

Audit Committee

Thursday 13 December 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

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

Independent Co-opted Members

Mrs Beryl Seaman and Mr Rick Plews.

PUBLIC ACCESS TO THE MEETING

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. 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.

FACILITIES

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.

**AUDIT COMMITTEE AGENDA
13 DECEMBER 2012**

Order of Business

- 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 reports at item 12 (Financial/Commercial Monitoring of External Partnerships) and 13 (b) (Marketing Sheffield) are not available to the public and press because they contain 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. Minutes of Previous Meeting**
To approve the minutes of the meeting of the Committee held on 26 September 2012.
- 6. Annual Audit Letter 2011/12**
Report of the External Auditor, KPMG.
- 7. Audit Arrangements 2012/13**
Report of the External Auditor, KPMG.
- 8. Certification of Grants and Returns Annual Report 2011/12**
Report of the External Auditor, KPMG.
- 9. IT Risk Assessment - Progress Report**
Report of the External Auditor, KPMG.
- 10. Delivering Internal Audit Activity**
Report of the Chief Internal Auditor.
- 11. Audit Committee Annual Report 2011/12**
Report of the Director of the Modern Governance.
- 12. 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).

13. Marketing Sheffield

(a) Report of the Executive Director, Place.

(b) Report of the Chief Internal Auditor.

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

14. Work Programme

Report of the Director of Modern Governance.

15. Date of Next Meeting

The meeting of the Audit Committee will be held on Wednesday 23 January 2012 at 6.00 p.m.

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

New standards arrangements were introduced by the Localism Act 2011. The new regime made changes to the way that members' interests are registered and declared.

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest** (DPI) relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.
- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

*The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -
 - under which goods or services are to be provided or works are to be executed; and
 - which has not been fully discharged.
- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) -
 - the landlord is your council or authority; and
 - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.
- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
 - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
 - (b) either
 - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Under the Council's Code of Conduct, members must act in accordance with the Seven Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership), including the principle of honesty, which says that 'holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest'.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life.

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or
- it relates to or is likely to affect any of the interests that are defined as DPs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

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)

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Standards Committee in relation to a request for dispensation.

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

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Audit Committee

Meeting held 26 September 2012

PRESENT: Councillors Ray Satur (Chair), Steve Jones, Martin Lawton, Sioned-Mair Richards and Joe Otten (Deputy Chair).

Co-opted Independent Members
Beryl Seaman and Rick Plews.

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1. MARKETING SHEFFIELD

1.1 Resolved that:-

- (a) for the reasons now reported by the Chair, the report be withdrawn from consideration; and;
- (b) the Director of Marketing Sheffield be requested to submit a report to the next meeting of the Committee providing details of the action that was taking place to address the outstanding actions from the recommendations in relation to the Marketing Sheffield element of the Internal Audit report on Creative Sheffield - Application of Procedures.

2. APOLOGIES FOR ABSENCE

2.1 An apology for absence was received from Councillor Anders Hanson.

3. EXCLUSION OF PUBLIC AND PRESS

3.1 No items were identified where resolutions may be moved to exclude the press and public from the meeting.

4. DECLARATIONS OF INTEREST

4.1 Councillor Martin Lawton declared a personal interest in the item relating to the Statement of Accounts and the External Auditor's Annual Governance Report 2011/12 as a Director of the Manor Castle Development Trust Ltd and a member of the South Yorkshire Pensions Authority.

4.2 Councillor Joe Otten declared a personal interest in the item relating to Digital Region as he previously worked for the Electoral Reform Services.

5. MINUTES OF PREVIOUS MEETING

5.1 The minutes of the meeting of the Committee held on 1 August 2012 were approved as a correct record.

5.2 Matters Arising – Item 5 (Progress Report on Human Resource/Payroll Procedures)

5.2.1 The Committee noted information received from the Director of Human Resources that, in respect of dealing with the backlog of pension queries, 2035 had been completed, 42 were in progress and 2657 had to be completed. The latest estimated completion date was March 2013.

5.2.2 It was also reported that the briefing note requested at the last meeting to reflect on the comments in the External Auditor's IT Risk Assessment Summary Report relating to recommendation 2 on disabling the user ICT accounts of Council staff leaving the Council, would be circulated to Members of the Committee the following week.

5.3 **Resolved** that:

(a) the information now reported be noted; and

(b) the Director of Human Resources be informed that the Committee is concerned at the position now reported on dealing with the backlog of pensions queries and requests that efforts be made to bring forward the estimated completion of March 2013 and that the Committee is kept informed of progress on this issue.

6. ANNUAL GOVERNANCE STATEMENT 2011/12

6.1 The Director of Modern Governance submitted the Council's Annual Governance Statement (AGS) which formed part of the Council's Statutory Accounts. The Statement explained how the Council complied with the Code of Corporate Governance. It also identified significant control weaknesses in three areas (relating to Museums Sheffield, HR Data Reliability Concerns and Improving Compliance with Payment Card Industry Regulations) and the action being taken to address those weaknesses.

6.2 The Director stated that Sheffield took a more detailed approach to producing its AGS than a number of other local authorities. The AGS process had also been audited by Internal Audit and they had commented that it was low risk and well managed.

6.3 The Directors of Modern Governance and Finance responded to questions from members of the Committee relating to the written assurances provided by Service Directors that they are adhering to the Council's corporate policies.

6.4 **Resolved** that:

(a) the Committee notes the contents of the Annual Governance Statement and that it has been signed by the Leader of the Council, the Chief Executive and the Executive Director of Resources and that the Statement forms part of the Annual Accounts; and

- (b) the Director of Modern Governance and his Team are thanked for their work in preparing the Annual Governance Statement.

7. STATEMENT OF ACCOUNTS AND THE EXTERNAL AUDITOR'S ANNUAL GOVERNANCE REPORT 2011/12

Statement of Accounts

- 7.1 Clair Sharratt (Finance Manager, Strategic Finance) introduced a report of the Director of Finance containing the Statement of Accounts and the External Auditor's Annual Governance Report (AGR) and providing details of matters arising from the external audit of the 2011/12 Accounts. She explained that Appendix 2 of the AGR contained the corrected errors since the summary of the Accounts was considered by this Committee at its meeting on 1 August 2012. The majority of the corrections were presentational and did not affect the bottom line budget position. The uncorrected errors were detailed in Appendix 3.

Annual Governance Report

- 7.2 The External Auditor introduced his Annual Governance Report that summarised the findings from the 2011/12 audit of the accounts and which was substantially complete. The report included the messages arising from his audit of the Council's Financial Statements and the results of the work he had undertaken to assess the Council's arrangements to secure value for money in the use of resources. He proposed to issue an unqualified value for money conclusion which confirmed the Authority had satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.
- 7.3 He reported on the correspondence he had received from eight local government electors and that this may give rise to objections to the Council's accounts. In the interim, he was considering whether any of the matters raised might have an impact on his audit opinion and or conclusion.
- 7.4 The External Auditor also outlined the key audit risks and findings relating to Digital Region Ltd, Trading Standards, Housing Revenue Account Reform, implementation of the new capital accounting system, the valuation of property, plant and equipment, heritage assets and pensions accounting.
- 7.5 David Phillips (Senior Audit Manager, Audit Commission) gave details of the significant weakness in internal control, significant findings from the audit and other matters that are significant to the oversight of the Authority's financial reporting process, the Whole of Government Accounts, Value for Money, audit fees, the draft independent auditor's report and the corrected errors.
- 7.6 Officers responded to questions on the Accounts and the AGR from members of the Committee relating to Trading Standards, Invest to Save, reserves, the increase in short term debt and Schools Traded Services.
- 7.7 **Resolved** that:

- (a) the Committee accepts the Annual Governance Report 2011/12;

- (b) the Statement of Accounts for 2011/12 be approved;
- (c) the Chair of the Committee be requested to sign (i) the Letter of Management Representations at Annex B to Accounts to conclude the audit and (ii) the Statement of Accounts;
- (d) the Director of Finance be requested to submit a report to a meeting of this Committee on the underlying performance in relation to the Traded Services;
- (e) the thanks of this Committee are conveyed to (i) the Director of Finance and his Team for producing the Statement of Accounts and (ii) the External Auditor and his staff for producing the Annual Governance Report; and
- (f) the Committee notes and concurs with the congratulations from the External Auditor to Clair Sharratt (Finance Manager, Strategic Finance) for her work on the Accounts, particularly in respect of the implementation of the new Capital Accounting System.

8. SOUTH YORKSHIRE DIGITAL REGION

- 8.1 At the request of the Committee at its meeting on 1 August 2012, the Chief Executive submitted a report providing an update on the latest progress of the Digital Region Broadband project, of which Sheffield City Council was a shareholder and customer. The report outlined the background to Digital Region Limited (DRL) and alternative options of closure and a new business model. He indicated that there may be a viable route going forward of developing a new model in collaboration with a major telecommunications company and to procure a new supplier who would maintain the network with responsibility for operating costs, sales, marketing and revenues. However, this was a clear area of risk and the alternative, should an alternative model not be found, was closure.
- 8.2 The Chief Executive referred to the risk profile and that the five partners in DRL were the four South Yorkshire local authorities and the Department for Business, Innovation and Skills.
- 8.3 The Chief Executive, Director of Creative Sheffield and the Director of Finance responded to questions from members of the Committee relating to the benefits of Digital Region, the new business model and the procurement process, termination costs and the financial implications.
- 8.4 **Resolved** that the report now submitted be noted.

9. CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2012

- 9.1 Linda Hunter (Finance Manager, Internal Audit) outlined the Chief Internal Auditor's Annual Report 2011/12 that highlighted the work that had been undertaken by Internal Audit during the year and which supported the Council's Annual Governance Statement. The report included an executive summary of audit opinion and information on Internal Audit resources and structure, the planning processes for audits, audit reporting, performance targets, counter fraud

work, risk management and the Annual Governance Statement.

9.2 **Resolved** that:

- (a) the contents of the report now submitted and the opinion of the Chief Internal Auditor be noted; and
- (b) the Chief Internal Auditor and his Team be thanked for producing the report.

10. DELIVERING INTERNAL AUDIT ACTIVITY

10.1 Linda Hunter (Finance Manager, Internal Audit) stated that that there had been no issues to report to date but a progress report on delivering Internal Audit activity would be submitted to the next meeting of the Committee.

10.2 **Resolved** that the Chief Internal auditor be requested to submit a written report on progress in delivering Internal Audit activity to the next meeting of the Committee.

11. HIGH OPINION AUDIT REPORT RECOMMENDATIONS - FINANCIAL MANAGEMENT INFORMATION FROM TRUSTS

11.1 Further to the request at the meeting of the Committee on 1 August 2012, the Director of Culture and Environment introduced a report of the Executive Director, Place that provided information on the three outstanding actions arising from the recommendations in the High Opinion Audit Report on Financial Management Information from Trusts.

11.2 In response to an issue raised by a member of the Committee, it was noted that all Trusts had agreed to provide the necessary additional information rather than "most Trusts" as stated in the report.

11.3 **Resolved** that the report now submitted be noted.

12. EXTERNAL APPOINTMENTS

12.1 Arising from a request from the meeting of the Committee on 15 May 2012 that "the Deputy Chief Executive be requested to review the role of Councillors on all Trust Boards", the Director of Modern Governance submitted a report containing guidance on the appointment of Members and Officers to external organisations. He stated that the guidance had been considered by the Executive Management Team and no comments had been received from the Whips and three political Group Leaders.

12.2 The Committee discussed issues relating to the appointment of members of the public to charitable Trusts, the approval route for the report and the role of Cabinet Members on external organisations.

12.3 **Resolved** that:

- (a) the draft guidance document entitled 'Appointments to External

Organisations: What, Why, Who and How?' be approved, subject to the rewording of the paragraph on Cabinet Members to indicate that they should not be allowed to serve on external organisations where it related to their area of responsibility;

- (b) it is the view of the Committee that the provisions of the guidance should be adhered to;
- (c) the Director of Modern Governance be requested to (i) submit the guidance to Cabinet and Council, as appropriate and (ii) undertake a survey in a year's time on how useful the guidance had been for those serving on external organisations; and
- (d) the Director of Legal Services be requested to consider whether separate guidance is required for the appointment by the Council of members of the public to Charitable Trusts.

13. WORK PROGRAMME

13.1 The Principal Committee Secretary (Democratic Services) introduced a report setting out the Committee's Work Programme for 2012/13.

13.2 **Resolved** that the Committee's Work Programme now submitted be approved with the addition of a report from the Director of Marketing Sheffield to the next meeting of the Committee providing details of the action that was taking place to address the outstanding actions from recommendations in relation to the Marketing Sheffield element of the Internal Audit report on Creative Sheffield - Application of Procedures.

14. DATE OF NEXT MEETING

14.1 **Resolved** that the next meeting of the Committee scheduled for 22 November 2012 be rearranged and an additional meeting be arranged for March 2013.

AUDIT COMMITTEE REPORT

13 DECEMBER 2012

ANNUAL AUDIT LETTER

Report of the External Auditor, KPMG.

18 October 2012

Members
Sheffield City Council
Town Hall
Pinstone St
Sheffield
S1 2HH

Direct line 0844 798 4314
Email j-prentice@audit-
commission.gov.uk

Dear Member

Sheffield City Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Sheffield City Council.

Financial statements

On 26th September 2012 I presented my Annual Governance Report to the Audit Committee outlining the findings of my audit of the Authority's 2011/12 financial statements. In general I will not replicate those findings in this letter.

Digital Region Ltd

I did however draw the Audit Committee's attention to the risks surrounding the financial position and re-procurement exercise for Digital Region Ltd (DRL), the joint venture between the four South Yorkshire local authorities and Yorkshire Forward to provide broadband services across South Yorkshire.

In my AGR I commented that I had reviewed the processes by which the Council considered its response to the financial problems faced by DRL. I had not identified weaknesses in the processes applied by the Council in the year ended 31 March 2012 to evaluate the options available to it, including to evaluate and to manage the risks to which it was exposed. That is not to say that the decision to re-tender is without risk. But the Council has taken a decision with its eyes open as to the potential costs and benefits of the options available to it.

The in-coming auditor, KPMG, will decide whether to comment further on this matter in relation to their duties for 2012/13 onwards.

Audit opinion

Following the Audit Committee, on 28 September 2012 I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts; and
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

I am unable to certify completion of the audit because I have received two objections to the Council's 2011/12 accounts which will be determined by the incoming auditor after 1 November.

Duties under the Audit Commission Act 1998

While I did not take any action using my powers under the Act, when determining the two objections, the incoming auditor will need to consider whether they should exercise their powers under the Audit Commission Act 1998.

Fees

In my Annual Governance Report I outlined the likelihood of an additional audit fee due to the objections and a number of other potential issues raised by local authority electors. Table 1 includes the revision to the audit fee that I have now agreed with the Director of Finance.

Table 1 Fees

| | Planned fee 2011/12 (£) | Actual fee 2011/12 (£) |
|---|-------------------------|------------------------|
| Main Audit | 413,100 | 413,100 |
| Fees associated with additional work on DRL and queries from electors | 0 | 8,500 |
| Claims and returns | 98,000 | 98,000 |
| Non-audit work | 8,800 | 8,800 |
| Total | 519,900 | 528,400 |

The Audit Commission has paid a rebate of £33,048 from internal efficiency savings, reducing the net amount payable to £495,352.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Director of Resources. While this has been another challenging year for the Authority I wish to thank Council staff, particularly the finance staff, for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

Yours sincerely

John Prentice
District Auditor

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AUDIT COMMITTEE REPORT

13 DECEMBER 2012

AUDIT ARRANGEMENTS 2012/13
Report of the External Auditor, KPMG.



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Private & Confidential

Mr John Mothersole
Chief Executive
Sheffield City Council
Town Hall
Pinstone Street
Sheffield
S1 2HH

Our ref tr/lh

22 August 2012

Dear Mr Mothersole

Audit Arrangements for 2012/13

As promised, I am writing to set out the arrangements for the audit of the 2012/13 financial year at Sheffield City Council. This letter sets out:

- Audit Personnel;
- The Indicative Audit Fee;
- Billing Arrangements; and
- Audit Quality.

Audit Personnel

We propose that the Engagement Lead for your audit will remain John Prentice, who is an experienced auditor joining KPMG from the Audit Commission. I have asked John to contact you in order to discuss any issues that you may have.

We have not yet allocated Managers or other team members to individual clients, but we will let you know once we have.

Indicative Audit Fee

Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. As the audit for 2011/12 has not yet been completed and we have not yet begun our appointment as your auditors, we will review and update fees as necessary. This will take account of the audit planning process for 2012/13, including the risk assessment. We will naturally keep you informed if there are any changes.

The indicative fee for the audit for 2012/13 is £286,160 (exc VAT) and its breakdown is shown below. These figures incorporate the reductions that the Audit Commission has been able to implement following the market testing of audit services. As you will know, from 2012/13 the Audit Commission is introducing a composite indicative fee for grant certification work for each body. The Commission has calculated the indicative fee based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales.

| Audit area | Indicative fee 2012/13 |
|-------------------------------|-------------------------------|
| Code of Audit Practice audit | £247,860 |
| Certification of grant claims | £38,300 |

The indicative fees are based on a number of assumptions, which I have summarised in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified by your previous auditors for 2011/12.

A plan for the audit of the 2012/13 financial statements will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change.

The proposed fee excludes any additional work we may agree to undertake at your request. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Billing Arrangements

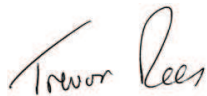
We are taking this opportunity to standardise the billing arrangements for all our audit clients and will bill for audit services quarterly in advance during the year of audit. As you will appreciate, no fees have been raised so far for the financial year 2012/13 so we will bill for the first two quarters on or around 1st September 2012.

Audit Quality

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact your nominated Engagement Lead in the first instance. Alternatively, you may wish to contact me in my role as KPMG's national contact partner for Audit Commission work.

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely



Trevor Rees
Contact Partner for Audit Commission Work
KPMG LLP

cc: John Prentice

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as advised to us by the Audit Commission; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998. The fees for any such work will be agreed with you separately.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be revisited when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

AUDIT COMMITTEE REPORT

13 DECEMBER 2012

**CERTIFICATION OF GRANTS AND
RETURNS ANNUAL REPORT 2011/12
Report of the External Auditor, KPMG.**



cutting through complexity™

Certification of grants and returns 2011/12

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Sheffield City Council

November 2012



The contacts at KPMG in connection with this report are:

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Director

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| ■ Recommendations | 6 |
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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Prentice who is the engagement leader to the Authority (telephone 0113 231 3616 e-mail john.prentice@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

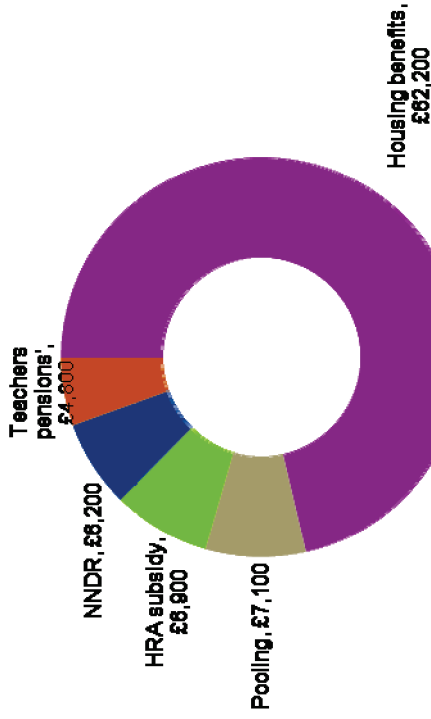
| | | |
|---|---|--------------------|
| <p>Introduction and background</p> | <p>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</p> <ul style="list-style-type: none"> ■ For 2011/12 we certified: <ul style="list-style-type: none"> – 5 grants and returns with a total value of £481m, excluding one Single Programme (RG33) claim. | <p>-</p> |
| <p>Certification results</p> | <p>We issued unqualified certificates for five grants and returns (including the RG33 claim), but qualifications were necessary for one claim (housing benefits).</p> <ul style="list-style-type: none"> ■ We issued a qualification letter on the Council's housing benefits claim to report, as required, on very minor differences on in-year reconciliation cells, and on a number of low-value overpayments caused by incorrectly calculated child tax credit income and the use of incorrect rents for the calculation of rent allowances; and ■ This compares to four out of 15 claims and returns being qualified last year (2010/11). | <p>Pages 3 – 4</p> |
| <p>Audit adjustments</p> | <p>Adjustments were necessary to two of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ A £71,000 adjustment was made to the housing benefits claim and a £9,000 adjustment was made to the pooling of housing capital receipts claim. This compares to adjustments of over £800,000 made to 2010/11 claims and returns, which included a £748,000 adjustment to the pooling of housing capital receipts claim. | <p>Pages 3 – 4</p> |
| <p>The Council's arrangements</p> | <p>The Council has good arrangements for preparing its grants and returns and supporting our certification work, with fewer qualifications and amendments required than for 2010/11.</p> | <p>-</p> |
| <p>Fees</p> | <p>Our overall fee for the certification of grants and returns has been contained within the original estimate. The Audit Commission has reduced the numbers of claims subject to certification arrangements over the past few years, and this has reduced the fees payable for this work.</p> | <p>Page 5</p> |

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

| Ref | Summary observations | Amendment |
|-----|--|--|
| 1 | <p>Housing benefits (amount claimed £227m)</p> <ul style="list-style-type: none"> ■ We issued a qualification letter to report, as required, on very minor differences on in-year reconciliation cells, and on a number of low-value overpayments caused by incorrectly calculated child tax credit income and the use of incorrect rents for the calculation of rent allowances; ■ In addition the claim form was amended to correct minor errors we detected in regulated tenancies, protected groups and benefits payable to prisoners. ■ Errors in regulated tenancy cases have been detected in previous years, and we have made a recommendation below. The other areas were new in 2011/12. | <p>£71,000 (increase in the amount claimed from Central Govt)</p> |
| 2 | <p>Pooling of housing capital receipts (total receipts £7.1m)</p> <ul style="list-style-type: none"> ■ A minor correction was made. ■ Arrangements for preparing this claim had improved from 2010/11. | <p>£9,000 (reduction in pooling payment by Sheffield)</p> |

Our overall fee for the certification of grants and returns has been contained within the original estimate.

Breakdown of certification fees 2010/11



| Breakdown of fee by grant/return | | |
|-------------------------------------|---------------|----------------|
| | 2011/12 (£) | 2010/11 (£) |
| Housing benefits | 62,200 | 49,200 |
| Pooling of housing capital receipts | 7,100 | 6,700 |
| HRA Subsidy | 6,900 | 7,400 |
| National non-domestic rates | 6,200 | 3,600 |
| Teachers' pensions | 4,800 | 3,500 |
| Single programme (RG33) | 2,000 | 25,800 |
| Other claims ceasing in 2010/11 | 0 | 14,300 |
| Total fee | 89,200 | 110,500 |

Our initial estimated fee for certifying 2011/12 grants and returns was £98,000. The actual fee charged was lower than that estimate, due to a reduced number of claims requiring certification.

The fee for housing benefits increased due to additional testing to gain assurance that errors detected in previous year claims were not re-occurring in 2011/12, and due to a change in grade mix between the two years. For both the NNDR and Teachers' pensions claims, full testing of the claims was required in 2011/12 (referred to as Part A and B testing) under the three year cyclical programme, as reduced (Part A only) testing was carried out in 2009/10 and 2010/11.

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

| Priority rating for recommendations | |
|---|---|
| <p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p> | <p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> |
| <p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> | |

| Issue | Implication | Recommendation | Priority | Comment | Responsible officer and target date |
|--|---|--|----------|--|---|
| Housing benefits Unregulated tenancies Not all regulated tenancy cases were correctly identified on the benefits system. | Incorrect calculation of benefits payable | 1 The Authority should monitor regulated tenancy cases to prevent errors in identifying them. | 2 | Agreed - the Authority will monitor regulated tenancies cases to ensure correct identification on the Academy (benefits) system. | Financial Services Manager 31 March 2013 |
| Protected Groups Errors were made in identifying protected groups. | Incorrect calculation of benefits payable | 2 The Authority should ensure that Protected Groups cases are correctly classified in order to maximise the subsidy that can be claimed. | 3 | Agreed - the Authority will run a report from the system to identify relevant cases prior to completion of the 2012-13 claim. | Financial Services Manager 30 April 2013 |
| CTB payments for prisoners Errors were made in calculations | Incorrect calculation of benefits payable | 3 The Authority should ensure that CTB overpayments for HM Prisoners are correctly classified. | 3 | Agreed - the Authority will complete a quality control check of cases in 2012/13 between November 2012 & year end. | Financial Services Manager 30 April 2013 |

We made four recommendations in our 2010/11 Certification of Grants and Returns report. Where recommendations have not yet been implemented fully we have detailed their current status below.

| Prior year recommendation | | Priority | Status as at November 2012 | Management comments |
|---------------------------|--|----------|---|--|
| Housing benefits | | | | |
| 1 | The Authority will continue to monitor regulated tenancies cases to ensure they are correctly identified on Academy. | 2 | Audit work on the 2011-12 claim again identified errors in the classification of regulated tenancies. A £63,400 amendment was made to the 2011/12 benefits claim form to correct the extrapolated effect of these errors. | Work was done to amend the 1430 claims in this cell at the end of 2008/2009 and the beginning of 2009/2010, but a small number of these claims have not been corrected. All newly created claims for regulated tenancy cases this year will be checked before 30 th April 2013. |



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Sheffield City Council

**BIS Update for Audit
Committee 13 December
2012**

KPMG LLP

Draft - 23 November 2012

This report contains 5 Pages

dp/16/jb

Contents

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| 1.1 | Purpose | 1 |
| 1.2 | Update on Progress | 1 |
| 1.3 | Further work in 2012/13 | 2 |

1 **Update on 2011/12 IT follow-up report**

1.1 **Purpose**

This report updates the Audit Committee on the Council's further progress in implementing agreed recommendations from previous Audit Commission overall IT assessments.

1.2 **Update on Progress**

1.2.1 **Previous Audit Commission work**

As part of the 2010/11 external audit the Audit Commission reported on its overall IT risk assessment of the Council's IT systems. The scope of this review was to complete a high-level IT Risk Assessment including review of the key general IT controls for the operation of the main financial systems and associated infrastructure. The resulting report included eight agreed recommendations.

During 2011/12 the Audit Commission followed up the Council's progress in implementing these recommendations, and again reported to the Council's Audit Committee. In response the Audit Committee requested that the Council's external auditors (i) submit a report to the Committee in December 2012 on the Council's progress on recommendation 2 relating to the procedure for disabling user ICT accounts for staff leaving the Council, and (ii) submit a progress report to the Committee in the New Year on the actions to implement all the recommendations in the report.

1.2.2 **Detail of Recommendation 2**

Recommendation 2 in the 2010/11 report was as follows:

- 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.

The Council agreed the recommendation with an implementation date of March 2011, and commented as follows:

- 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.

1.2.3 **Progress in 2011/12**

The External Audit 2011/12 follow-up report commented in relation to recommendation 2 as follows:

- 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. 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 agreed the external audit follow-up, and responded:

- 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.

On receiving these comments, the Audit Committee asked for a further update on progress.

1.2.4 **Further progress during 2012/13**

To comply with the Audit Committee's request, we have liaised with officers and asked them to provide a further update on progress, which is included in Appendix 1. In summary officers have commented that progress on implementing this recommendation has been slower than hoped, but that a way forward has now been agreed by all parties.

Please note that we have not carried out any checking of the information in Appendix 1.

1.3 **Further work in 2012/13**

As part of our 2012/13 external audit responsibilities we will review the Council's general IT controls in so far as they provide assurance over the complete and accurate processing of material entries for the Council's accounts. The scope of this work will differ from the risk assessment work carried out by the Audit Commission.

In addition, in response to the Audit Committee's request for specific follow-up of previous external audit IT risk assessments, we will ask the Council's officers to provide a further update for the Audit Committee on the Council's progress on implementing all the remaining outstanding recommendations from the 2010/11 External Audit report. We would be happy to carry out a more detailed follow-up of progress, involving review and testing of officers' responses, as an additional piece of work, if the Audit Committee would find this beneficial.

Appendix 1 Update by officers

Progress on this work has been slower than hoped for two reasons:

- 1 Resolving the process issues is even more complex than thought, and will involve joint working between the Council's Business Information Solutions team (BIS) and Human Resources Team (HR), and Capita's IT Services team (ITS) and Human Resources team (HRConnect).
- 2 Workforce reductions in both BIS and Capita have meant that staff resources for this work are also spread more thinly, leading to delays. This has been exacerbated by priority work on other major projects, eg Highways PFI and Mainframe decommissioning.

However, BIS have now developed a full action plan, which will be implemented by all parties, and is currently being implemented, chiefly as part of the preparations for the calculation and notification of the BIS chargeback to ICT users in 2013. The plan aims to address both the process issues that have led to the problems, and to cleanse the existing ICT user data to give a reliable baseline.

When the current processes were set up some years ago, most ICT users were employed directly by the Council. However, it now appears that up to 40% of those with Council email addresses are not on the Council payroll, although this proportion will reduce substantially when Sheffield Homes' staff return to the Council next Spring. Reliable monitoring of user changes by comparing data with the Council's payroll is not possible for these users. It is therefore planned to put more robust processes in place to specifically address this issue, though these will rely on timely action by Council business managers to ensure changes are communicated promptly to BIS and Capita ITS.

Regarding Capita employees, Capita state that all Capita IT leavers go through Capita's standard leavers process which is driven by Capita's HR toolset. Exit interviews are conducted through Capita Desktop and automatically sent to Capita HR. Group IT then disable group accounts and e-mail. Local accounts are disabled on completion of the notice period and handover of any objects on loan (IT kit & Phone).

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Audit Committee Report

REPORT OF Chief Internal Auditor **DATE**
13/12/12

SUBJECT Chief Internal Auditor's Report – Delivering Internal Audit Activity Report

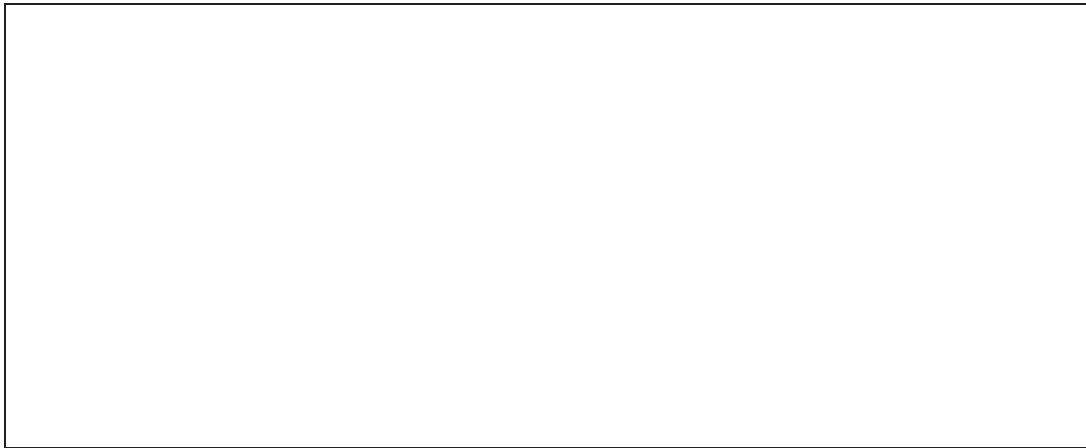
SUMMARY The attached is the progress report on Delivering Internal Audit Activity.

RECOMMENDATIONS To note the contents of the Report

FINANCIAL IMPLICATIONS No **PARAGRAPHS**
CLEARED BY S Gill

BACKGROUND PAPERS

CONTACT POINT FOR ACCESS Steve Gill **TEL NO.**
273 4363



CATEGORY OF REPORT

Open

Statutory and Council Policy Checklist

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

REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE

13 December 2012

Chief Internal Auditors Report – Delivering Internal Audit Activity Report.

Purpose of the Report

1. The purpose of this report is to present and communicate to members of the Audit Committee progress made against the 'new' auditable areas introduced for the 2012/13 audit plan.

Introduction

2. In light of the budget reductions the strategy and approach for the 2012/13 audit plan was changed and communicated to members of the Audit Committee at the May 2012 meeting. This report provides a progress update on the audits delivered to date.
3. The strategy for future Internal Audit work was to focus on some specific areas of activity which could provide assurance that risk and internal control issues are being properly managed by Directors in service areas. These areas are detailed in Appendix A.

Progress

4. The new approach initially involved a greater level of management liaison and identification of a 'Corporate Lead'. The audit work has progressed well and 13 audits have been delivered and issued as final reports, and 9 pieces of work are at the fieldwork stage. To date no reports have been issued with a 'high' audit opinion. Please refer to Appendix A for detailed progress analysis.
5. Progress against the audit plan is continuously monitored throughout the year, and appropriate adjustments made to the tactical plan as required. There has only been one adjustment to these planned audits and this was due to a new area being identified for audit coverage (Contract Waivers), which resulted in an originally planned audit being deleted from the audit plan (Highways – Performance Management and Governance Arrangements).
6. The delivery of the audit work is on target, however, for the Risk Management audits management requested 3 audits to be undertaken in Quarter 4. The audit resources have been assigned to enable this delivery and management have provided assurance and commitment that the officers and information will be made available as and when required.

Conclusion

7. There are no issues or concerns to report to the Audit Committee and the audits are progressing well, with management input and co-operation.

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

INTERNAL AUDITS 2012/13

PARTNERSHIPS AND CONTRACTS

| | Issued | Progress |
|--|--------|----------|
| Overarching Review of Partnership Management | Yes | |
| Performance Management including Strategic Alliances | Yes | |
| Risk Performance in Key Partnerships | | Q4 |
| Kier KAPS - Performance Management & Governance Arrangements | Yes | |
| Capita - Performance Management & Governance Arrangements | | FW |
| Veolia - Performance Management & Governance Arrangements | | FW |
| Highways - Performance Management & Governance Arrangements | Delete | |
| Review of a number of ongoing schemes | Yes | |
| Contract Waivers | New | FW |

PROJECTS AND PROGRAMMES

| | | |
|--|-----|----|
| Project and Programmes - Governance and Overarching Strategy | Yes | |
| Project and Programmes - Compliance Audit for Project Boards (4) | | FW |
| Project and Programmes - Project Compliance | | Q4 |
| Project and Programmes - Post Implementation Reviews | | Q4 |

PERFORMANCE MANAGEMENT FRAMEWORK

Performance Plus

| | | |
|--|-----|--|
| Training on Performance Plus System | Yes | |
| Follow-up of Performance Monitoring Process Review | Yes | |
| Performance Plus System Overview | Yes | |
| Business Planning Process Overview | Yes | |

Portfolio Testing

| | | |
|--|--|----|
| Service Business Planning | | Q4 |
| Service Reviews - Services Performing Poorly | | Q4 |
| Service Reviews - Services Performing Well | | Q4 |
| Quality Assurance Processes | | Q4 |
| Reporting and Escalation Processes | | FW |
| Use of Performance Information | | FW |

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement (AGS)

| | |
|--------------------------|-----|
| AGS Process Overview | Yes |
| AGS Statement Production | Yes |

Portfolio Testing

| | |
|------------------------------------|-----|
| AGS Completion Process | Q4 |
| Data Quality Checks | Yes |
| Reporting and Escalation Processes | FW |
| Use of AGS Information | FW |

RISK MANAGEMENT

| | |
|--|-----|
| Corporate Risk Management Review | Q4 |
| Risk Management Process - compliance review - Communities | Yes |
| Risk Management Process - compliance review - follow up in Place | FW |
| Risk Management Process - quality of risk mitigation | Q4 |
| Risk Management Process - upward reporting | Q4 |

KEY

FW - Fieldwork stage

Q4 - Planned for Quarter 4

AUDIT COMMITTEE

ANNUAL REPORT 2011/12

To be considered at the Council Meeting on 9 January 2013



FOREWORD

I am pleased to present this report to Council on the work of the Audit Committee in 2011/2. The report shows how the Committee has contributed to monitoring and improving the Council's governance and internal controls.

There have been five busy meetings this year. The Committee continued with its core business, such as approving the Accounts, and it was pleasing to note that the External Auditor had issued an unqualified opinion on the financial statements for 2010/11 and an unqualified value for money conclusion. We also strengthened the way we consider High Opinion Audit Reports and commented on the revised Corporate Risk Register.

Over the past two years the Committee has been monitoring the financial and commercial risks associated with the Council's major external relationships. This year we also established a Working Group to take a closer look at the financial and commercial risks of one of those organisations, Museums Sheffield. The Committee made useful recommendations relating to the clarity of the governance structure and reporting back arrangements and the role of councillors on Trust Boards.

I would also like to place on record my thanks to Paul Billington and David Macpherson from Culture and Environment, Paul Schofield from Finance and Kim Streets and Helen Morris from Museums Sheffield. They attended the Working Group and provided helpful information and were open and honest in answering questions from members of the Committee.

This has been the first year with our two independent members, Rick Plews and Beryl Seaman. I have enjoyed working with them both and feel the decision to recruit independent members to the Committee has proved the right one. They bring additional skills and experience and an external perspective to the workings of the Council and have added value to the Committee's work.

The Committee could not function without the hard work of its members. They provided robust challenge and scrutiny to the reports and issues that were considered during the year. I would like to thank the Deputy Chair, Councillor Joe Otten, for his support and assistance.

I would also like to thank the Council officers that support the Committee and the External Auditor and his team. I look forward to working with KPMG who were appointed as the External Auditor for the Council from September 2012.

Finally, I confirm that there are no specific issues or areas of concern I wish to draw to the attention of Council and I recommend that Council receives this report on the work of the Audit Committee in 2011/12.



Councillor Ray Satur, Chair of the Audit Committee

AUDIT COMMITTEE ANNUAL REPORT 2011/12

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1. INTRODUCTION

- 1.1 This is the fifth year of the Audit Committee. The Annual Report highlights the work of the Audit Committee and how it has contributed to monitoring and improving the Council's corporate governance and internal controls.

2. COMMITTEE INFORMATION

2.1 Meetings/Membership

- 2.1.2 There were five meetings of the Committee and the Members were:

- Councillor Ray Satur (Chair)
- Councillor Joe Otten (Deputy Chair)*
- Councillor Martin Lawton
- Councillor Bob Johnson
- Councillor Jack Scott
- Councillor Shaffaq Mohammed
- Rick Plews - Independent non-voting co-opted member
- Beryl Seaman - Independent non-voting co-opted member

*replaced Councillor Paul Scriven in November 2011

2.2 Support to the Committee

- 2.2.1 As in previous years, the Committee has benefitted from being well supported by Council Officers. This included the Chief Executive, Deputy Chief Executive, Executive Director of Resources, Director of Finance, Chief Internal Auditor, Deputy Director of Finance, Director of Modern Governance, Director of Legal Services and officers in Finance, Internal Audit, Modern Governance and other Directorates. There has also been close working with the External Auditor (the Audit Commission) and his Audit Manager.

3. WORK OF THE COMMITTEE DURING THE YEAR

- 3.1 This section contains a summary of the work undertaken during the year. The Committee's terms of reference and a list of the items considered are attached as appendices to the report.

3.2 **Work Programme**

- 3.2.1 At the start of the year there is discussion with senior officers and the Chair and Deputy of the Committee on the work programme for the year. This is based around the terms of reference and items the Committee requests during the year. The work programme is then reviewed at each Committee meeting.

3.3 **Internal Audit Activity**

- 3.3.1 The Committee considered:

- Internal Audit Planning Report 2012/13
- Progress on High Opinion Audit Reports

- The Chief Internal Auditor's Annual Report 2010/11
- Summary of Internal Audit Reports
- Audit Plan 2011/12

Internal Audit Planning Report 2012/13

- 3.3.2 The Chief Internal Auditor's report set 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 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.
- 3.3.3 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.
- 3.3.4 Whilst endorsing Internal Audit's Work Programme, the Committee were keen to monitor the impact of delivering the new approach to audit activity and requested the Chief Internal Auditor to submit a progress report to each meeting of the Committee.
- #### High Opinion Audit Reports
- 3.3.5 An auditable area receiving a 'High Opinion' was considered by Internal Audit to be an area where the risk of the activity not achieving its objectives is high and sufficient controls to manage risks were not present at the time of the review.
- 3.3.6 The Committee received two progress reports on the seven High Opinion Audit Reports that had been issued relating to:
- Schools ICT
 - Urban Traffic Control
 - Section 106 Planning Income
 - Sheffield Is My Planet Project
 - Creative Sheffield - Application of Procedures
 - Health and Safety - Fire Safety
 - Partnership Arrangements for Sheffield Homes
- 3.3.7 Members expressed concern as to the progress against the recommendations reported relating to Section 106 Planning Income. A report providing further detail and progress in response to the recommendations was considered in May 2012. The Head of Planning and Director of Finance were requested to 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. A further report on this work was submitted to the Committee in August 2012.
- 3.3.8 Following an issue raised by the independent members of the Committee, a process was agreed that members of the Committee would receive the final version of the High Opinion Audit Reports. There would be the opportunity to ask questions at the next meeting of the Committee and the relevant Director or Senior Manager from the service could be asked to attend the meeting.

Chief Internal Auditor's Annual Report 2010/11

- 3.3.9 The report highlighted the work that had been undertaken by Internal Audit during the year and supported the Council's Annual Governance Statement. The Chief Internal Auditor was satisfied that the core systems included control arrangements which were adequate to allow the Council to conduct its business properly.

3.4 **External Audit**

- 3.4.1 The Committee considered:

- Audit Plan 2011/12
- Annual Audit Letter 2010/11
- Certification of Claims and Returns Annual Report 2010/11

Audit Plan 2011/12

- 3.4.2 The External Auditor submitted his Audit Plan for 2011/12 that included the significant and specific risks, an outline of the proposed work, timetable and planned outputs as well as details of the audit fee. As the Audit Practice staff were due to transfer to a new employer by 31 October 2012, it was intended to complete the 2011/12 Audit by that date.

Annual Audit Letter 2010/11

- 3.4.3 The External Auditor submitted his formal report following the conclusion of the 2010/11 audit. He had issued an unqualified opinion on the financial statements for 2010/11 and an unqualified value for money conclusion which confirmed that the Council had satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.
- 3.4.4 In relation to the 'Section 11' recommendation in the report relating to debt due from the other South Yorkshire Councils, the Chief Executive outlined the process intended to conclude the matter and confirmed that progress would be reported to Full Council in March 2012. The Council Meeting accepted the External Auditor's Section 11 recommendation.

Certification of Claims and Returns Annual Report 2010/11

- 3.4.5 The External Auditor 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.

3.5 **Regulatory Framework and Risk Management**

- 3.5.1 The Committee considered:

- Annual Governance Statement 2010/11
- Compliance With International Auditing Standards
- Financial/Commercial Monitoring of External Relationships
- Audit Commission Report - Protecting The Public Purse
- Corporate Risk Management
- Corporate Risk Register

- Revised Code of Corporate Governance

Annual Governance Statement 2010/11

- 3.5.2 The Director of Modern Governance submitted the Council's Annual Governance Statement which formed part of the Council's Statutory Accounts. The Statement explained how the City Council complied with the Code of Corporate Governance and also met the requirements of the Accounts and Audit Regulations 2003, as amended, in relation to the publication of the Statement.
- 3.5.3 In January 2012, the Committee received a report on the progress on five significant control weaknesses had been identified, relating to:
- Museums Sheffield
 - Elections
 - Reviewing Policy and Practice in the Administration of Medication in Adult Social Care
 - Consistency of Property Policies and Procedure Across All Council Premises
 - People Management Procedures – Consistency of Approach, Payroll and HR Connect.
- 3.5.4 Arising from that report, the Committee requested a report about Human Resources/Payroll procedures. This was submitted to the Committee in August 2012.

Compliance With International Auditing Standards

- 3.5.5 The Executive Director, Resources submitted a report 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. The Committee confirmed 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.
- 3.5.6 Arising from the report:
- the Chief Internal Auditor was requested to examine how reports that are made available to Members and Officers on the Council's intranet, such as the Fraud Response Plan, are made available to the Committee's Independent Members. Intranet access was subsequently provided to both the Independent Members.
 - the Director of Legal Services and the Director of Human Resources were requested to examine having a simple form to assist people that want to whistleblow.
 - The revised Whistleblowing Policy was submitted to the Committee in August 2012.

Commercial/Financial Monitoring of External Relationships

- 3.5.7 In 2009, the Committee received a report on a number of actions taken and processes developed to strengthen the Council's management of its numerous relationships with external bodies. This was in a response to a number of recommendations made by the Council's Internal and External Auditors and supported the Council's aim of promoting good governance arrangements. The Executive Management Team has been ensuring that the Council continues to have

a clear picture at a corporate level of what these relationships are, and ensures that they are structured and managed appropriately and effectively and that they are monitored and reviewed on a regular basis.

- 3.5.8 The Committee continued to receive progress reports on the commercial and financial monitoring of the 26 major external relationships.
- 3.5.9 This year the Committee decided to undertake a more detailed examination of the financial and commercial risks of a small number of the Council's major external relationships. It was agreed that Museums Sheffield would be the first partnership to be considered and that this would be undertaken through a Working Group of the Committee. Two issues arose from that piece of work relating to the clarity of the governance structure and reporting back arrangements and the role of councillors on Trust Boards.
- 3.5.10 Arising from the Committee's recommendations:-
- The Director of Modern Governance reviewed the role of Councillors on all Trust Boards and a report on external appointments was submitted to the Committee in September 2012.
 - The Director of Culture and Environment prepared a diagram that showed clear, simple and transparent reporting arrangements and governance structure for the Council's relationship with Museums Sheffield. This was also used as a template to explain the reporting arrangements and governance structures for the Council's relationship with all the other Trust Boards.

Audit Commission Report - Protecting The Public Purse

- 3.5.11 A report of the Executive Director, Resources informed the Committee of the contents and key recommendations of the Audit Commission's annual report on 'Protecting the Public Purse' and provided an update of fraud investigation activity within the Council, including a completed checklist for 'those responsible for governance' that identified the key fraud risks.
- 3.5.12 The Committee supported Internal Audit's ongoing implementation of counter-fraud initiatives throughout the authority.

Corporate Risk Management/Corporate Risk Register

- 3.5.13 In November 2011, the Director of Transformation Services and Performance submitted a report indicating that the Council was formalising and improving its approach to managing risk as an organisation. The report set out the current approach to risk management, together with a number of proposed improvements to the risk approach that included restating what was expected in terms of risk at a service, Portfolio and corporate level, consolidating existing risk registers and adopting a common approach to support risk reporting.
- 3.5.14 The Director was requested to report a number of suggestions from this Committee to the Council's Task and Finish Group on Corporate Risk Management
- 3.5.15 The Committee also received a report of the Director of Performance and Communications in January 2012 which set out the current approach to risk management and presented the latest version of the consolidated Corporate Risk Register. The Committee noted that appropriate processes were in place for

managing risk.

Revised Code of Corporate Governance

- 3.5.16 The Committee received 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 revised Code had been approved by the Council Leader and was shorter and fit for purpose.
- 3.5.17 Arising from consideration of the report, the Director of Human Resources agreed to include a shorter version of the Code in advice to managers for new staff from September 2012.

3.6 **Accounts**

3.6.1 The Committee considered:

- Summary of the Statement of Accounts
- Statement of Accounts 2010/11
- Annual Governance Report 2010/11

Statement of Accounts

- 3.6.2 In August 2011, the Deputy Director of Finance submitted a report providing a summary of the Statement of Accounts for 2010/11 and a brief introduction of the new format following the introduction of International Financial Reporting Standards (IFRS), in advance of a more detailed explanation to the Committee in September 2011. As a result of introducing IFRS, there had been a considerable amount of change to the format of the Statement of the Accounts. The report presented a summary of the core financial statements and a number of the key notes to the accounts. The report also explained the approval process for the Statement of Accounts and the Audit Committee's role in this process.
- 3.6.3 The Statement of Accounts for 2010/11 was approved by the Committee in September 2011.

Annual Governance Report 2010/11

- 3.6.4 The External Auditor submitted his Annual Governance Report that summarised the findings from the 2010/11 audit of the accounts. The key messages were:
- The quality of the accounts and supporting evidence was good and officers had managed the introduction of International Financial Reporting Standards well.
 - The underlying systems and processes to produce the year-end fixed assets accounts remained cumbersome and did not therefore facilitate the most efficient accounts closedown process.
 - A number of errors had been identified, some of which were material, which officers had agreed to amend. None of these had any impact on the overall income and expenditure position.

Yorkshire South Tourism

- 3.6.5 In August 2011, the Committee considered a report of the Executive Director, Resources on the findings of a review into matters of mismanagement at the Yorkshire South Tourism Service.
- 3.6.6 The Committee acknowledged the work that had been undertaken by senior management to improve the control framework for the service going forward and requested the Deputy Chief Executive to ensure that the learning from the review is rolled out into other partnership arrangements.

4. CO-OPTED INDEPENDENT MEMBERS

- 4.1 Rick Plews and Beryl Seaman were appointed as the first co-opted members of the Committee in May 2011.
- 4.2 During their first year they have been a valuable addition and have brought additional experience and external scrutiny and challenge to the work of the Committee. The process for members to receive High Opinion Audit reports outlined at paragraph 3.11 of the report arose from an issue raised by the independent members.
- 4.3 Both members were asked to comment on their experiences during the year and their comments included:
- The support received from the Chair and members of the Committee and officers has been welcomed.
 - Meetings have been effectively chaired and conducted in a timely manner.
 - The Committee has embraced the fresh thinking, experience and ideas they have brought.
 - They have learned a great deal about how the Council works.
 - Found it to be an enjoyable and interesting experience.
 - Highlighted areas that the Committee could examine, including more emphasis on risk management.
 - Suggested greater involvement for the Committee in setting its work programme.
- 4.4 The comments from the independent members will be taken on board and incorporated into the work of the Committee next year.
- 4.5 Over time they could be amongst the most experienced members of the Committee as the Council members can often change each year.

5. APPOINTMENT OF EXTERNAL AUDITORS

- 5.1 The Committee were informed in May 2012 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 continued as the Council's External Auditor until September 2012.

6. TRAINING AND DEVELOPMENT

- 6.1 As in previous years, a briefing was held to assist Members in approving the Statement of Accounts and Annual Governance Report.

- 6.2 Access to the Council's intranet has been provided for both the independent members of the Committee to enable them to be able to access additional relevant material.
- 6.3 Councillor Ray Satur, supported by the Chief Internal Auditor, also attended the Core Cities Audit Committee Chairs' Meeting that shares best practice and discusses key issues.

7. **OUTCOMES**

- 7.1 The Audit Committee aims to add value through its activity and, in particular, it has:
- Approved the Statement of Accounts.
 - Accepted the Annual Governance Report.
 - Demonstrated that it has a significant overview 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.
 - Noted that the Chief Internal Auditor was satisfied that the core systems included control arrangements which were adequate to allow the Council to conduct its business properly.
 - Monitored the actions arising from the Annual Governance Statement.
 - Strengthened the way it considers High Opinion Audit reports.
 - Commented on the revised Corporate Risk Register.
 - Made positive recommendations for dealing with external appointments and having clear, simple and transparent reporting arrangements and governance structures for the Council's relationship with Museums Sheffield and other Trust Boards.

8. **THE YEAR AHEAD**

- 8.1 The Committee will seek to build on what it has achieved this year and continue to work within its terms of reference and address issues that arise during the year.
- 8.2 Training and development opportunities will continue to be offered to members of the Committee to meet their needs and ensure that they can discharge their responsibilities.
- 8.3 There has been a close working relationship with the Audit Commission, the Council's previous External Auditor. The Committee will want to continue this relationship with KPMG that took over as the External Auditor for the Council and the Yorkshire and the Humber area from September 2012.

Councillor Ray Satur, Chair of the Audit Committee 2011/12

Appendix A - Audit Committee Terms Of Reference

- (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 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.

Appendix B - Items Considered During the Year

23 August 2011

- Co-opted Members
- Annual Governance Statement
- Summary of the Statement of Accounts 2010/11
- Progress on High Opinion Audit Reports
- Yorkshire South Tourism
- Work Programme

28 September 2011

- External Audit Annual Governance Report 2010/11
- Statement of Accounts 2010/11
- Chief Internal Auditor's Annual Report
- Audit Committee Annual Report
- Work Programme

9 November 2011

- Corporate Risk Management
- Financial/Commercial Monitoring of External Relationships
- Work Programme

11 January 2012

- Annual Governance Statement Progress Report
- Summary of Internal Audit Reports/Progress on the High Opinion Audit Reports
- Debtors Position in 2010/11 and Level of Bad Debt Provision
- Work Programme
- Audit Plan 2011/12
- Annual Audit Letter
- Corporate Risk Register
- Financial/Commercial Monitoring of External Relationships

25 April 2011

- Working Group on the Financial/Commercial Monitoring of External Relationships

15 May 2012

- Internal Audit Planning Report 2012/13
- Compliance with International Auditing Standards
- Audit Commission Report – Protecting the Public Purse
- Certification of Claims and Returns Annual Report 2010/11
- External Auditor Appointment for 2012/13 and Future Years
- Code of Corporate Governance
- Section 106 Planning Income
- Work Programme
- Financial/Commercial Monitoring of External Relationships

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 of: Simon Green

Date: 4 December 2012

Subject: Creative Sheffield (Marketing Sheffield)

Author of Report: Brendan Moffett 0114 2232373

Summary:

This report updates Audit Committee on the transition of Creative Sheffield into SCC with particular reference to the newly created Marketing Sheffield function.

Recommendations:

Audit Committee is recommended to note the steps being taken

Background Papers: None

Category of Report: OPEN

* Delete as appropriate

Statutory and Council Policy Checklist

| |
|---|
| Financial Implications |
| No – not of this specific report |
| Legal Implications |
| NO – not of this specific report |
| Equality of Opportunity Implications |
| No |
| Tackling Health Inequalities Implications |
| NO |
| Human rights Implications |
| NO: |
| Environmental and Sustainability implications |
| NO |
| Economic impact |
| YES |
| Community safety implications |
| NO |
| Human resources implications |
| NO |
| Property implications |
| NO |
| Area(s) affected |
| All |
| Relevant Cabinet Portfolio Leader |
| Cabinet Member for Leisure Sport and Tourism |
| Relevant Scrutiny Committee if decision called in |
| Not applicable |
| Is the item a matter which is reserved for approval by the City Council? |
| NO |
| Press release |
| NO |

1.0 INTRODUCTION

- 1.1 An Internal Audit review of Creative Sheffield carried out in 2010 identified control weakness in the company's business planning and financial administration arrangements.

The resulting Audit Report (dated 2 November 2010) concluded that the forthcoming integration in to the Council should provide the infrastructure and the necessary control framework to address those issues.

In line with Internal Audit protocol, a follow up audit was carried out in 2011. However, due to changes in personnel and key senior management leaving (Director of Strategy and Performance and Chief Executive), documentation requested regarding Marketing activities was not forthcoming by the close of the 2011 review. As a consequence Internal Audit was unable to provide any assurance that the previously reported control issues had been addressed.

The 2012 Audit Report of the newly created Marketing Sheffield function reported on progress made to adopt Council policies and procedures.

Some issues were highlighted regarding extension of previous procurement arrangements and the adoption of SCC financial management processes.

2.0 BACKGROUND

- 2.1 Up until 31st March 2011, Creative Sheffield was a limited company. During 2011/12 Financial year Creative Sheffield was taken back into Sheffield City Council and split into two functions, Creative Sheffield and Marketing Sheffield.

Marketing Sheffield was created as a singular marketing body that could engage with key partners and positively impact on the image and reputation of Sheffield ('place marketing'), drive an increase in the visitor economy (worth over £700 million to the economy) and positioning of the city to UK and overseas target audiences built around Trade, Talent and Tourism.

A Director of Marketing Sheffield was appointed in April 2011 and the newly created function began its integration into the Place portfolio.

- 2.2 2011/12 was a transitional year in which the Director of Marketing Sheffield became part of the PLT team, and SCC procedures were implemented.

- 2.3 Marketing Sheffield is an externally facing service and has extensive engagement with the private sector, Marketing Sheffield acknowledges however, that as part of SCC Place Portfolio, it must follow all relevant procedures, and work closely with Commercial Services and other relevant SCC functions, where appropriate. The 2010 Audit of Creative Sheffield made recommendations on tendering and financial management which have been implemented within the new Marketing Sheffield.
- 2.4 In addition Marketing Sheffield was subject to an operational audit review in 2012. From this review 26 items were identified of which 20 have been resolved / implemented and the remaining will be so by the end of the financial year.
- 3.0 Other options (n/a)**
- 4.0 Financial Implications**
All items relating to financial issues have / are being addressed within the allocated budget of Marketing Sheffield and hence no undue impact on Sheffield City Council's budget as a whole.
- 5.0 RECOMMENDATIONS**
- 5.1 Agree that all of the recommendations carried forward from the original Audit have been actioned and implemented.
- 5.2 To accept progress with regard to the audit review of 2012.
- 5.3 Delegate subsequent sign-off of satisfactory completion of outstanding items to the Executive Director of Place and Executive Director of Resources.

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 of: Director of Modern Governance

Date: 13 December 2012

Subject: Work Programme

Author of Report: Dave Ross

Summary:

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

Recommendations:

That the Work Programme is approved.

Background Papers:

Category of Report: OPEN

Statutory and Council Policy Checklist

| |
|---|
| Financial Implications |
| NO Cleared by: |
| Legal Implications |
| NO Cleared by: |
| Equality of Opportunity Implications |
| NO Cleared by: |
| Tackling Health Inequalities Implications |
| NO |
| Human rights Implications |
| NO: |
| Environmental and Sustainability implications |
| NO |
| Economic impact |
| NO |
| Community safety implications |
| NO |
| Human resources implications |
| NO |
| Property implications |
| NO |
| Area(s) affected |
| NONE |
| Relevant Cabinet Portfolio Leader |
| NOT APPLICABLE |
| Relevant Scrutiny Committee if decision called in |
| NOT APPLICABLE |
| Is the item a matter which is reserved for approval by the City Council? |
| NO |
| Press release |
| 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 proposed work programme for 2012/13 is outlined below. Members are asked to identify any further items for inclusion.

| Date | Item | Author |
|-----------------|---|---|
| 23 January 2013 | Corporate Risk Management | Kevin Foster (Director of Transformation Service) |
| 23 January 2013 | Audit Opinion Plan | External Auditor |
| 23 January 2013 | Delivering Internal Audit Activity - Progress Report | Steve Gill (Chief Internal Auditor) |
| 23 January 2013 | Annual Governance Statement Progress Report | Alistair Griggs (Director of Modern Governance) |
| 23 January 2013 | Progress on the High Opinion Audit reports | Steve Gill (Chief Internal Auditor) |
| 23 January 2013 | Progress in implementing the External Auditor's recommendations arising from the Certification of the Council's Claims and Returns in 2010/11 | Allan Rainford (Deputy Director of Finance) |
| 23 January 2013 | Audit Commission Report on Protecting the Public Purse/Update on counter fraud initiatives | Steve Gill (Chief Internal Auditor) |
| 17 April 2013 | Internal Audit Plan 2013/14 | Steve Gill (Chief Internal Auditor) |
| 17 April 2013 | International Auditing Standards – Compliance with Internal Control | Steve Gill (Chief Internal Auditor) |

| | | |
|---------------|---|---|
| 17 April 2013 | Delivering Internal Audit Activity - Progress Report | Steve Gill (Chief Internal Auditor) |
| 17 April 2013 | Annual Audit Fee Letter 2013/14 | External Auditor |
| 17 April 2013 | Progress report on recommendations from the External Auditor's Annual Governance Report | Allan Rainford (Deputy Director of Finance) |

3. **Recommendation**

3.1 That the Committee's Work Programme is approved.

Director of Modern Governance

Audit Committee Terms of Reference (Revised February 2012)

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- (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.

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- (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.