environment	35071
Les Sturch	Director of Development Services	35909
Mick Crofts	Director of Business Strategy	36148
Sue Millington	Senior Strategy Manager	35128
Andy Nolan	Director of Sustainable Development	36135

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<b>Communities</b>		
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Eddie Sherwood	Director of Care and Support Communities	34840
Miranda Plowden	Director of Commissioning	35057
Jan Fitzgerald	Interim Director of Community Services	34486
Bev Coukham	Director of Business Strategy	35094

## **WHISTLEBLOWING CO-ORDINATORS**

### **Human Resources**

Cheryl Blackett	Head of Human Resources, Policy and Governance	34080
Sue Palfreyman	Head of Human Resources, Service Delivery	35530

### **Legal**

Lynne Bird	Director of Legal Services	34019
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### **Governance**

Alistair Griggs	Director of Modern Governance	36629
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### **Audit**

Steve Gill	Chief Internal Auditor	34363
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### **Finance**

Eugene Walker	Director of Finance	35872
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### **Health and Safety**

Steve Clark	OD Manager, Safety and Employee Well-being	34796
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### **Safeguarding**

Cath Erine	Service Manager	36870
Karen Bennett	Service Manager	2053846
Des Charles	Service Manager	35819

## **TRADE UNION REPRESENTATIVES**

UNISON	2736307
UNITE	2736486
GMB	2768017

(Contact Officers/Co-ordinators/Trade Union Representatives last updated June 2012)



## Audit Committee Report

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**Report of:** Executive Director Place

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**Date:** 1<sup>st</sup> August 2012

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**Subject:** Section 106 Planning Income

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**Author of Report:** Paul Schofield

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**Summary:** The report is an update report to the last meeting (June 2012).

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**Recommendations:** To note the contents of the report

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**Background Papers:**

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**Category of Report:** OPEN

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\* Delete as appropriate

## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES/NO      Cleared by: Paul Schofield
<b>Legal Implications</b>
YES/NO      Cleared by:
<b>Equality of Opportunity Implications</b>
YES/NO      Cleared by:
<b>Tackling Health Inequalities Implications</b>
YES/NO
<b>Human rights Implications</b>
YES /NO:
<b>Environmental and Sustainability implications</b>
YES /NO
<b>Economic impact</b>
YES /NO
<b>Community safety implications</b>
YES /NO
<b>Human resources implications</b>
YES /NO
<b>Property implications</b>
YES /NO
<b>Area(s) affected</b>
<b>Relevant Cabinet Portfolio Leader</b>
Cllr Isobel Bowler
<b>Relevant Scrutiny Committee if decision called in</b>
Not applicable
<b>Is the item a matter which is reserved for approval by the City Council?</b>
YES /NO
<b>Press release</b>
YES /NO

## **REPORT TITLE**

### **1.0 INTRODUCTION**

1.1 In August 2010 an internal audit report identified a significant number of risks associated with the financial administration of monies collected under Section 106 of the Town and Country Planning Act (1990). The report together with series of recommendations, were presented to the Audit Committee in January 2011. Twelve months later the Committee received an update report on a number of 'high opinion' areas. Members expressed concern over the progress made in addressing the issues raised by the original audit of the Section 106 administration, and requested the following report

### **2.0 SUMMARY**

2.1 This report is an update to the Committee on the current position on the reconciliation of the different databases and the Finance Ledger.

### **3.0 MAIN BODY OF THE REPORT**

3.1 Over 900 projects representing 93% of the £23m value of the s.106 agreements have been reviewed. There are a further 97 agreements worth £1.5m in total where further investigatory effort required to understand the application of the s.106 is likely to exceed the benefit of the findings and it is proposed to leave the balances on these projects as they lie and roll up them up into the overall adjustment to be made.

3.2 The audit report has identified the weaknesses in the administration procedures. Two recurring themes have arisen which have caused the need for the adjustments, for example:

- A net £0.25m where the same funds have been allocated to two or more schemes; and
- £0.2m of cost overruns where the cost of the works has exceeded the original value of the agreement.

It is likely that further losses will be identified where schemes developers have gone into administration before paying over the s.106 contribution and the scheme funded by the s. 106 has commenced spending.

3.3 Previously, the capital programme has been balanced at a portfolio level so duplicate uses of the s.106 funding have gone undetected. The changes introduced in 2010 now have a greater level of scrutiny and transparency. Other control changes implemented include a restriction

that capital schemes cannot commence until the cash funding the construction has been received.

3.4 Work is now commencing on reviewing and reconciling the management of maintenance monies received from s.106 agreements.

3.5 Planning Service and Finance staff have met the Chairs of the Community Assemblies and briefed them on the current position. S.106 is recognised as being a key component of local area improvement schemes.

#### **Financial Implications**

3.6 The indications from the work so far are that the Capital Programme and revenue support from s. 106 is likely to be below that which the Council previously understood. This will have to be addressed through prioritisation of the remaining funds.

#### **Equal Opportunities Implications**

3.7 There are no direct equal opportunities implications arising from the report.

#### **Legal Implications**

3.8 There are no direct legal implications arising out of this report.

#### **Property Implications**

3.9 There are no direct property implications arising out of this report.

### **4.0 RECOMMENDATIONS**

4.1 The committee notes the content of the report.





# Audit Committee Report

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<b>REPORT OF</b>	<b>Chief Internal Auditor</b>	<b>DATE</b> 1 <sup>st</sup> August 2012
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<b>SUBJECT</b>	<b>Progress on High Opinion Audit Reports</b>
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<b>SUMMARY</b>	<b>The attached is the report of the Chief Internal Auditor providing an updated position on Audit Reports issued with a high opinion.</b>
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<b>RECOMMENDATIONS</b>	<b>To note the contents of the Report</b>
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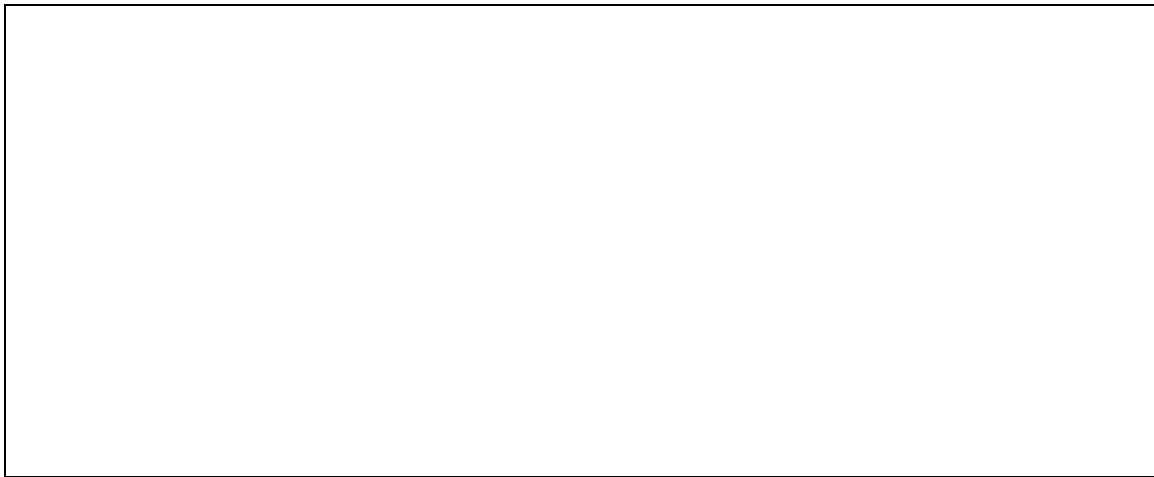
<b>FINANCIAL IMPLICATIONS CLEARED BY</b>	<b>No S Gill</b>	<b>PARAGRAPHS</b>
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<b>BACKGROUND PAPERS</b>
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<b>CONTACT POINT FOR ACCESS</b>	<b>Steve Gill</b>	<b>TEL NO.</b> <b>273 4363</b>
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**CATEGORY OF  
REPORT**  
  
Open

## Statutory and Council Policy Checklist

<b>Financial implications</b>
<del>YES</del> /NO      Cleared by: S Gill
<b>Legal implications</b>
<del>YES</del> /NO
<b>Equality of Opportunity implications</b>
<del>YES</del> /NO
<b>Tackling Health Inequalities implications</b>
<del>YES</del> /NO
<b>Human rights implications</b>
<del>YES</del> /NO
<b>Environmental and Sustainability implications</b>
<del>YES</del> /NO
<b>Economic impact</b>
<del>YES</del> /NO
<b>Community safety implications</b>
<del>YES</del> /NO
<b>Human resources implications</b>
<del>YES</del> /NO
<b>Property implications</b>
<del>YES</del> /NO
<b>Area(s) affected</b>
<b>Relevant Scrutiny Committee if decision called in</b>
Not applicable
<b>Is the item a matter which is reserved for approval by the City Council? <del>YES</del>/NO</b>
<b>Press release</b>
<del>YES</del> /NO

# REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE

1<sup>st</sup> August 2012

## Chief Internal Auditors Report – Progress Against High Opinion Audit Reports.

### Purpose of the Report

1. The purpose of this 'rolling' report is to present and communicate to members of the Audit Committee progress made against recommendations in audit reports that have been given a high opinion.

### Introduction

2. An auditable area receiving a 'High Opinion' is considered by Internal Audit to be an area where the risk of the activity not achieving objectives was high and sufficient controls were not present at the time of the review.
3. This report provides an update to the Audit Committee with regard to high opinion audit reports previously reported (see Appendix A). Where Internal Audit have yet to undertake follow up work the relevant Portfolio Directors were contacted and asked to provide Internal Audit with a response. This included indicating whether or not the recommendations agreed therein have been implemented to a satisfactory standard and provision of specific timescales for implementation as required by the Audit Committee.
4. Any audits issued with a high opinion since 1<sup>st</sup> December 2011 have been issued to the Audit Committee in full, therefore the introductory information provided for these audits will be less detailed (see Appendix B).

### **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from the report.

### **EQUAL OPPORTUNITIES IMPLICATIONS**

There are no equal opportunities implications arising from the report.

### **RECOMMENDATION**

That the Audit Committee notes the content of the report.

**Steve Gill**  
**Chief Internal Auditor**

**SHEFFIELD CITY COUNCIL  
UPDATED POSITION ON HIGH OPINION AUDIT REPORTS**

**1. Audit Report: Data Protection (Sheffield Homes). Issued 21/04/2011.**

**Overview:** The Data Protection and Freedom of Information policies and procedures adopted by Sheffield Homes were examined within the audit. The review was initially delayed due to difficulty in obtaining meetings/information necessary to progress testing. Whilst policies and procedures were generally found to be appropriate and adequate for their purpose there were no specific arrangements in place for periodic update/review.

The audit was allocated a high risk opinion because specific roles and responsibilities had not been formalised and the roll out of training to Sheffield Homes staff had not been completed due to programme slippage. At the conclusion of the audit it was agreed with Sheffield Homes management and the Audit Committee that Internal Audit would complete an additional review during 2011/12 to provide assurance on the implementation of the programme/training and the agreed actions.

**Management Summary Actions:**

- Compliance with Data Protection and Freedom of Information policies within Sheffield Homes should be periodically reviewed
- Data Protection and Freedom of Information Committee should be established
- A Data Protection and Freedom of Information training and awareness programme should be promptly defined and implemented
- All staff should be formally made aware of Data Protection and Freedom of Information Laws
- Disciplinary action as a result of breaches to the Data Protection Policy should be clearly defined within the policy
- A Data Protection Officer should be identified and their responsibilities clearly defined.

**Updated position as at 20 April 2012**

Internal Audit: No further update requested from the responsible Director as follow up audit work was undertaken in January 2012. Internal Audit found that 9 out of the 10 agreed recommendations contained in the report had been implemented. The remaining recommendation (given a medium priority rating) related to the periodic review of data protection and freedom of information systems. It was stated by Sheffield Homes management that once all the staff training was completed that management were to present the review options to their Information Communication Technology Board – this was anticipated to be presented in April 2012.

## **2. Audit Report: Electoral Services (Deputy Chief Executives). Issued 19/01/2011.**

**Overview:** To provide a comprehensive elections service for the eligible voters of Sheffield. This ranges from fully maintaining the Electoral Register to ensuring there is an efficient Elections Process. A high opinion was given due to a number of high priority recommendations in key risk areas identified at the time of the audit. Management responded very positively to the audit and have provided assurances that recommendations from both an internal review and the internal audit have already been or have started to be implemented.

### **Management Summary Actions**

- As part of the planning process, consideration needs to be given to succession arrangements
- A full report should be completed after every general and local election. This should include but not be limited to a review of Polling stations, the voting process, the planning process, staffing and stakeholder feedback
- There should be two comprehensive business continuity plans for Electoral Services. One for the general day to day Electoral Services and one specifically for the Electoral Process
- The business continuity plan should be reviewed at least on an annual basis or whenever changes occur that will impact on it.
- The financial budget for Electoral Services should be drawn up using a rational basis.
- There should be a thorough review of the admin fees paid to Electoral Services staff for work on the elections process.
- All staff working on the elections should be required to sign a code of conduct.
- There should be an adequate number of Poll Clerks allocated to each Polling Station to ensure that all electors receive a prompt and efficient service.
- All employees working on the election should have the right to work legally in the UK as defined in the Immigration, Asylum and Nationality Act 2006.
- There should be a policy in place for handling all breaches of security
- Where applicable the appropriate staff should receive fraud risk awareness training
- The number of electorate allocated to each polling station should be analysed to ensure that the maximum recommended by the Electoral Commission is not exceeded on a frequent basis.
- An examination should take place of all Polling Stations prior to the Polling Day to ensure that they are still suitable for use.
- Every attempt should be made to ensure all Polling Stations are accessible to all electors.
- Polling Station layout to be prepared in advance - thus ensuring optimal layout for voter through-flow and comfort.

### **Updated position as at 20 April 2012**

Internal Audit: No further update requested from the responsible Director as follow up audit work was undertaken in March 2012. The follow up review found that all 15 recommendations had been actioned. It was reported that in addition, further review work was being undertaken, led by the Head of Governance and Involvement that would not be fully completed until 2013.

### **3. Audit Report: Financial Management Information From Trusts (Place). Issued 28/02/2011.**

**Overview:** A review was undertaken of the financial and performance management information being received from Trusts. The audit covered whether financial and performance monitoring was being carried out against agreed targets and results regularly reported to management. For the purpose of the review, Internal Audit focussed on Sheffield International Venues and Sheffield Industrial Museums Trust. Information was not made available in relation to Sheffield Theatres and Management were advised to consider extending the recommendations to Sheffield Theatres Trust. The audit was given a high opinion due to the number of recommendations made with regard to financial and performance monitoring controls and service planning.

#### **Management Summary Actions**

- Monthly financial information submitted by the Trusts should be subject to detailed review, monitoring and analysis
- Financial information received should be subject to review to ensure all relevant detail and information is included
- Consideration should be given to introducing further performance indicators in addition to those set around visitor/ attendance figures
- There should be a defined monitoring and reporting framework in respect of the monitoring of the financial and non financial performance of the Trusts
- The findings and recommendations arising from the Sheffield Galleries and Museums Trust review should be considered and applied where appropriate to the other Trusts to ensure a uniformity of good practice.
- Succession planning should be put in place, with the reduction in hours of the Business Development Manager.\*
- Management should undertake an exercise to identify all the risks presented by the relationships with each of the different Trusts.
- Financial values, forming the basis of risk evaluation, should also be verified by management to ensure they are realistic for each of the individual risks identified\*
- Revised Service Level Agreements to be put in place with each trust to ensure the provision of robust monitoring information.\*

#### **Updated position as at 20 April 2012**

Internal Audit: No further update requested from the responsible Director as follow up work was undertaken in March 2012. The follow up review found that 6 out of the original 12 agreed actions had yet to be implemented, of which 3 (actions indicated with an \* above) had been given a high priority rating. This was reported to the Executive Director Place.

**4. Audit Report: Urban Traffic Control (Place). Issued 30/06/2010.**

**Overview:** Urban Traffic Control application is to integrate and co-ordinate traffic signals across Sheffield. The application reviews examines the management not of the whole service, but of the urban traffic controls system. Significant problems were encountered in obtaining information, which led to time delays and required the support of the relevant Executive Director to complete the review. The review was rated as high, as certain key controls such as access controls were found to be set so as to permit wide access. The Executive Director has agreed to monitor the implementation of the agreed actions.

**Management Summary Actions**

- A Traffic Information and Control (TIC) risk register and business continuity plan to be formally documented and authorised. This will be reviewed annually. The current identified risks to be re-visited and omissions rectified.
- The business continuity plan to incorporate disaster recovery arrangements and to be shared with Business Information Solutions.
- Clarification of roles and responsibilities within the service area. These will be included in the TIC operations documentation.
- Appropriate training provided for new starters including the preparation of a user manual for any new staff members.
- Access level control implemented for new members of staff.
- The protocol for recording changes to the system to be reviewed and documented.
- Access which can be gained to the system outside of the control centre to only be obtained from password protected terminals connected over VPN links.
- System back up arrangements to be documented as part of the user manual.

**Updated position as at 20 April 2012**

Internal Audit: Additional factors that need reviewing have been brought to the attention of Internal Audit. A piece of work is underway to look at these factors and this will encompass the recommendations raised in the original report.

### **5. Audit Report: Creative Sheffield – application of procedures (Place). Issued 13/07/2011.**

**Overview:** Creative Sheffield (CS) is currently established as a company limited by guarantee; however Sheffield City Council (SCC) is the accountable body for external funding provided by Yorkshire Forward (£2m per year). Internal Audit were informed that, as a result of Yorkshire Forward ceasing to fund the company, CS will be brought back under the control of the Council, as a branded unit. A number of high risk issues were identified throughout the review, which will be largely mitigated by compliance with the Councils' established policies, procedures and processes, upon integration.

#### **Management Summary Actions**

- Management will need to ensure that SCC policies and procedures are complied with, once Creative Sheffield has been brought in-house.
- All financial management arrangements should be fully documented, including details of the roles and responsibilities of both SCC and CS.
- A project management framework should be finalised and put in place. Quantifiable deliveries e.g. job creation, business creation and business support should be defined for all projects. Progress against these defined deliverables / outputs should be reported on a regular basis.
- Recruitment should be carried out in accordance with SCC policy.
- SCC Relocation Policy should be followed; however this does not cover international moves. It should be ensured the correct tax treatment has been applied to all previous payments of relocation expenses.
- Financial obligations with regards to potential redundancy costs and pension liabilities should be considered as part of the succession planning. All redundancy packages should be approved by SCC.
- A defined performance management framework should be finalised and agreed.

#### **Updated position as at 20 April 2012**

Internal Audit: No further update requested from the responsible Director as follow up work was undertaken in March 2012. The follow up review found that a number of recommendations were outstanding for both Creative Sheffield and Marketing Sheffield\* Internal Audit subsequently met with the Director Creative Sheffield and the outstanding 5 actions (that related to Creative Sheffield), were discussed and it was agreed that these were to be actioned by September 2012.

Internal Audit, however, did not receive a response or any evidence from the Director of Marketing Sheffield, therefore could not provide any assurance to the Executive Director Place that controls were in operation within Marketing Sheffield. This was reported to the Executive Director in February 2012 and at the Executive Management Team meeting of 22<sup>nd</sup> May 2012. An audit review is planned for Marketing Sheffield as part of the 2012/13 plan.

\* Since the original audit report Creative Sheffield has been incorporated into the Council (within Place) and has 'evolved' into two distinct services (Creative Sheffield and Marketing Sheffield) hence, the requirement to carry out follow up work in both services; to ensure the original recommendations had been implemented.



## **6. Audit Report: Performance Monitoring Process (Deputy Chief Executives). Issued 13/07/2011.**

**Overview:** An audit was undertaken on the performance monitoring process which is in place to monitor the performance of the Council and report to a number of internal and external bodies. Five recommendations were made and subsequently agreed. The audit was given a high opinion due to the high priority given to all the recommendations

### **Management Summary Actions**

- There should be a comprehensive documented Performance Monitoring Process. This should cover as a minimum;
  - how performance targets are established/how performance is measured against these targets/the challenge and review process/ how the Performance Plus system is used/roles and responsibilities of users and managers within the Performance Monitoring Process, the relationships between the Portfolio and Corporate Performance Monitoring Teams.
- Once completed and formally approved by strategic management, the Performance Monitoring Process should be rolled out to all relevant parties with consideration given to the training requirement of each user or manager.
- The Performance Monitoring Process and all policies relating to it should be formally submitted to EMT for approval.
- All client portfolios should be notified that all user accounts need to be deactivated immediately to prevent erroneous access.
- There should also be a periodical check by the Performance Plus to ensure that all users are current Council officers or authorised personnel
- The Performance Monitoring Process should provide for the periodic production and review of Performance Plus reports that highlight inconsistencies or manipulation of data.
- Significantly unexplained changes in RAG ratings should be investigated and any instances of deliberate manipulation of performance data should be reported to the relevant portfolio director.

<b>Updated position as at 28 April 2012</b>
Internal Audit: A follow up audit is to be undertaken early in Quarter 1 of 12/13 plan. Additionally the Performance Plus system is to be a specialist/discrete area of the 12/13 plan and will involve testing of the system across all council portfolios.
Directors response: Five recommendations were agreed. The Corporate Performance Manager reported that 2 out of the 5 had been fully implemented, and progress was being made with the remaining 3 recommendations – and these were expected to be completed by the end of May 2012. He stated “progress has been made in documenting the full performance management process, and this is expected to be completed by the end of May 2012. Upon completing this documentation, this will be formally approved by EMT, and rolled out to all relevant parties - although it should be noted that, because this is mainly an amalgamation of existing documents, most of the practices are already embedded across the Council”.

### **7. Audit Report: Critical Incident Planning (CYPF). Issued 20/06/11.**

**Overview:** The objectives of Critical Incident Planning are to ensure that a robust process/policy is in place for all CYPF services to follow in order to ensure that all critical incidents are identified, reported, documented and appropriate remedial action taken where necessary. This audit covered schools and other external locations in addition to all central CYPF service areas.

Since the audit was completed, Management stated that significant progress has been made with regard to the joint Emergency Planning Service with Rotherham. In addition, a Portfolio-wide Contingency Planning Manager is being recruited to work within Business Strategy. It is envisaged that the remit of the Contingency Planning Manager is to co-ordinate and promote Emergency and Critical Incident Planning across CYPF.

#### **Management Summary Actions**

- Senior Management Team of CYPF should work towards developing a Critical Incidents Policy (CIP) to include all CYPF services and establishments
- There should be a regular review and update of the CIP in light of any incidents. The policy should state the timescales for review. Any incidents should be followed-up and outcomes should be reported to the CIP team to be incorporated into future Critical Incident Policies. Any revisions to the CIP should be reported to Senior Management for approval.
- The school Critical Incident Plan template should be amended to define what constitutes a 'critical incident'.
- The school Critical Incident Plan template should be amended to require all schools to report all critical incidents irrespective of whether they obtained assistance from the Local Authority.
- There should be regular checks and verification that Critical Incident Plans are in place in all schools.
- The Service should clearly identify stakeholders and establish effective lines of communication to ensure procedures and practices are shared and all parties are aware of their roles and responsibilities
- The Service should ensure that all critical incidents are reported through a central channel, irrespective of whether LA assistance is requested. The use of standard documentation for this would ensure that sufficient detail is recorded for monitoring and reporting purposes.
- The central record should be reviewed and shared with relevant parties to ensure lessons are learnt.
- Where applicable, recommendations should be made and implemented to ensure any 'lessons learnt' are integrated into future policies and communicated across the service.

<b>Updated position as at 28 April 2012</b>
Internal Audit: A follow up audit is planned for quarter 1 for 2012/13.
Directors response: The Critical Incident Planning Audit Report originally made 13 recommendations - of which 9 were agreed. Internal Audit subsequently met with the Director Business Strategy and the CYPF Business Continuity Lead Officer and statements were gathered on each of the agreed recommendations to gain an understanding of the progress made. It was stated that all 13 recommendations (9 that had been agreed and 4 that were not agreed at the time) from the original report had been actioned. Some of these actions were of an ongoing nature, however, and were scheduled to be completed by July 2012. Additionally, to add further robustness to the emergency planning support offered a 'traded service' for schools had been set up - this was an enhanced package available to all schools and other educational/care establishments. At the time of the update, 36 schools had committed to the package.

**UPDATE ON AUDIT REPORTS ISSUED IN FULL TO THE AUDIT COMMITTEE SINCE 1<sup>ST</sup> DECEMBER 2011**

**1. Audit Report: Cash Handling Appointeeships in Residential Homes (Communities). Issued 20/02/12.**

**Overview:** the audit was given a high opinion due to the nature of the audit (ie: the responsibility for the handling of client's monies within residential homes), and the 12 recommendations made - of which 4 were given a high priority rating.

**Updated position as at 20 April 2012**

Internal Audit: A follow up audit is to be undertaken in quarter 2 of the 2012/13 audit plan. Additionally a review is to be undertaken of the Adult Social Care Accounts Service – of which the team and officers responsible for dealing with Appointeeships is part.

Directors response: The Director Care and Support, Communities stated:

“The original report contained 12 agreed recommendations. Of these, 11 have been implemented. One recommendation regarding care home managers knowledge of their role/responsibilities on appointeeships was still being progressed - with an end date of June 2012 in place”. The Director confirmed that the errors found by Audit during the review had been rectified and all other recommendations implemented and new procedural guidelines introduced.

**2. Audit Report: Youth Commissioning – Sheffield Futures (CYPF). Issued 30/01/12.**

**Overview:** Fifteen recommendations were made and agreed with regard to the arrangements in place between SCC and Sheffield Futures in relation to the youth provision contract. Of these recommendations 7 were given a high priority rating.

**Updated position as at 20 April 2012**

Internal Audit: A follow up audit is to be undertaken in quarter 3 of the 2012/13 plan.

Directors response: The Director Lifelong Learning, Skills and Communities reported: Of the 15 agreed recommendations in the original report, 12 have been implemented. One high priority recommendation relating to the signing of a service delivery contract for 2012/13 was to be actioned by the 30<sup>th</sup> April 2012 and one medium priority recommendation was in progress with a completion date of April 2012. Additionally one medium recommendation with regard to the staffing arrangements between Sheffield Futures and SCC was subject to ongoing discussions between the Executive Director Resources and the Director Lifelong Learning, Skills and Communities. It was anticipated that this was to be resolved by September 2012.

**3. Audit Report: Carbon Reduction Commitment (CRC) (Place). Issued 01/12/11.**

Overview: A review was undertaken of the Council's arrangements to deal with the Environment Agency's Carbon Reduction Commitment (CRC) requirements. The CRC initiative is a mandatory scheme designed to reduce carbon emissions. The Director of Property and Facilities Management had signed up to being the responsible officer for the scheme within the Council, with the Energy Team being responsible for the compilation of the data and details that make up the Annual Report for the Council.

**Updated position as at 20 April 2012.**

Internal Audit: A follow up review will be undertaken in September 2012 as part of the mandatory annual validation check of the CRC scheme. This has been communicated to management, therefore will be finalised by quarter 3.

Directors response: The Head of Capital Delivery Service, Place stated:

"Of the 11 recommendations, 4 have now been implemented by setting up CRC as a project in line with the Council's project management principles, reporting to Asset Management Group as project board; and by clarification of CRC guidance points with the Environment Agency. A further 2 recommendations have been implemented via the project management mechanisms together with a review of SCC's CRC processes which will be undertaken by Rotherham Council in June 2012. A further 2 recommendations; accountability framework for CRC and stakeholder engagement are in progress and will be completed by the end of May 2012. With regards to the remaining 3 actions, these relate to a business continuity plan and risk register. These are both under development as part of the Service-wide risk mitigation processes. The progress of this has been delayed as a result of the recent merger of two service areas but it is planned that this work will be completed by the end of May 2012".

# Audit Committee Report

**REPORT OF** Chief Internal Auditor

**DATE**  
1<sup>st</sup> August 2012

**SUBJECT** Summary of Internal Audit Output from 1.12.2011 to 30.6.2012

**SUMMARY** The attached is a list of all the audit reports issued since December 2011. The report is split by opinion and details the audit title only. It also includes the work undertaken where an audit opinion is not required.

**RECOMMENDATIONS** To note the contents of the Report

**FINANCIAL IMPLICATIONS**  
**CLEARED BY**

**No**  
**S Gill**

**PARAGRAPHS**

**BACKGROUND PAPERS**

**CONTACT POINT FOR ACCESS**

**Steve Gill**

**TEL NO.**  
**273 4363**

**CATEGORY OF**  
**REPORT**

Open

## Statutory and Council Policy Checklist

<b>Financial implications</b>
<del>YES</del> /NO      Cleared by: S Gill
<b>Legal implications</b>
<del>YES</del> /NO
<b>Equality of Opportunity implications</b>
<del>YES</del> /NO
<b>Tackling Health Inequalities implications</b>
<del>YES</del> /NO
<b>Human rights implications</b>
<del>YES</del> /NO
<b>Environmental and Sustainability implications</b>
<del>YES</del> /NO
<b>Economic impact</b>
<del>YES</del> /NO
<b>Community safety implications</b>
<del>YES</del> /NO
<b>Human resources implications</b>
<del>YES</del> /NO
<b>Property implications</b>
<del>YES</del> /NO
<b>Area(s) affected</b>
<b>Relevant Scrutiny Committee if decision called in</b>
Not applicable
<b>Is the item a matter which is reserved for approval by the City Council? <del>YES</del>/NO</b>
<b>Press release</b>
<del>YES</del> /NO

**Report of the Chief Internal Auditor**  
**1<sup>st</sup> August 2012**

**Audit Committee –All Output with the Opinion**  
**1<sup>st</sup> December 2011 – 30<sup>th</sup> June 2012**

The purpose of this report is to detail the output issued by Internal Audit for the above period.

As the period of this report covers more than one financial year (4months from 2011/12 and 3 months from 2012/13) this list will not directly reconcile to the 2012/13 annual plan presented to the Audit Committee on the 15<sup>th</sup> May.

The report is split into the opinions and lists the title of each review only; it also details the work undertaken where an audit opinion is not required.

**High Opinion**

The risk of the activity not achieving its objectives is **high**.  
Internal Audit's overall opinion is that controls to manage the operational risks are not present or ineffective.

Risk Management, Place  
Youth Commissioning, Sheffield Futures, Children, Young People and Families (CYPF)  
Cash Handling Appointees in Residential Homes, Communities  
Establishment Control, Resources

**Medium – High Opinion**

The risk of the activity not achieving its objectives is **medium - high**.  
Internal Audit's overall opinion is that controls to manage the operational risks are inadequate or operating poorly.

Libraries, Communities  
Highways Maintenance Public Finance Initiative (PFI) – Exit Strategy-Client Model, Place  
Red Tape Central, CYPF  
School Procurement Procedures, CYPF  
School Budget Setting and Monitoring Procedures, CYPF  
Safeguarding In Schools, CYPF  
Investment Standards, Sheffield Homes  
Fire Risk Assessment Team, Sheffield Homes  
Property Health and Safety, Resources  
Tax Matters – Benefits in Kind, Resources  
Oracle Enterprise One (OEO) Ledger Reconciliation, Resources

Managing Employee Reductions, Resources  
Starters and Leavers (including Voluntary Early Retirements and Voluntary Severance), Resources  
Third Party Payments for Bidding and Business Cases, Resources

### **Medium – Low Opinion**

The risk of the activity not achieving its objectives is **medium - low**. Internal Audit's overall opinion is that the controls to manage the operational risks are mostly in place but there are some weaknesses in their operation.

OHMS (Housing Management System), Sheffield Homes  
Equality and Diversity, Sheffield Homes  
Financial Processes 2011/12, Sheffield Homes  
iWorld Application Review, Resources  
Flare Application Review, Resources  
Debtors, Resources  
Travel and Subsistence, Resources  
Kier Asset Partnership Service (KAPS) Contract Performance, Resources  
Standing Order Waiver and Tendering, Resources  
Customer First Programme Management, Resources  
Managing Employee Reductions, Resources  
Purchase 2 Pay Review 2011/12, Resources  
Housing Benefit Data Security, Resources  
Workplace Programme, Resources  
Access to Systems using Interactive Data Extraction and Analysis Tool (IDEA), Resources  
Remote Working (including Remote Access Service and Members IT), Resources  
Customer Service Project Phase 1, Resources  
Log on System (Customer First) Application Review, Resources  
Annual Governance Statement, Process Overview, Deputy Chief Executives  
Annual Governance Statement Review of Submissions, Deputy Chief Executives  
Adult Respite, Communities  
Safer Communities Partnership, Communities  
Private Housing Standards Enforcement, Communities  
Approved Mental Health Practitioners System Call Out, Communities.  
Out-of-City Provision, CYPF  
Risk Management, CYPF  
Special Educational Needs – Family of Schools Pilot, CYPF  
Prevention and Early Intervention Services, CYPF  
Disability Respite Homes, CYPF  
Enterprise Team – Solutions for Business, Place  
  
Proactive Counter Fraud Review Waste Contract Management, Place



## Low Opinion

The risk of the activity not achieving its objectives is **low**.  
Internal Audit's overall opinion is that controls to manage the operational risks are in place and operating effectively.

Emergency Planning, Deputy Chief Executives  
Council Tax System 2011/12, Resources  
Capacity Planning in Schools, CYPF  
Public Realm Maintenance, Place

## Productive Pieces of Work – No Opinion Required

### Grant Certifications

South Yorkshire Archives, Communities  
South Yorkshire Archaeology, Place  
Housing Market Renewal Growth Fund, Exit Work, Place

### Follow-up Audits

Electoral Services, Deputy Chief Executives  
Creative Sheffield, Deputy Chief Executives  
Overview of Strategic Role to Voluntary Sector, Deputy Chief Executives  
Equalities Statutory Duties, Deputy Chief Executives  
Performance Monitoring Process, Deputy Chief Executives  
Libraries, Communities  
Financial Management Information from Trusts, Place  
Programme Led Delivery, Place  
Capital Delivery, Place  
Decent Homes Client, Place  
Kier Transaction Testing, Communities  
Information Management for Community Care, Communities.  
Out-of-Hours Services, Communities  
Transition from Children Services to Adult Services, Communities

### Investigations

For the period 01/12/11 to 30/06/12 there were 21 cases – 16 Benefit Investigations, 5 Non-Benefit Investigations.

15 of the 22 cases were ongoing from the previous period, and 7 were new referrals.

15 of the 22 cases were investigated by Internal Audit, and 7 were investigated by management with support and guidance provided by internal Audit.

7 cases were concluded during this period with in excess of £17,000 in recovery, 1 stage 3 disciplinary and 3 dismissals.

Work was also ongoing with the National Fraud Initiative.

Completed and publicised Fraud Response Plan  
Protecting the Public Purse Report

## **AUDIT COMMITTEE 1 AUGUST 2012**

### **IT RISK ASSESSMENT SUMMARY REPORT** Report of the District Auditor.

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# **IT risk** **assessment:** **summary report**

**Sheffield City Council**

**Audit 2011/12**

**The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.**

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**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**

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# Introduction, scope and approach

1 As part of our work to support the opinion which we give on your accounts, we undertake an annual Information Technology (IT) risk assessment of your IT arrangements. This with other work enables us to comply with the requirements of International Standard of Audit (ISA) 315.

2 The scope of our review was to complete an IT Risk Assessment (ITRA) which included testing some general IT controls for the operation of the main financial systems and associated infrastructure.

3 The risk assessment was completed through interviews with staff from both Sheffield City Council and Capita Business Services and an examination of relevant documentation when provided. The assessment covered five main sections as below.

- IT Entity Level Controls.
- Access Security Control.
- Data Centre and Network Controls.
- Program Change Controls, New Systems Acquisition and Development.
- End User Computing (EUC).

4 Our overall conclusion in both 2010/11 and 2011/12 is that there are no significant risks identified in our review of the above sections which may impact or result in a material misstatement to the accounts. However our work during 2010/11 identified six key areas with scope for improvement and we issued and agreed a report and action plan with officers in January 2011.

5 Our follow up work in 2011/12 has identified progress has been made in introducing arrangements to address these recommendations. We have updated the action plan in Appendix 1 to reflect the position as identified during the work.

6 To place the recommendations into context we have included the 2010/11 summary report in appendix 2.

7 A small number of recommendations require residual work; the Authority needs to revisit the report and introduce arrangements that address the recommendations raised in our 2010/11 report that have not yet been fully implemented.



# Appendix 1 Action plan

The table below contains the agreed recommendations from our 2010/11 report, updated for the findings identified in our audit review during 2011/12 (and also changes notified to us of responsible officers).

Recommendations	
<b>Recommendation 1</b>	
An IS/IT strategy should be developed which clearly documents the way forward including the expected cash releasing savings and how the outsourced contract will be monitored and regularly reported to the Council.	
<b>Responsibility</b>	Steve Roberts (BIS SMT/Paul Green)
<b>Priority</b>	Medium
<b>Date</b>	Delivery for 31 March 2011
<b>2010/11 Authority Comments</b>	A strategy will be developed that covers our vision; objectives; outcomes; performance measures; and linkages to Corporate and Business plans.
<b>2011/12 Audit update</b>	An IS/IT strategy has not yet been completed. BIS inform us that no date has been fixed due to ongoing discussions about a possible contract extension with Capita, and possible merging of BIS with the Council's Transformation team.
<b>Recommendation 2</b>	
The procedure for disabling the user accounts of users of Council ICT leaving the employment of the Council should be re-designed to ensure it is more timely and complete. This should include a checklist to ensure all IT equipment is collected, for example, any two factor remote access devices, mobile devices and laptops.	
<b>Responsibility</b>	Capita (David Cunningham) / BIS (Norma Shaw)/BIS P&P Assurance
<b>Priority</b>	Medium
<b>Date</b>	Delivery for 31 March 2011
<b>2010/11 Authority Comments</b>	The existing process will be reviewed and redesigned by Capita & BIS (with BIS assurance). The process design will include engagement with HR system / information owners - to ensure business process is aligned with redesigned ICT process.
<b>2011/12 Audit update</b>	Some action has been taken but there still remains scope for improvement in this area. Capita users of Council ICT have expressed some concerns that the end of month HR/payroll leavers report used as a compensating control to identify leaver accounts is not accurate.

## Recommendations

There is also evidence to show that user accounts belonging to users of Council ICT who have left the employment of the Council have been used since their departure.

Officers have commented that a review is already underway by BIS P&P Assurance on the processes within SCC and Capita. This review has identified a further significant area of concern, namely users who are not employed by SCC (contractors, consultants, NHS or agency staff etc) who are granted legitimate access but whose records (especially leaving dates) are not processed through Capita HR. Work is progressing, but BIS estimate that delivery of a solution will be 31 July 2012 at the earliest.

### Recommendation 3

Staff with system administrator level access or similar should be reviewed and verified on an annual basis.

<b>Responsibility</b>	Capita (Ben Lindley) / SCC Finance (Julie Fletcher)
<b>Priority</b>	Low
<b>Date</b>	Annual Review in September 2011
<b>2010/11 Authority Comments</b>	Action taken to remove non-required administrator level access. Next annual review scheduled for September 2011 will include engagement with SCC FSSG for Finance System specific controls and general procedures to ensure temporary administrator rights are based on immediate business need and time limited; and where identified as no longer required, removed in a timely manner.
<b>2011/12 Audit update</b>	This recommendation has been implemented.

### Recommendation 4

Network user accounts which have not been used for a significant period of time, for example, six months, should be disabled.

<b>Responsibility</b>	Capita (Ben Lindley)
<b>Priority</b>	Medium (Initial)/Low (Process)
<b>Date</b>	Initial delivery for 31 March 2011/Process delivery in 2011/12
<b>2010/11 Authority Comments</b>	Network User Accounts are regularly reviewed and appropriate action taken. This will be further supported by development of a policy and procedures for proactively managing dormant accounts, including disabling accounts with no activity for 90 days.
<b>2011/12 Audit update</b>	Our follow up work in December 2011 noted 333 accounts that had not been used between April and September 2011 and for which access was still available (i.e. they had not been disabled / deleted). In February 2012, Council officers informed us that Capita had implemented this process, and it is now completed on a monthly basis. We confirmed that the process was operating satisfactorily in May 2012.

## Recommendations

### Recommendation 5

A formal monitoring or exception reporting system should be implemented to cover staff with remote access to key financial systems.

<b>Responsibility</b>	SCC Finance (Eugene Walker/Julie Fletcher) / Capita (David Cunningham)
<b>Priority</b>	Medium (Initial) / Low (Process)
<b>Date</b>	Initial Review for 31 March 2011 / Policy/Process in 2011/12
<b>2010/11 Authority Comments</b>	An initial review of Remote Access privileges for Finance System users will be undertaken in this financial year and appropriate 'cleansing' action implemented to remove unnecessary remote access accounts. Following this, a process for proactively managing the granting of Remote Access use in the specific context of Finance Systems will be developed jointly by SCC Finance Services Support Group (FSSG) and Capita. This process will include input on Security Policy issues from BIS Information Management.
<b>2011/12 Audit update</b>	<p>The Council have responded stating they are reliant on Capita to advise FSSG when a user is granted remote access, as it is not possible to monitor this from within OEO. Officers within BIS remain satisfied that RAS is a secure system access medium and in their view there are no additional risks in users accessing OEO via this method.</p> <p>Our view is the recommendation remains relevant particularly given that a large number of staff have remote access to the Council's financial systems, and given the potential increase in home and remote working over the next few years. Our judgement is that controls would be strengthened if formal procedures were developed and introduced to monitor staff accesses. These controls should look for unusual patterns of activity, for example staff persistently logging-in during the night or weekend, which in our experience can be indicators of issues occurring. However we recognise that there would be resource implications to implementing this recommendation. Consequently we suggest that officers should keep the position under review, balancing the risk against the costs of compliance.</p>

### Recommendation 6

The Council should request annually from all third party IT service providers an independent assurance statement that the general IT controls covering the main financial systems at their main data centres are operating effectively.

<b>Responsibility</b>	SCC Finance (Eugene Walker/Julie Fletcher) / Capita (Pat Gee)
<b>Priority</b>	Medium (Initial)/Low (ongoing)
<b>Date</b>	Initial request/response for 31 March 2011 / Ongoing in 2011/12
<b>2010/11 Authority Comments</b>	Capita provides information on ICT controls at data centres under its control. SCC Finance will initially request independent assurance statements from Finance System providers.

## Recommendations

Following receipt and review of the responses, a process for requesting and receiving timely statements as to the efficiency of IT controls for Finance Systems across the Council's estate will be developed and implemented by SCC Finance with Capita input and support.

### 2011/12 Audit update

The Council has agreed that they have not yet sought assurances on the adequate operation of general IT controls from service providers. FSSG are to set a reminder to ask Velos to verify this annually.

## Recommendation 7

The Council should agree a comprehensive business continuity and disaster recovery plan for the systems and services they receive from Capita including a level of priority. (Capita manages many clients; each will have agreed a different level of disaster recovery or order of priority to get their services restored in the event of a disaster).

**Responsibility** BIS (Ian Jellyman)

**Priority** Medium (Initial)/Medium (Ongoing)

**Date** Initial for 31 March 2011/Ongoing in 2011/12

**2010/11 Authority Comments**

Initial - An assessment and report of the current status of business continuity and disaster recovery plans relating to the data centre; IT systems and Financial systems under Capita control.

Ongoing – A comprehensive review of business continuity and data centre disaster recovery plans; policies; procedures; including the relative status of Sheffield applications alongside contractual obligations of Capita to other contracts under their management.

### 2011/12 Audit update

The Council has made good progress in addressing the recommendation. Phase 1 Disaster Recovery testing is now complete for six systems with reports just requiring formal sign-off by the SIP Programme Board. Testing included systems, data and access via thick client in a model office in Sheffield.

Phase 2 testing is pending the completion of a major Citrix upgrade due for completion in May 2012. Update June 2012 - the recommendation is still agreed but this implementation has been delayed.

It is planned that Disaster Recovery testing across all systems will be done annually in future years. The Council needs to monitor to ensure this is done.

## Recommendation 8

The Council should request the results of annual disaster recovery tests on the main financial systems they use.

**Responsibility** SCC Finance (Eugene Walker/Julie Fletcher) / BIS (Ian Jellyman)

**Priority** Low

**Date** Delivery within 2011/12.

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<b>2010/11 Authority Comments</b>	A review of existing disaster recovery plans for Council systems, including verifying the validity of test results from such tests will be delivered. Recommendations from the review along with all options for improvements in both policy and procedure will be shared with Stakeholders with the aim of creating an affordable, robust and reliable action plan for disaster recovery testing and validation of SCC Financial systems and supporting ICT infrastructure.
<b>2011/12 Audit update</b>	Refer to comments made within recommendation 7.

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## Appendix 2 - 2010/11 Report conclusion and key findings (included here for information)

**8** Overall, we have concluded your IT arrangements for the key financial systems present a low risk of material error in your 2010/11 accounts. In the main, there are good IT arrangements in place; however, we have identified some areas where there are control weaknesses, which we bring to your attention below.

### IT Entity level controls

**9** IT Entity level controls overall are satisfactory and there are no significant concerns in the following areas.

- Incident/Problem management.
- IT risk management.
- General network infrastructure control.
- IT policies and procedures.

**10** The only weak area noted is the absence of a formal Information Systems and/or Information Technology strategy. In our view, this is significant as the Council commenced a contract in January 2008 to outsource all ICT service delivery functions including HR/Payroll and Revenues/Benefits functions to Capita under a seven-year contract with options to extend to 13 years at approximately £15 million per year.

**11** A strategy should have been in place at the beginning of the outsourcing process to give the vision, clear objectives and implementation plan for the future including expected outcomes and expected benefits both quantitative and qualitative. In addition, it would have established a link to and show how the corporate objectives of the Council are supported.

### Recommendation

**R1** A IS/IT strategy should be developed which clearly documents the way forward including the expected cash releasing savings and how the outsourced contract will be monitored and regularly reported to the Council.

### Access security controls

**12** Overall, logical access control arrangements are assessed as weak with scope for improvement.

**13** The main findings in this section are as follows.

- Weak arrangements for disabling staff leavers in a timely manner including the absence of a 'Leaver's checklist'. A sample of leavers were checked against records held with results ranging from a leaver account still active to several accounts disabled sometime after the users' departure date.
- A high number of system administrator level accounts were identified. Further investigation showed that some staff no longer required this level of access but had retained it. On raising the matter, action was immediately agreed to review and reduce the number of staff with this type of level of access.
- A report requesting the number of network user accounts not used for the period between 1 April – 30 September 2010 showed there are 611 active network accounts which had no recent activity. This is a potential security weakness and the Council may be incurring a maintenance or licence cost on network accounts which are dormant or rarely used.
- A report was requested to identify the number of staff with anytime remote access to Council IT systems. There are 1,106 users of which 451 have access to the main financial system and 373 of those can access the Qtier system. Mobile and home working is becoming a more accepted method of working; our main concern is the absence of a formal monitoring mechanism for staff using remote access.

## Recommendations

**R2** The procedure for the disabling the user accounts of staff leaving the employment of the Council should be re-designed to ensure it is more timely and complete. This should include a checklist to ensure all IT equipment is collected, for example, any two factor remote access devices, mobile devices and laptops.

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**R3** Staff with system administrator level access or similar should be reviewed and verified on an annual basis.

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**R4** Network user accounts which have not been used for a significant period of time, for example, six months, should be disabled.

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**R5** A formal monitoring or exception reporting system should be implemented to cover staff with remote access to key financial systems.

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## Data centre and network controls

**14** The Council has outsourced the operation and delivery of its main financial systems to third parties – Capita IT and Velos. We have received for the former a copy of a Certificate of Registration showing attainment of the Information Security Management System (ISMS) – ISO/IEC 27001:2005 security accreditation. No similar documentation for the latter was provided.

**15** ISMS is more a security accreditation than confirmation that general IT controls at the data centre(s) are operating correctly and effectively. Our IT risk assessment is directed towards providing assurance on the general IT control environment while the above is primarily one to give assurance on IT security.

**16** The Council does not routinely request any formal assurance on the adequacy of arrangements to deliver their IT service requirements. We therefore have no information on the adequacy of the general IT controls to support the operation of the main financial systems.

**17** The position on data backup cycles and test restores is overall satisfactory. The responses for confirmation that operating systems and application software were included were unclear and not verified.

**18** Recent evidence to show disaster recovery tests for both the Resourcelink payroll system and the main accounting system were provided by suppliers Northgate and Velos respectively. However, for all other application systems the Council does not presently have a fully tested IT disaster recovery arrangement with Capita. This could impact the ability to process and report on financial transactions in the event the main accounting and subsidiary financial systems are unavailable.

**19** The ISMS certificate does list that Capita has achieved a satisfactory level of business continuity and disaster recovery planning. However, this should be taken as evidence that it applies to Capita and that it does not automatically cover the Council's requirements or priorities.

**20** We are surprised that after two years into a contract where the Council has outsourced some key services, a firm disaster recovery plan and subsequent arrangements have not yet been implemented.

**21** We noted that there are some good controls for management of the network infrastructure and prevent unauthorised external access and protect data and systems from malicious software.

### Recommendations

**R6** The Council should request annually from all third party IT service providers an independent assurance statement that the general IT controls covering the main financial systems at their main data centres are operating effectively.



## Recommendations

**R7** The Council should agree a comprehensive business continuity and disaster recovery plan for the systems and services they receive from Capita including a level of priority. (Capita manages many clients; each will have agreed a different level of disaster recovery or order of priority to get their services restored in the event of a disaster).

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**R8** The Council should request the results of annual disaster recovery tests on the main financial systems they use.

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## Program change controls, new systems acquisition and development

**22** The above were reviewed and noted as operating satisfactorily. No issues or significant risks identified.

## End user computing

**23** The above were reviewed and noted as operating satisfactorily. No issues or significant risks identified.

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June 2012



## Audit Committee Report

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**REPORT OF THE DIRECTOR OF MODERN GOVERNANCE**

**DATE**  
**1 AUGUST 2012**

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**SUBJECT    WORK PROGRAMME**

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### **SUMMARY**

The report provides details of a proposed work programme for the Committee for 2012/13.

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### **RECOMMENDATIONS**

That the Committee's Work Programme is approved.

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### **BACKGROUND PAPERS**

**CONTACT OFFICER      Dave Ross**

**TEL NO. (0114)**  
**273 5033**

**CATEGORY OF**  
**REPORT**

**OPEN**

**Statutory and Council Policy Checklist**

<b>Financial implications</b>
NO Cleared by:
<b>Legal implications</b>
NO Cleared by:
<b>Equality of Opportunity implications</b>
NO Cleared by:
<b>Tackling Health Inequalities implications</b>
NO
<b>Human rights implications</b>
NO
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
None
<b>Relevant Cabinet Portfolio Leader</b>
Not applicable
<b>Relevant Scrutiny Committee if decision called in</b>
Not applicable
<b>Is the item a matter which is reserved for approval by the City Council?</b>
No
<b>Press release</b>
NO

**WORK PROGRAMME**

**1. Purpose of Report**

1.1 To consider a proposed work programme for the Committee for 2012/13.

**2. Work Programme**

2.1 It is intended that there will be at least four meetings of the Committee during the year. The work programme is based around the attached terms of reference and includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee.

2.2 A work programme for 2012/13 is outlined below. Members are asked to identify any further items for inclusion.

<b>Date</b>	<b>Item</b>	<b>Author</b>
September 2012	Annual Governance Report	External Auditor
September 2012	Statement of Accounts	Allan Rainford (Finance)
September 2012	Chief Internal Auditor's Annual Report	Steve Gill (Internal Audit)
September 2012	Delivering Internal Audit Activity - Progress Report	Steve Gill (Internal Audit)
September 2012	Annual Governance Statement	Alistair Griggs (Director of Modern Governance)
September 2012	Audit Committee Annual Report	Dave Ross (Modern Governance)
September or November (to be confirmed)	Annual Audit Fee Letter 2012/13	External Auditor
November 2012	Annual Audit Letter	External Auditor
November 2012	Annual Grants Report 2011/12	External Auditor
November 2012	Delivering Internal Audit Activity - Progress Report	Steve Gill (Internal Audit)
November 2012	Financial/Commercial Monitoring of External Relationships - Progress Report	Eugene Walker (Finance)/David Belton (Commercial Services)
January 2013	Audit Opinion Plan	External Auditor
January 2013	Progress report on recommendations	Allan Rainford

	from the External Auditor's Annual Governance Report	(Finance)
January 2013	Delivering Internal Audit Activity - Progress Report	Steve Gill (Internal Audit)
January 2013	Annual Governance Statement Progress Report	Alistair Griggs (Director of Modern Governance)
January 2013	Progress on the High Opinion Audit reports	Steve Gill (Internal Audit)
April 2013	Internal Audit Plan 2013/14	Steve Gill (Internal Audit)
April 2013	International Auditing Standards – Compliance with Internal Control	Steve Gill (Internal Audit)
April 2013	Delivering Internal Audit Activity - Progress Report	Steve Gill (Internal Audit)
April 2013	Annual Audit Fee Letter 2013/14	External Auditor

3. **Recommendation**

- 3.1 That Members approve the Committee's Work Programme.

**Director of Modern Governance**

## **Audit Committee Terms of Reference (Revised February 2012)**

- (1) To approve the Council's Statement of Accounts (which includes the Annual Governance Statement) in accordance with the Accounts and Audit Regulations 2003 as amended.
- (2) To consider and accept the Annual Letter from the Auditor or the Audit Commission in accordance with the Accounts and Audit Regulations 2003 as amended and to monitor the Council's response to any issues of concern identified.

### *Audit Activity*

- (3) To consider the Chief Internal Auditor's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- (4) To consider summaries of specific internal audit reports as requested.
- (5) To consider reports dealing with the management and performance of the internal audit service.
- (6) To consider any report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (7) To consider specific reports as agreed with the external auditor.
- (8) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (9) To liaise with the Audit Commission over the appointment of the Council's external auditor.

### *Regulatory Framework and Risk Management*

- (10) To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (except in relation to those matters which are within the Terms of Reference of the Standards Committee e.g. code of conduct and behaviour of Members).
- (11) To monitor the effective development and operation of risk management and corporate governance in the Council.
- (12) To monitor Council policies on "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

- (13) To oversee the production of the Council's Annual Governance Statement and monitor progress on any issues.
- (14) To consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice.
- (15) To consider the Council's compliance with its own and other published standards and controls.

*Accounts*

- (16) To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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## Audit Committee Report



**REPORT TO AUDIT COMMITTEE**

**DATE**

1 August 2012

**REPORT OF**

Executive Director, Resources

**ITEM**

**SUBJECT**

Statement of Accounts for 2011/12

**SUMMARY**

The Council's Statement of Accounts for 2011/12 are currently subject to audit and will be reported in full to the Audit Committee in September. This report includes some the main financial statements and provides an assessment of the financial performance of the Council. The report also includes information relating to the writing off of sundry debtor income.

**RECOMMENDATIONS**

It is recommended that the report be accepted.

**FINANCIAL IMPLICATIONS**

No

**CLEARED BY**

**BACKGROUND PAPERS**

**CONTACT POINT FOR ACCESS**

Allan Rainford

**TEL NO.**

273 5108

**AREA(S) AFFECTED**

**CATEGORY OF REPORT**

Open

## Statutory and Council Policy Checklist

<b>Financial implications</b>
<del>YES</del> /NO      Cleared by: Allan Rainford
<b>Legal implications</b>
<del>YES</del> /NO      Cleared by:
<b>Equality of Opportunity implications</b>
<del>YES</del> /NO      Cleared by:
<b>Tackling Health Inequalities implications</b>
<del>YES</del> /NO
<b>Human rights implications</b>
<del>YES</del> /NO
<b>Environmental and Sustainability implications</b>
<del>YES</del> /NO
<b>Economic impact</b>
<del>YES</del> /NO
<b>Community safety implications</b>
<del>YES</del> /NO
<b>Human resources implications</b>
<del>YES</del> /NO
<b>Property implications</b>
<del>YES</del> /NO
<b>Area(s) affected</b>
Corporate
<b>Relevant Scrutiny Board if decision called in</b>
<b>Is the item a matter which is reserved for approval by the City Council? <del>YES</del> /NO</b>
<b>Press release</b>
<del>YES</del> /NO

## STATEMENT OF ACCOUNTS FOR 2011/12

### Purpose of the Report

1. The purpose of this report is to provide Members of the Audit Committee with a summary of the 2011/12 Statement of Accounts including a number of the key notes to the accounts. A full set of accounts will be presented to the September Audit Committee.
2. This report also outlines the approval process for the statement of accounts, comments on the financial performance of the Council and includes information relating to debtor income write off.

### Approval process

3. The Statement of Accounts has been prepared in accordance with the IFRS-based (International Financial Reporting Standards) Code of Practice on Local Authority Accounting in the United Kingdom and the statutory Accounts and Audit Regulations. This ensures that local authorities produce their Accounts in a standard way, which facilitates comparisons.
4. The Accounts and Audit Regulations 2011 set out the procedures for certification, approval and publication of the Statement of Accounts. The key dates in the process are as follows:
  - 30 June 2012 – Unaudited accounts to be certified by the Executive Director of Resources.
  - July to September – The statement of accounts are subject to audit by the Authority's auditors, the Audit Commission and their findings will be reported to the Audit Committee in September. During this time there is a period where the public can inspect the accounts and related documents, which is from 16 July to 10 August 2012.
  - No later than 30 September 2012 – Accounts to be re-certified by the Executive Director of Resources.
  - No later than 30 September 2012 – Audit Committee considers and approves the statement of accounts. Following approval, the Chair of the Audit Committee signs and dates the Statement of Accounts.

- No later than 30 September 2012 – Publish, on the Council’s website, the statement of accounts together with any certificate, opinion or report issued by the auditor.
5. The accounts are currently in the process of being audited and are therefore considered as draft and subject to potential amendment. The final version will be submitted to the Audit Committee in September. Attached as Appendices are the main accounting statements such as the Balance Sheet and Comprehensive Income and Expenditure Statement as well as some of the main notes to the accounts.
  6. It is intended that a Final Accounts Workshop will be set up for Members to be briefed on some of the key features of the Accounts and to be prepared for a more detailed review prior to publication. This will be supported by an external facilitator.

### **Difference in accounting treatments**

7. The introduction of IFRS was designed to standardise the accounts of private sector and public sector organisations. However there are areas of difference mostly due to legislative requirements relating to the calculation of the Council Tax and the costs that are excluded from the calculation but included in the Statement of Accounts. The main significant differences are in the way the Council accounts for the costs of capital and pensions:
  - Capital: Local Authorities account for capital in accordance with IFRS requirements and include these within the Comprehensive Income and Expenditure Statement (CIES). However the IFRS capital charges are “reversed” out in an adjustment between accounting basis and funding basis under regulation, so that they do not impact on the amount collected in council tax. This includes items such as depreciation that would be a significant cost in a commercial organisation but which cannot be included in the Council’s “Budget Requirement” or funded by Council Tax.
  - Pensions: the Council makes employer contributions to the local government pension scheme of approximately 19%. However the accounting standards requirements means accounting for pension liabilities when the commitment to providing them has been entered into rather than when they are actually paid out. The Council complies with the standard and recognises the Council’s share of the net liability of the South Yorkshire



Pension Scheme in the balance sheet. The impact of the accounting adjustments is again “reversed out” as it cannot affect the Budget or Council Tax income.

### **Financial Position of Council at year end**

8. The report on the Revenue Outturn position at the end of the 2011/12 financial year was considered by Cabinet on 20 June 2012. This reported that the overall level of resources carried forward from 2011/12 into 2012/13 totalled £13m. This movement on reserves and level of resources that were originally budgeted for but not utilised in 2011/12 represented the financial performance of the Council in terms of spending compared to the net £480m budget on General Fund (i.e. non housing) services.
  
9. The CIES shown in Appendix 2 indicates that the Council’s operations generated a surplus of £245m in 2011/12. The Statement of Accounts therefore presents a very different picture regarding the Council’s financial “performance” in 2011/12. The key issue here is that items are included in the CIES that would have significance to a commercial organisation but which are excluded from the Council’s Budget and Council Tax calculations and only become visible to the Council at year end financial accounting. The overall difference in outturn position compared to CIES is as follows:

	£M
Underspend on General Fund Revenue Account	-6.2
Other approved carry forwards	-6.8
Deficit on Housing Revenue Account	0.2
Surplus on Schools Accounts	-0.7
Overall movement on Revenue Reserves compared to Budget	<u>-13.5</u>
Removal of debt charges	-22.3
Removal of pension contributions	-46.5
Items that do not affect Council Tax:	
- Inclusion of accounting charges for depreciation, holiday pay, PFI etc	175.1
- Inclusion of HRA self financing settlement	-518.3
- Deficit on revaluation of non-current assets & impairments	85.7
- Actuarial losses on pension assets	94.9
<b>Surplus on Income &amp; Expenditure Statement</b>	<b><u>-244.8</u></b>

10. One of the most significant issues related to the introduction of a new financing regime for the Housing Revenue Account (HRA) which although not introduced until April 2012 impacted on the CIES for 2011/12. The housing subsidy system has been abolished and replaced by a new self-financing regime, which involved the writing off of housing debt by the Government. The Council received a one off debt settlement of £0.5 billion in March 2012. As the PWLB loans were written off directly the Council did not receive any cash but the value of PWLB loans redeemed has been shown as income to the HRA.
11. The surplus on CIES in 2011/12 is reflected in the balance sheet position, which shows an increase in the total Net Assets of the Council. Historically the budget process has been the most important business process in local government and often little attention has been paid to the balance sheet position. The Council are looking to do further work in this area and to develop balance sheet health indicators that will inform performance reporting to Cabinet.

### **New reporting/accounting issues for 2011/12**

12. Although the 2010/11 financial year saw the most significant change in local

authority financial reporting with the move to accounting in accordance with IFRS, there have been two further changes in 2011/12:

- Heritage Assets is a new category of assets not previously recognised in the accounts and is defined as ‘assets held principally for their contribution to knowledge and culture’. Heritage Assets include civic regalia, museum and gallery collections and works of art. The asset accounting entries have been added into the balance sheet, largely using insurance valuations, with notes to the accounts providing further information. The inclusion of these accounting entries has required a restatement of the 2010/11 figures to ensure a proper basis for comparison
  - Termination Benefits are amounts payable as a result of either an employer’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but can also include enhancement of retirement benefits and salary until the end of a specified notice period. There is a new disclosure note required in the accounts that shows the number and cost of termination payments agreed in 2010/11 and 2011/12.
13. There is an additional prior period adjustment in the accounts to reflect a data cleansing exercise on property assets. The Asset Data Records Management Project was tasked with improving the quality of data reported for assets; the merging of several databases required some duplicate assets and other errors to be written out of the accounts, totalling £10m. This has resulted in a restatement of the figures for 2010/11.

### **Writing off of debtor income**

14. The Statement of Accounts for 2011/12 includes a balance on “sundry debtor” income (i.e. income from fees and charges) of approximately £105m at 31 March 2012. This is net of a provision for bad debts.
15. The Audit Committee have asked for information relating to the amount of debtor income written off during the year. The amount of sundry debtor income that was written off in 2011/12 amounted to approximately £1.4m. A closer analysis of this figure reveals the following:
- In terms of analysis by age, the amounts written off relate to debtor

accounts raised between April 2001 and March 2012: i.e. the amounts stretch over 11 financial years.

- In the 2011/12 financial year approximately 170,000 sundry debtor accounts were raised with a total value of £283m. The amount written off in 2011/12 that directly relates to that financial year is approximately £350,000 or 0.12% of the total value. In some cases the amounts written off will relate to disputed accounts where it has been subsequently agreed that an account should be cancelled.
  - Nearly 60% of the amount written off is attributable to the Communities Portfolio and will mainly relate to contributions due from service users towards the cost of adult social care. It will also include accounts for housing repairs where damage has occurred prior to a tenancy being vacated.
16. The Council has a good record in terms of the collection of sundry debt income with 90% collected in 60 days. Part of the approach involves looking to distinguish between those who can't pay from those who won't pay. Overall the Council does not give up easily and where a debtor account has not been paid the Council's policy requires robust action to be taken up to and including court action to recover money owed. If recovery action is unsuccessful, debtor accounts that are deemed to be no longer collectable may be written off. The main reasons for write off are:
- The debtor is no longer at the known address and has not been traced to an alternative address.
  - The individual to whom the account was sent is deceased. This is particularly relevant in the case of charges for adult social care.
  - The debtor has become insolvent
  - The amount due is small relative to the costs of further recovery action and is therefore uneconomic to pursue.

### **Financial Implications**

17. There are no direct financial implications arising from the recommendations in this report.

### **Equal Opportunities Implications**

18. There are no specific equal opportunities implications arising from the recommendations in this report.

### **Property Implications**

19. There are no property implications arising from the recommendations in this report.

### **Recommendations**

20. The Audit Committee is recommended to note the core financial statements and the key notes to the Statement of Accounts for 2011/12.

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## APPENDIX 1 – MOVEMENT IN RESERVES

2011/2012										
	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2011</b>		<b>(38,503)</b>	<b>(48,738)</b>	<b>(16,729)</b>	<b>(25,189)</b>	<b>(9,460)</b>	<b>(26,851)</b>	<b>(165,470)</b>	<b>(749,142)</b>	<b>(914,612)</b>
<b>Movement in reserves during 2011/12:</b>										
(Surplus) / deficit on provision of services		55,505	0	(481,033)	0	0	0	(425,528)	0	(425,528)
Other Comprehensive (Income) and Expenditure	1	1	54	0	0	0	0	55	180,652	180,707
<b>Total Comprehensive (Income) and Expenditure</b>		<b>55,506</b>	<b>54</b>	<b>(481,033)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(425,473)</b>	<b>180,652</b>	<b>(244,821)</b>
Adjustments between accounting basis and funding basis under regulations	7	(57,360)	0	483,353	(6,193)	(646)	4,881	424,035	(424,035)	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>		<b>(1,854)</b>	<b>54</b>	<b>2,320</b>	<b>(6,193)</b>	<b>(646)</b>	<b>4,881</b>	<b>(1,438)</b>	<b>(243,383)</b>	<b>(244,821)</b>
Transfers (to) / from earmarked reserves	8	(3,004)	6,855	0	0	0	(3,851)	0	0	0
<b>(Increase) / decrease in year</b>		<b>(4,858)</b>	<b>6,909</b>	<b>2,320</b>	<b>(6,193)</b>	<b>(646)</b>	<b>1,030</b>	<b>(1,438)</b>	<b>(243,383)</b>	<b>(244,821)</b>
<b>Balance at 31 March 2012</b>		<b>(43,361)</b>	<b>(41,829)</b>	<b>(14,409)</b>	<b>(31,382)</b>	<b>(10,106)</b>	<b>(25,821)</b>	<b>(166,908)</b>	<b>(992,525)</b>	<b>(1,159,433)</b>

## APPENDIX 2 – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 Restated				2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Continuing Operations:</b>						
652,008	(494,092)	157,916	Children's and Education Services	698,470	(484,263)	214,207
199,057	(41,258)	157,799	Adult Social Care	199,703	(61,928)	137,775
86,318	(14,672)	71,646	Highways and Transport Services	83,224	(10,959)	72,265
70,441	(9,320)	61,121	Cultural and Related Services	60,585	(7,199)	53,386
41,975	(9,520)	32,455	Environment and Regulatory Services	40,085	(10,609)	29,476
31,206	(7,263)	23,943	Planning Services	41,545	(5,286)	36,259
Local Authority Housing (HRA):						
510,150	0	510,150	- Impairment of Council Dwellings	6	0	0
120,502	(165,118)	(44,616)	- HRA Other	157,081	(163,426)	(6,345)
217,324	(179,639)	37,685	Other Housing Services	219,595	(192,142)	27,453
90,593	(70,171)	20,422	Central Services	92,079	(62,839)	29,240
22,524	(12,565)	9,959	Corporate and Democratic Core	18,312	(5,835)	12,477
Non-Distributed Costs (NDC):						
(114,517)	0	(114,517)	- Change in Inflation Factor for Retirement Benefits	6	0	0
971	(8)	963	- NDC Other	1,734	(5)	1,729
<b>1,928,552</b>	<b>(1,003,626)</b>	<b>924,926</b>		<b>1,612,413</b>	<b>(1,004,491)</b>	<b>607,922</b>
<b>Cost of Services</b>						
		(6,745)	Other operating expenditure	9		34,050
			Financing and investment income and expenditure:	10		
		0	- HRA Self Financing Transaction			71,731
		124,764	- Other			107,550
			Taxation and non-specific grant income:	11		
		0	- HRA Self Financing Transaction			(590,084)
		(717,290)	- Other	11		(656,697)
		<b>325,655</b>	<b>Deficit / (Surplus) on Provision of Services</b>			<b>(425,528)</b>
		17,125	(Surplus) / deficit on revaluation of non-current assets			84,414
		(22,688)	Impairment losses on non-current assets charged to Revaluation Reserve			1,308
		(81,608)	Actuarial (gains) / losses on pension assets / liabilities			94,918
		94	Other (gains) / losses			67
		<b>(87,077)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>180,707</b>
		<b>238,578</b>	<b>Deficit / (Surplus) on Total Comprehensive Income and Expenditure</b>			<b>(244,821)</b>



## APPENDIX 3 – BALANCE SHEET

As at 1 April 2010 Restated £000	As at 31 March 2011 Restated £000		Notes	As at 31 March 2012 £000
3,225,164	2,841,011	Property, Plant and Equipment	12	2,665,845
62,884	63,182	Heritage Assets	13	63,350
3,136	3,136	Investment Properties	14	3,136
15	15	Long term Investments		0
12,658	11,010	Long term Debtors	17	13,506
<b>3,303,857</b>	<b>2,918,354</b>	<b>Long Term Assets</b>		<b>2,745,837</b>
0	10,000	Short Term Investments	15	0
858	1,148	Inventories		946
127,460	136,267	Short Term Debtors	18	113,647
0	6,921	Cash and Cash Equivalents	19	36,245
714	5,442	Assets Held for Sale	20	11,556
<b>129,032</b>	<b>159,778</b>	<b>Current Assets</b>		<b>162,394</b>
(1,418)	0	Cash and Cash Equivalents	19	0
(39,409)	(89,006)	Short Term Borrowing	15	(65,648)
(132,560)	(139,260)	Short Term Creditors	21	(109,992)
(9,755)	(16,970)	Short Term Provisions	22	(34,545)
(3,967)	(5,567)	PFI / PPP Finance Lease Liability	39	(4,990)
<b>(187,109)</b>	<b>(250,803)</b>	<b>Current Liabilities</b>		<b>(215,175)</b>
(1,023,455)	(988,364)	Long Term Borrowing	15	(539,889)
(19,749)	(21,548)	Long Term Provisions	22	(22,704)
(232,379)	(226,811)	PFI / PPP Finance Lease Liability	39	(221,814)
(738,865)	(563,313)	Net Pension Liability	43	(658,926)
(34,372)	(31,092)	Other Long Term Liabilities	23	(27,716)
(43,770)	(81,589)	Capital Grants Receipts in Advance	36	(62,574)
<b>(2,092,590)</b>	<b>(1,912,717)</b>	<b>Long Term Liabilities</b>		<b>(1,533,623)</b>
<b>1,153,190</b>	<b>914,612</b>	<b>Net Assets</b>		<b>1,159,433</b>
(150,249)	(165,470)	Usable Reserves	24	(166,908)
(1,002,941)	(749,142)	Unusable Reserves	25	(992,525)
<b>(1,153,190)</b>	<b>(914,612)</b>	<b>Total Reserves</b>		<b>(1,159,433)</b>

## APPENDIX 4 CASHFLOW STATEMENT

2010/11 Restated £000		Notes	2011/12 £000
(325,655)	Net surplus / (deficit) on the provision of services		425,528
	Adjustment net surplus / (deficit) on the provision of services for:		
533,574	Non-cash movements		279,780
(187,759)	Items that are investing or financing activities		(168,001)
<b>20,160</b>	<b>Net cash flow from operating activities</b>	<b>26</b>	<b>537,307</b>
(22,720)	Investing activities	27	(17,712)
10,899	Financing activities	28	(490,271)
<b>8,339</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>29,324</b>
(1,418)	Cash and cash equivalents at 1 April	19	6,921
<b>6,921</b>	<b>Cash and cash equivalents at 31 March</b>	<b>19</b>	<b>36,245</b>

# APPENDIX 5 – KEY NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Officers Remuneration

The following table provides the analysis of the number of employees (excluding senior officers) whose remuneration in the year, excluding pension contributions, was £50,000 or more.

2010/11			Remuneration Band	2011/12		
Teachers	Other	Total		Teachers	Other	Total
*91	*54	<b>145</b>	£50,000 - 54,999	*74	*44	<b>118</b>
*68	*58	<b>126</b>	£55,000 - 59,999	*76	*43	<b>119</b>
*43	*33	<b>76</b>	£60,000 - 64,999	*43	*18	<b>61</b>
*27	*24	<b>51</b>	£65,000 - 69,999	26	*12	<b>38</b>
9	*17	<b>26</b>	£70,000 - 74,999	12	*19	<b>31</b>
*5	*28	<b>33</b>	£75,000 - 79,999	2	*15	<b>17</b>
*4	*6	<b>10</b>	£80,000 - 84,999	5	*11	<b>16</b>
3	*4	<b>7</b>	£85,000 - 89,999	*3	*3	<b>6</b>
4	*1	<b>5</b>	£90,000 - 94,999	3	*2	<b>5</b>
4	*5	<b>9</b>	£95,000 - 99,999	6	3	<b>9</b>
2	1	<b>3</b>	£100,000 - 104,999	*3	0	<b>3</b>
1	*2	<b>3</b>	£105,000 - 109,999	2	1	<b>3</b>
1	*1	<b>2</b>	£110,000 - 114,999	0	0	<b>0</b>
0	*2	<b>2</b>	£120,000 - 124,999	0	1	<b>1</b>
0	0	<b>0</b>	£125,000 - 129,999	1	0	<b>1</b>
*1	0	<b>1</b>	£130,000 - 134,999	0	0	<b>0</b>
0	*1	<b>1</b>	£140,000 - 144,999	1	0	<b>1</b>
0	*1	<b>1</b>	£160,000 - 164,999	0	0	<b>0</b>
<b>263</b>	<b>238</b>	<b>501</b>	<b>Total</b>	<b>257</b>	<b>172</b>	<b>429</b>
<b>255</b>	<b>168</b>	<b>423</b>	<b>Total Excluding redundancies</b>	<b>248</b>	<b>143</b>	<b>391</b>

The asterisks in the above table indicate where a number of officers and teachers have received severance pay that serves to inflate the numbers in that pay band. The total figure for 'other' officers would reduce to 143 for 2011/12 (168 for 2010/11) individuals and teachers to 248 for 2011/12 (255 for 2010/11) individuals if salary was to be shown net of severance pay.

### Disclosure of Remuneration for Senior Employees

The following table sets out the disclosure of the remuneration of the Council's senior officers. No bonuses were payable to any of the senior officers in the table below for 2010/11 and 2011/12. No additional benefits, either cash or otherwise, were paid during 2010/11 and 2011/12.

2011/12							
Post Holder Information	Note	Salary - including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
		£	£	£	£	£	£
Chief Executive - John Mothersole	1	175,359	0	0	175,359	34,149	209,508
Deputy Chief Executive	2	98,576	0	57,785	156,361	19,200	175,561
Executive Director of Resources	3	127,847	0	0	127,847	23,652	151,499
Executive Director - Place		123,066	77	0	123,143	22,767	145,910
Executive Director - Communities		129,217	0	0	129,217	23,905	153,122
Executive Director - Children Young People and Families		141,516	198	0	141,714	26,181	167,895
<b>Total</b>		<b>795,581</b>	<b>275</b>	<b>57,785</b>	<b>853,641</b>	<b>149,854</b>	<b>1,003,495</b>

**Notes:**

- 1 The Chief Executive has reduced his pay by £9,229 (or 5%) via the salary sacrifice scheme which is included in the salary figure above. The full time equivalent salary is £184,588 per year.
- 2 The Deputy Chief Executive took Flexible Retirement during 2011/12, which incurred Pension Costs of £57,785. Their full time equivalent salary is £135,368 per year. The Deputy Chief Executive also purchased additional annual leave via the additional annual leave salary sacrifice scheme at a cost of £5,206, which is included in the salary figure above.
- 3 The Executive Director of Resources, in 2011/12, has been assimilated to a permanent spinal column point. Their full time equivalent salary is now £129,217 per year.

<b>2010/11 – Comparative Information</b>							
<b>Post Holder Information</b>	<b>Note</b>	<b>Salary - including Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Compensation for Loss of Office</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
		£	£	£	£	£	£
Chief Executive - John Mothersole		184,588	0	0	184,588	33,226	217,814
Deputy Chief Executive		135,368	0	0	135,368	24,366	159,734
Executive Director of Resources	1	127,740	0	0	127,740	22,993	150,733
Executive Director - Place		123,066	0	0	123,066	22,152	145,218
Executive Director - Communities		129,217	0	0	129,217	23,259	152,476
Executive Director - Children Young People and Families		141,516	23	0	141,539	25,473	167,012
<b>Total</b>		<b>841,495</b>	<b>23</b>	<b>0</b>	<b>841,518</b>	<b>151,469</b>	<b>992,987</b>

**Notes:**

- 1 The Executive Director of Resources received an honorarium during the year of £11,613. Their full time equivalent salary was £116,127.

## 2. Adjustments between accounting basis and funding basis under regulations

2011/12										
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	
<b>Reversal of items debited or credited to the CI&amp;E Statement</b>										
Depreciation of Non-current assets	(58,296)	0	0	0	(16,396)	0	(74,692)	74,692	0	
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy	0	0	11,108	0	(11,108)	0	0	0	0	
Impairment losses charged to the CI&E Statement	(42,026)	0	4,448	0	0	0	(37,578)	37,578	0	
Revaluation losses charged to the CI&E	(43,879)	0	(55,020)	0	0	0	(98,899)	98,899	0	
Amortisation of Intangible Assets	0	0	0	0	0	0	0	0	0	
Capital grants and contributions credited to the CI&E Statement	157,032	0	2,150	(81)	0	3,294	162,395	(162,395)	0	
Revenue expenditure funded from capital under statute	(46,279)	0	0	27	0	162	(46,090)	46,090	0	
Net (gain) / loss on sale of non-current assets.	(31,731)	0	1,100	(17,895)	0	0	(48,526)	48,526	0	
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements	(156)	0	1,238	0	0	0	1,082	(1,082)	0	
Amount by which pension costs calculated in accordance with the code are different from the contributions due under the pension scheme regulations	(55,024)	0	0	0	0	0	(55,024)	55,024	0	
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the	1,315	0	0	0	0	0	1,315	(1,315)	0	

amount taken to the General Fund in accordance with regulation										
<b>2011/12 (Continued)</b>		<b>General Fund Balance £000</b>	<b>Earmarked General Fund Reserves £000</b>	<b>Housing Revenue Account Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Council Reserves £000</b>
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements		(11,840)	0	0	0	0	0	(11,840)	11,840	0
<b>Insertion of items not debited or credited to the CI&amp;E Statement</b>										
Statutory provision for repayment of debt - Minimum Revenue Provision		20,005	0	22	0	0	0	20,027	(20,027)	0
Capital expenditure charged to the General Fund Balance		2,141	0	(46)	96	0	1,425	3,616	(3,616)	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(2,951)	0	0	2,951	0	0	0	0	0
Employers contribution to pension scheme		54,329	0	0	0	0	0	54,329	(54,329)	0
<b>Other:</b>										
Use of Capital Receipts Reserve to finance new capital expenditure		0	0	0	8,709	0	0	8,709	(8,709)	0
Use of Major Repairs Reserve to finance new capital expenditure		0	0	0	0	26,858	0	26,858	(26,858)	0
HRA Self Financing Transaction		0	0	518,353	0	0	0	518,353	(518,353)	0
<b>Total</b>		<b>(57,360)</b>	<b>0</b>	<b>483,353</b>	<b>(6,193)</b>	<b>(646)</b>	<b>4,881</b>	<b>424,035</b>	<b>(424,035)</b>	<b>0</b>

### 3. Amounts Report for resource allocation decisions

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year ended 31 March 2011 is as follows:

2011/12 Portfolio Income and Expenditure									
	Children, Young People and Families £000	Place £000	Communities £000	Deputy Chief Executive £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
Grants	(79,543)	(2,010)	(16,645)	(157)	(228,023)	(325,180)	(651,558)	(28,067)	(679,625)
Other reimbursements and contributions	(3,090)	(1,691)	(14,882)	(605)	(1,261)	(79,732)	(101,261)	(676)	(101,937)
Sales	(2,909)	(1,193)	(224)	0	(41)	0	(4,367)	0	(4,367)
Fees and charges	(20,893)	(58,709)	(13,009)	(2,528)	(22,473)	0	(117,612)	(3,387)	(120,999)
Income from Council Tax	0	0	0	0	0	(197,060)	(197,060)	0	(197,060)
Other Income	(2,168)	(3,493)	(22,560)	(1,026)	(7,955)	(3,355)	(40,557)	(139,014)	(179,571)
Corporate Revenue Income	0	0	0	0	0	0	0	(168)	(168)
Recharges	(37,206)	(16,882)	(7,293)	(3,268)	(86,199)	0	(150,848)	(52)	(150,900)
<b>Total Income</b>	<b>(145,809)</b>	<b>(83,978)</b>	<b>(74,613)</b>	<b>(7,584)</b>	<b>(345,952)</b>	<b>(605,327)</b>	<b>(1,263,263)</b>	<b>(171,364)</b>	<b>(1,434,627)</b>
Employees	75,587	44,781	75,085	9,965	48,017	0	253,435	0	253,435
Premises	3,122	63,001	4,696	52	53,946	0	124,817	47,030	171,847
Transport	7,642	2,389	2,809	125	5,242	0	18,207	494	18,701
Supplies and services	44,827	36,334	13,025	11,921	17,064	0	123,171	39,456	162,627
Third party payments	46,208	77,605	142,352	1,137	575	465	268,342	256	268,598
Transfer payments	832	0	5,419	0	220,342	0	226,593	0	226,593
Central and departmental support	50,867	11,636	12,095	1,968	64,738	0	141,304	9,122	150,426
Other	31,821	22,038	1,840	2	5,158	33,448	94,307	75,223	169,530
<b>Total Expenditure</b>	<b>260,906</b>	<b>257,784</b>	<b>257,321</b>	<b>25,170</b>	<b>415,082</b>	<b>33,913</b>	<b>1,250,176</b>	<b>171,581</b>	<b>1,421,757</b>
<b>Net Expenditure</b>	<b>115,097</b>	<b>173,806</b>	<b>182,708</b>	<b>17,586</b>	<b>69,130</b>	<b>(571,414)</b>	<b>(13,087)</b>	<b>217</b>	<b>(12,870)</b>



**Reconciliation to Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:**

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
<b>(5,877)</b>	<b>Net Expenditure in the Portfolio Analysis</b>	<b>(12,870)</b>
(1,687)	Additional segments not included in the analysis	(686)
436,850	Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement (Technical Accounting adjustments)	109,813
495,640	Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	511,665
<b>924,926</b>	<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>607,922</b>

## Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of portfolios income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12								
	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(557,773)	(345,594)	(201)	83,086	198,581	(621,901)	0	(621,901)
Interest and investment income	(168)	0	0	168	0	0	(3,499)	(3,499)
Income from Council Tax	(197,060)	0	0	197,060	0	0	(198,375)	(198,375)
Non Domestic Rates Distribution	0	0	0	0	0	0	(216,816)	(216,816)
Government grants and contributions	(679,626)	(5,284)	(22,860)	325,180	0	(382,590)	(831,590)	(1,214,180)
<b>Total Income</b>	<b>(1,434,627)</b>	<b>(350,878)</b>	<b>(23,061)</b>	<b>605,494</b>	<b>198,581</b>	<b>(1,004,491)</b>	<b>(1,250,280)</b>	<b>(2,254,771)</b>
Employee expenses	253,436	266,885	(12,849)	0	0	507,472	0	507,472
Other service expenses	1,002,088	83,307	6,957	1	0	1,092,353	3	1,092,356
Support service recharge	0	0	0	0	(198,581)	(198,581)	0	(198,581)
Depreciation, amortisation, and impairment	85,802	0	125,367	0	0	211,169	0	211,169
Interest payments	79,192	0	0	(79,192)	0	0	168,607	168,607
Precepts and levies	465	0	0	(465)	0	0	465	465
Payment to housing capital receipt pool	0	0	0	0	0	0	2,951	2,951
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	30,631	30,631
(Surplus) / deficit of trading undertakings or other operations	774	0	(4,282)	3,508	0	0	(3,508)	(3,508)
Pension interest cost and expected return in pension assets	0	0	17,681	(17,681)	0	0	17,681	17,681
<b>Total Expenditure</b>	<b>1,421,757</b>	<b>350,192</b>	<b>132,874</b>	<b>(93,829)</b>	<b>(198,581)</b>	<b>1,612,413</b>	<b>216,830</b>	<b>1,829,243</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>(12,870)</b>	<b>(686)</b>	<b>109,813</b>	<b>511,665</b>	<b>0</b>	<b>607,922</b>	<b>(1,033,450)</b>	<b>(425,528)</b>

## APPENDIX 6 – HOUSING REVENUE ACCOUNT

Housing Revenue Account Income and Expenditure Statement			
2010/11 Restated			2011/12
£000		Note	£000
	<b>Expenditure:</b>		
32,593	Repairs and maintenance		33,270
51,217	Supervision and management		54,984
1,162	Rents, rates, taxes and other charges		658
34,475	Depreciation and impairment of non current assets	7 / 8	66,968
510,150	Depreciation and impairment of non current assets – Impairment of Council Dwellings	8	0
401	Debt management costs		421
654	Movement in the allowance for Bad or Doubtful Debts		780
<b>630,652</b>	<b>Total Expenditure</b>		<b>157,081</b>
	<b>Income:</b>		
(118,569)	Dwelling rents	11	(126,622)
(1,467)	Non-dwelling rents - garages, garage sites, shops	11	(1,477)
(7,182)	Charges for services and facilities		(6,648)
(2,057)	Contributions towards expenditure		(611)
(35,843)	HRA subsidy receivable	9	(28,068)
<b>(165,118)</b>	<b>Total Income</b>		<b>(163,426)</b>
	Net Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		(6,345)
465,534			
643	HRA share of Corporate and Democratic Core		478
<b>466,177</b>	<b>Net Cost of HRA Services</b>		<b>(5,867)</b>
	<b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:</b>		
(34)	(Gain) or loss on sale of HRA non-current assets		(1,100)
45,041	Interest payable and similar charges		46,198
0	Interest payable and similar charges – HRA Self Financing Transaction		71,731
(296)	Interest and investment income		(1,911)
(147)	Capital grants and contributions receivable		0
0	Capital grants and contributions receivable – HRA Self Financing Transaction		(590,084)
<b>510,741</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(481,033)</b>

<b>Movement on the Housing Revenue Account Statement</b>			
<b>2010/11</b>			<b>2011/12</b>
<b>Restated</b>			
<b>£000</b>		<b>Note</b>	<b>£000</b>
<b>(13,606)</b>	<b>Balance on the Housing Revenue Account as at 1 April</b>		<b>(16,729)</b>
510,741	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(481,033)
(517,352)	Adjustments between accounting basis and funding basis under regulation	1	472,245
<b>(6,611)</b>	<b>Net (increase) / decrease before transfers to reserves</b>		<b>(8,788)</b>
3,488	Transfer to reserves	2	11,108
<b>(3,123)</b>	<b>(Increase) / decrease in year on the HRA</b>		<b>2,320</b>
<b>(16,729)</b>	<b>Balance on the Housing Revenue Account as at 31 March</b>		<b>(14,409)</b>

## APPENDIX 7 – COLLECTION FUND

<b>Collection Fund Statement</b>			
<b>2010/11</b>			<b>2011/12</b>
<b>£000</b>		<b>Notes</b>	<b>£000</b>
	<b>Income:</b>		
(183,288)	Income from Council Tax	<b>1</b>	(184,787)
	Transfer from General Fund:		
(45,988)	Council Tax Benefits		(46,425)
<u>(229,276)</u>			<u>(231,212)</u>
(184,655)	Income collectable from business ratepayers	<b>2</b>	(197,393)
<b>(413,931)</b>	<b>Total Income</b>		<b>(428,605)</b>
	<b>Expenditure:</b>		
	Precepts and Demands:		
196,311	Sheffield City Council		197,227
	South Yorkshire Joint Authorities:		
20,200	SY Police Authority		20,298
9,185	SY Fire and Rescue Authority		29,528
<u>225,696</u>			<u>226,755</u>
	Business Rate:		
182,143	Payment to National Pool	<b>2</b>	194,565
762	Costs of Collection		765
<u>408,601</u>			<u>422,085</u>
	Impairment of debts:		
1,643	Write Offs - Council Tax		2,674
1,750	Write Offs - NNDR		2,063
1,200	Provision for Non-Payment of Council Tax		460
<u>413,194</u>			<u>427,282</u>
319	Contributions towards previous years surplus		(192)
<b>413,513</b>	<b>Total Expenditure</b>		<b>427,090</b>
<b>(418)</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(1,515)</b>
<b>723</b>	<b>Balance Brought Forward</b>		<b>305</b>
<b>305</b>	<b>Balance Carried Forward</b>	<b>4</b>	<b>(1,210)</b>

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