

Audit Committee

Tuesday 28 April 2015 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), John Campbell, Rob Frost, Joe Otten (Deputy Chair), Josie Paszek and Sioned-Mair Richards.

Independent Co-opted Members

Rick Plews and Liz Stanley.

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. You may not be allowed to see some reports because they contain confidential information.

Recording is allowed at Audit Committee meetings under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

If you require any further information please contact Dave Ross in Democratic Services 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
28 APRIL 2015**

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 report relating to Strategic Risk Management is not available to the public and press because it contains exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, relating to the financial or business affairs of any particular person, including the authority holding that information).
- 4. Declarations of Interest** (Pages 1 - 4)
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meeting** (Pages 5 - 12)
To approve the minutes of the meeting of the Committee held on 8 January 2015.
- 6. Certification of Claims and Returns - Annual Report 2013/14** (Pages 13 - 22)
Report of the Director, KPMG.
- 7. External Audit Plan 2014/15** (Pages 23 - 48)
Report of the Director, KPMG.
- 8. Annual Audit Fee Letter 2015/16** (Pages 49 - 58)
Report of the Director, KPMG.
- 9. Internal Audit Plan 2015/16** (Pages 59 - 98)
Report of the Interim Director of Finance.
- 10. Protecting the Public Purse Annual Fraud Report** (Pages 99 - 128)
Report of the Interim Director of Finance.
- 11. Compliance with International Auditing Standards** (Pages 129 - 138)
Report of the Interim Director of Finance.

- 12. Work Programme** (Pages 139 - 146)
Report of the Director of Legal and Governance.
- 13. Independent Co-opted Member - Extension of Term of Office**
Further to the decision of the Council Meeting on 4 September 2013 extending the maximum term for the appointment of Co-opted Independent Members of the Audit Committee to five years, this Committee recommends to the Annual General Meeting on 20 May 2015 that the term of office for Rick Plews is extended to 17 May 2016.
- 14. Strategic Risk Management** (Pages 147 - 186)
Report of the Interim Executive Director, Resources.
- (Note: The report is not available to the public and press because it contains exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended).
- 15. Dates of Future Meetings**
To note that, subject to approval at the Annual General Meeting on 20 May 2015, meetings of the Committee will be held at 6.00 p.m. on:-
- 16 July 2015
 - 24 September 2015
 - 12 November 2015
 - 10 December 2015 (additional meeting if required)
 - 14 January 2016
 - 11 February 2016 (additional meeting if required)
 - 10 March 2016 (additional meeting if required)
 - 14 April 2016
 - 14 July 2016

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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.

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 (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

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 DPIs 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.

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 Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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Audit Committee

Meeting held 8 January 2015

PRESENT: Councillors Ray Satur (Chair), John Campbell, Joe Otten, Josie Paszek and Sioned-Mair Richards.

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

John Mothersole (Chief Executive)
Laraine Manley (Interim Executive Director, Communities) – For item 5.1
Eugene Walker (Interim Executive Director, Resources)
Mike Thomas (Acting Assistant Director, Strategic Finance)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Gillian Duckworth (Interim Director of Legal and Governance)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Rob Frost.

2. DECLARATIONS OF INTEREST

2.1 Councillor John Campbell declared a personal interest in the item on the 'Progress Report on the Recommendations from the External Auditor's ISA 260 Report' as a member of the South Yorkshire Pensions Authority.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 13 November 2014 were approved as a correct record.

4. EXCLUSION OF PUBLIC AND PRESS

4.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business (Update on Progress in Addressing the Recommendations from the Adult Social Care Management Review) to be considered on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in Paragraphs 2 and 4 of Schedule 12A to the Local Government Act 1972, as amended, namely information which is likely to reveal the identity of an individual (Paragraph 2) and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the Council or a Minister of the Crown and employees of, or office holders under, the Council (Paragraph 4).

5. ADULT SOCIAL CARE MANAGEMENT REVIEW

5.1 UPDATE ON PROGRESS IN ADDRESSING THE RECOMMENDATIONS FROM THE ADULT SOCIAL CARE MANAGEMENT REVIEW

- 5.1.1 The Committee received a joint report of the Interim Executive Directors, Resources and Communities that summarised the progress made in addressing the recommendations arising from the Social Care Management Review that was considered by the Committee at its meeting on 3 July 2014. As part of the Internal Audit review cycle, a programme of follow-up work and reviews had been undertaken to further address the findings of the management review. Appended to the report were the findings and recommendations, actions undertaken and timescales for completion.
- 5.1.2 The Interim Executive Director, Resources referred to the progress that had been made and the thematic approach that was being developed to deal with the outstanding actions.
- 5.1.3 The Interim Executive Director, Communities referred to the outstanding actions and that there was an element of prioritisation to the work being undertaken.
- 5.1.4 Officers responded to questions from Members of the Committee. On whether there was confidence that the concerns were being addressed, the Interim Executive Director, Communities indicated that on a day to day basis decisions were taken at either an individual or senior/strategic level and she was comfortable with the way the service was run. There was still work to do and some elements were not as systemised as she wanted, such as having good quality management information, business intelligence and forecasting and this required a more fundamental system.
- 5.1.5 In response to a question on how far the review of Individual Care Plans had progressed, the Interim Executive Director, Communities indicated that 80% had been completed for older people and the review should be completed by April/May 2015.
- 5.1.6 A Member asked if the culture within the service had changed to sustain the improvements. The Interim Executive Director, Communities stated that some aspects of the culture had changed. There had been a piece of work relating to Adult Social Care and other service areas on understanding the roles and responsibilities and having training on what that meant. A key area was performance management and recognising that it was part of the culture but it would take longer to have the performance framework in place.
- 5.1.7 A Member referred to the areas that were outside of the Council's control, such as people discharged from hospital and the need to understand the spikes and pressure on the budgets. The Chief Executive commented that it would feature in the risk register if it was structural.
- 5.1.8 On whether the Council was preparing for the integrated working between Social

Care and the NHS arising from the Better Care Fund, the Chief Executive stated that it was a key part of the solution and would be included in the 2015/16 Budget Report. There would also be a more detailed report on the Fund to Cabinet in 2/3 months' time.

5.1.9 A Member asked if morale had improved arising from the cultural change and the Interim Executive Director, Communities indicated that it was mixed but improving.

5.1.10 **Resolved:** That the Committee:-

(a) notes the contents of the report and the progress made to date and the continuing actions underway to address the findings of the Adult Social Care Management Review; and

(b) requests the Interim Executive Directors, Resources and Communities to submit a progress report on the Adult Social Care Recovery Programme to the Committee in 6 and 12 months' time.

(Note: At this point, the meeting was reopened to the public and press)

5.2 WIDER CORPORATE SYSTEMS IMPLICATIONS ARISING FROM THE ADULT SOCIAL CARE MANAGEMENT REVIEW

5.2.1 Further to the request from the Committee at its meeting on 3 July 2014, the Interim Executive Director, Resources introduced a report that summarised the evaluation of the wider corporate system implications arising from the Adult Social Care Management Review and drew on work undertaken by Internal Audit, External Audit (KPMG) and Business Strategy, Communities to assess whether corporate system weaknesses existed which could result in a similar overspend situation in other areas of the Council.

5.2.2 The report covered the main financial systems in 2013/14 and 2014/15, the Annual Governance Statement 2013/14, CareFirst Financials and the KPMG Review of Financial Support Processes in Adult Social Care. The report concluded that a considerable amount of work had been undertaken reviewing the main corporate systems to ensure controls were adequate. Adherence to the processes and controls contained within those main systems was essential to help mitigate against a repeat of the Communities' overspend.

5.2.3 The Interim Executive Director responded to questions from Members of the Committee. In respect of whether there was any conflict of interest regarding the KPMG review as they were the Council's External Auditor, he indicated that there were a series of processes to obtain permission for KPMG to undertake additional work for the Council and the review had been undertaken by a separate arm of KPMG.

5.2.4 A Member sought assurance that there were no other potential Council-wide areas of concern. The Interim Executive Director indicated that there were no other areas on the evidence available and that the Council's financial systems

were fundamentally sound. There was a need to monitor how quality systems interfaced with each other and that this was based on good quality solid data.

5.2.5 In response to a further question, the Interim Executive Director indicated that the CareFirst system had not been robust or accurate enough and that systems had to have improved integration.

5.2.6 **Resolved:** That the Committee:-

(a) notes the contents of the report; and

(b) requests the Interim Executive Director, Resources to submit progress reports to this Committee in 6 and 12 months' time on the actions undertaken to address the issues raised in the KPMG report on the Review of Financial Support Processes in Adult Social Care.

6. CHANGES IN THE FINANCE TEAM

6.1 The Interim Executive Director, Resources reported on a number of changes within the Finance Team and that he would be continuing in his temporary role as Interim Director. The changes related to the posts of Director of Finance, Assistant Directors of Finance for Strategic Finance and Business Partnering and Internal Audit and the Senior Finance Manager, Internal Audit and he would circulate details to Members of the Committee.

6.2 In response to a question from a Member of the Committee on whether there were any ethical concerns as KPMG were the Council's External Auditor and an officer at KPMG was taking up a senior Finance post with the Council, the Interim Executive Director stated that this was not an issue and the Director, KPMG had not raised any concerns.

6.3 **Resolved:** That the Committee notes this information.

7. PROGRESS REPORT ON THE RECOMMENDATIONS FROM THE EXTERNAL AUDITOR'S ISA 260 REPORT

7.1 The Acting Assistant Director (Strategic Finance) introduced a report of the Interim Executive Director, Resources that provided an update on progress made by the Council to implement the recommendations relating to Pension Data Flows and Credit Clearing from the External Auditor's ISA 260 report on the audit of the 2013/14 Statement of Accounts.

7.2 In response to questions from Members of the Committee, the Acting Assistant Director indicated that significant progress had been made in addressing the backlog of pensions' cases and more robust governance arrangements were in place to ensure it would not recur. The Interim Executive Director, Resources added that he would request a written response from the service to provide that level of assurance relating to the backlog.

7.3 On the issue relating to Credit Clearing, the Acting Assistant Director commented

that he was confident that it was a one-off internal error.

7.4 **Resolved;** That the Committee:-

- (a) notes the contents of the report and the progress made in addressing the recommendations in the External Auditor's ISA 260 report; and
- (b) requests the Director of Human Resources to circulate a written response to Members of the Committee providing an assurance that the backlog of pensions cases would not recur.

8. PROGRESS REPORT ON THE ANNUAL GOVERNANCE STATEMENT 2013/14

- 8.1 The Interim Director of Legal and Governance introduced a report on the officer actions and progress made in addressing the control weaknesses identified in the 2013/14 Annual Governance Statement (AGS) relating to Adult Social Care and Supporting Services, Capital Project Management and Consistency of Corporate Issues. She stated that adequate progress was being made in those areas and also outlined the revised process for the production of the 2014/15 AGS.
- 8.2 Officers responded to questions from Members of the Committee. In relation to sickness absence and a suggestion from a Member that examining the causes of sickness absence would be more productive, the Chief Executive indicated that there was nothing unusual about the workforce to explain the increases and it was about where actions need to be applied rather than policy changes. Initiatives had been put in place to slow the rate of the increase in sickness absence and improved data was now available. He considered it was a managerial issue and a series of workshops had been held for all managers to introduce them to the revised Managing Absence procedure and remind them of their responsibilities in line with the new procedure.
- 8.3 In relation to Capital Project Management, and whether the changed approach was improving capital delivery performance, the Interim Executive Director, Resources indicated that it would deliver improved performance. The Chief Executive added that the budget monitoring reports were highlighting greater accuracy in reporting on capital schemes but one of the main challenges was poor profiling. Also a Private Sector Capital Delivery Partner had been appointed.
- 8.4 The Chief Executive responded to a question on whether the Individual Performance Reviews (IPRs) were being applied consistently across all staff and indicated they should be but the level of IPRs had probably been under reported. When this had been addressed it would be clearer which managers were not undertaking IPRs.
- 8.5 In response to a suggestion from a Member of the Committee that there were possible savings from not having off-site records management storage, the Interim Director of Legal and Governance stated that this had been discussed with the Head of Information and Knowledge Management and an opportunity brief was being prepared.

8.6 **Resolved:** That the Committee notes the contents of the report.

9. PROGRESS ON HIGH OPINION AUDIT REPORTS

9.1 The Senior Finance Manager (Internal Audit) introduced a report of the Interim Director of Finance on progress made against the recommendations in audit reports that have been given a high opinion and proposing that four audits were removed from the action tracker.

9.2 A Member of the Committee asked why recommendation 7.4 in respect of the audit of CareFirst Financials had not been tested by Internal Audit and what assurance could be provided if it was removed from the action tracker. The Senior Finance Manager indicated that although that specific area had not been tested, the recommendation was being addressed as part of the wider work and review of CareFirst being undertaken by the Interim Executive Director, Communities.

9.3 **Resolved:** That the Committee:-

(a) notes the report; and

(b) agrees that the following audit reports are removed from the action tracker:

- Freedom of Information
- Schools Appointments, Terminations and Amendments to Pay
- CareFirst Financials
- Projects – Risk Management and Reporting

10. WORK PROGRAMME

10.1 The Interim Director of Legal and Governance submitted a report providing details of the Committee's work programme to April 2015.

10.2 **Resolved:** That the Committee approves the work programme with the addition of progress reports on the Adult Social Care Recovery Programme and the KPMG report on the Review of Financial Support Process in Adult Social Care in 6 and 12 months' time.

11. DATES OF FUTURE MEETINGS

11.1 It was noted that meetings of the Committee will be held at 6.00 p.m. on:-

- 12 February 2015 (additional meeting if required)
- 12 March 2015 (additional meeting if required)
- 9 April 2015

11.2 Councillor Josie Paszek's apologies for the meeting on 12 February were noted.

12. MEMBER TRAINING

12.1 The Chair of the Committee, Councillor Ray Satur, reported on KPMG's Audit Committee Institute Local Government Seminar series being held during January and February 2015 and that details would be circulated to members of the Committee.

12.2 **Resolved:** That the Committee notes this information.

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AUDIT COMMITTEE REPORT – 28 APRIL 2015

CERTIFICATION OF GRANT CLAIMS AND RETURNS 2013/14

Report of the Director, KPMG.

Recommendation

That the report is noted.

Category of Report - Open

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Executive Director of Resources
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Our ref

9 December 2014

Dear Eugene

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

Claim/return	Certified value (£'000)
BEN01 – Housing Benefit subsidy claim	195,998
CFB06 – Pooling of Housing Capital Receipts	2,709
Total	198,710

Matters arising

Our certification work did not identify any issues or errors with the Pooling of Housing Capital Receipts claim, and we certified this claim unqualified without amendment.

We did however qualify the Council's Housing Benefit subsidy claim, as well as agreeing several amendments. A summary of the items included in the qualification letter (QL) or for which the claim form was amended are included below. It should be noted however that given the scale and complexity of this claim, the qualifications and amendments were for relatively

minor amounts and issues. However DWP rules require that all issues are reported or amended regardless of size.

Summary of Issue	Amount (£'000)	Response
Errors in calculation of backdated benefits	49	Not adjusted - included in QL
Very minor error in board and lodging assessments (service charges entered at incorrect rate)	< 1	Not adjusted - included in QL
Incorrect updating of prior year's rent	Underpayment see note 1	Not adjusted - included in QL
Incorrect inclusion of state benefit income in assessment	Underpayment see note 1	Not adjusted - included in QL
Incorrect tax code information used	119	Not adjusted - included in QL
Record keeping – fewer payslips retained on file than required by DWP rules	N/A	Not adjusted - included in QL
Error in the split of board and lodging benefit above and below the weekly cap	2	Claim amended
Amounts wrongly included in cell 38 (backdated expenditure)	2	Claim amended
LHA 2 bedroom rate not updated on re-assessments	4	Claim amended
Incorrect dates entered on overpayment adjustments	< 1	Claim amended

Note 1 For underpayments, under DWP instructions, we do not calculate the value of the underpayment.

Generally items are included in qualification letters, rather than the claim form being amended, if the effect of the errors found can only be extrapolated from a sample of cases tested. If the error can be determined with certainty (normally because the whole population affected can be identified and tested) the claim form is amended.

For the areas where we identified errors we recommend that the Authority and Capita ensures that these errors are communicated to staff, stressed in future staff training, and covered in quality control checks. Our specific recommendations are set out in Appendix 1.

Progress against last year's recommendations

In our 2012/13 Certification Annual Report we raised eight recommendations, seven of which related to improving the accuracy of the Council's Housing Benefits claim. Of these seven, for six we are satisfied that the Council has improved its arrangements and addressed the

recommendations. One recommendation in relation to eliminating errors on backdated assessments remains unaddressed, as we found errors in this area again in 2013/14.

In 2012/13 we commented that the Authority and Capita should improve arrangements for responding to auditor queries promptly and providing complete and robust responses to issues identified by the auditor. We found this year that the arrangements worked much better, with prompt and complete responses received. However we did note that Capita has limited capacity and resilience to support the certification of the claim, with one officer being the single point of contact and providing the responses to auditor queries. We have therefore recommended that the Authority and Capita should consider how to improve resilience and capacity.

One recommendation related to the Teachers' Pensions Returns that is no longer certified within the Commission regime, and we have not included our follow up of the Council's progress in implementing this recommendation within this report. Full details are included in Appendix 2.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £38,464. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for claims of £39,870. The indicative fee for the housing benefits claim rose from the prior year, despite the removal of council tax testing because of the need to conduct additional testing to cover the issues arising from prior year's audits.

The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	34,001	34,001	30,060
CFB06 – Pooling of Housing Capital Receipts	4,463	4,463	3,940
National non domestic rates (no claim in 13/14)	-	-	2,180
Teacher's Pensions (claim outside the Audit Commission regime in 2013/14)	-	-	3,690
Total	38,464	38,464	39,870

Yours sincerely

Sue Sunderland
 Director



Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan

Priority rating for recommendations		
<p>❶ 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>❷ 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>❸ 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>

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
	Housing Benefits			
1	Incorrect tax code information used in assessments	The Authority / Capita should reinforce this area when training staff, and carry out specific quality checks to reduce the number of errors.	2	
2	Errors in calculation of backdated benefits	The Authority / Capita should reinforce this area when training staff, and carry out specific quality checks to reduce the number of errors.	3	
3	The numbers of payslips retained are fewer than required by DWP	The Authority / Capita should reinforce this requirement when training staff and carry out specific quality checks to ensure sufficient payslips are being retained.	3	
4	Various other minor errors found during our testing	The Authority / Capita should note these errors.	3	
5	Limited resilience and capacity at Capita, as all our benefits testing is supported by one officer.	The Authority should discuss with Capita how resilience and capacity can be increased in future years.	3	

Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2014
	HOUSING BENEFITS		
1	The Authority/Capita should run a system enquiry to identify any discrepancies on one day Non HRA cases between benefit recorded on the Academy transactions screen and benefit on the Academy assessment line calculator.	Medium	Completed. System reports run, and we found no errors in our testing of this area in 2013/14.
2	The Authority/Capita should review the impact of the introduction of ATLAS MANAGER on the level of child tax credit and working tax credit errors.	Medium	Completed. We found no errors found in our testing of this area in 2013/14.
3	The Authority/Capita should strengthen quality review procedures to ensure that the number of overpayment misclassifications is minimised.	Medium	Completed. We found no errors when testing this area in 2013/14.
4	The Authority/Capita should review cases with subsidy entries recorded in both cell 102 and cell 103 to check correct classification.	Medium	Completed. The Authority ran an interrogation to review this area before submitting the claim form, and amended for the errors detected.
5	The Authority /Capita should identify why backdate misclassifications have occurred and take appropriate action to ensure that similar errors are avoided in future.	Low	Outstanding. Errors on backdating still occurred on the 2013/14 claim.
6	Authority/Capita to improve arrangements for responding to auditor queries promptly and providing complete and robust responses to issues identified by the auditor.	Medium	Completed. Arrangements improved for 2013/14, with responses to auditor queries being much more timely. These responses do generally still rely on one officer at Capita though, which raises issues of resilience and capacity.
7	Authority and auditors to agree list of working paper requirements before compilation of the 2013/14 subsidy claim.	Medium	Completed. Working papers were agreed, and were provided in a timely fashion.



	TEACHERS' PENSIONS		
8	The Council should obtain appropriate assurances from third party providers that the system of tiered contributions has been implemented successfully.	Medium	This claim is now outside the Audit Commission regime, so this recommendation has been followed up as part of that work, and findings will be reported to officers separately.



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 Sue Sunderland, who is the engagement leader to the Authority (telephone 0115 945 4490 e-mail sue.sunderland@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 Manager, Audit Commission's complaints Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

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AUDIT COMMITTEE REPORT – 28 APRIL 2015

EXTERNAL AUDIT PLAN 2014/15

Report of the Director, KPMG.

Recommendation:

That the Committee notes the External Audit Plan 2014/15.

Category of Report: Open



cutting through complexity

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External Audit Plan 2014/15

Sheffield City Council

March 2015



Contents

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This document describes how we will deliver our audit work for Sheffield City Council.

Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in December 2014. It describes how we will deliver our financial statements audit work for Sheffield City Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2014/15.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The Audit Commission will close at 31 March 2015. However our audit responsibilities under the *Audit Commission Act 1998* and the *Code of Audit Practice* in respect of the 2014/15 financial year remain unchanged.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to audit/review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

The Audit Commission will cease to exist on 31 March 2015. Details of the new arrangements are set out in Appendix 4. The Authority can expect further communication from the Audit Commission and its successor bodies as the new arrangements are established. This plan restricts itself to reference to the existing arrangements.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements audit and Value for Money arrangements Conclusion.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM arrangements work and sets out our initial risk assessment for the VFM conclusion.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

<p>Audit approach</p>	<p>Our overall audit approach remains similar to last year with no fundamental changes . Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with S151 Officer.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
<p>Key financial statements audit risks</p>	<p>We have completed our initial risk assessment for the financial statements audit and have not identified any significant risks this year. However we have identified an area of audit focus which we do not consider a significant risk: LAAP Bulletin 101: <i>Accounting for Non-Current Assets Used by Local Authority Maintained Schools</i>. This is described in more detail on page 11. We will assess this risk as part of our interim work and conclude on it at year end.</p>
<p>VFM audit approach</p>	<p>We have completed our initial risk assessment for the VFM conclusion and have identified the following significant risks:</p> <ul style="list-style-type: none"> ■ Adult Social Care ■ Savings plans <p>These are described in more detail on page 13. We will assess these risks as part of our VFM audit and conclude on them at year end.</p>
<p>Audit team, deliverables, timeline and fees</p>	<p>We have refreshed our audit team this year. Simon Dennis has taken over from Dave Phillips as the Senior Manager for the audit. Simon is a highly experienced manager and the rest of the audit team remains the same as the previous year.</p> <p>Our main year end audit is currently planned to commence in July 2015. Upon conclusion of our work we will again present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p> <p>The planned fee for the 2014/15 audit is £249,330. This has increased by £1,450 from the position set out in our <i>Audit Fee Letter 2014-15</i> to reflect the additional work required around NNDR.</p>

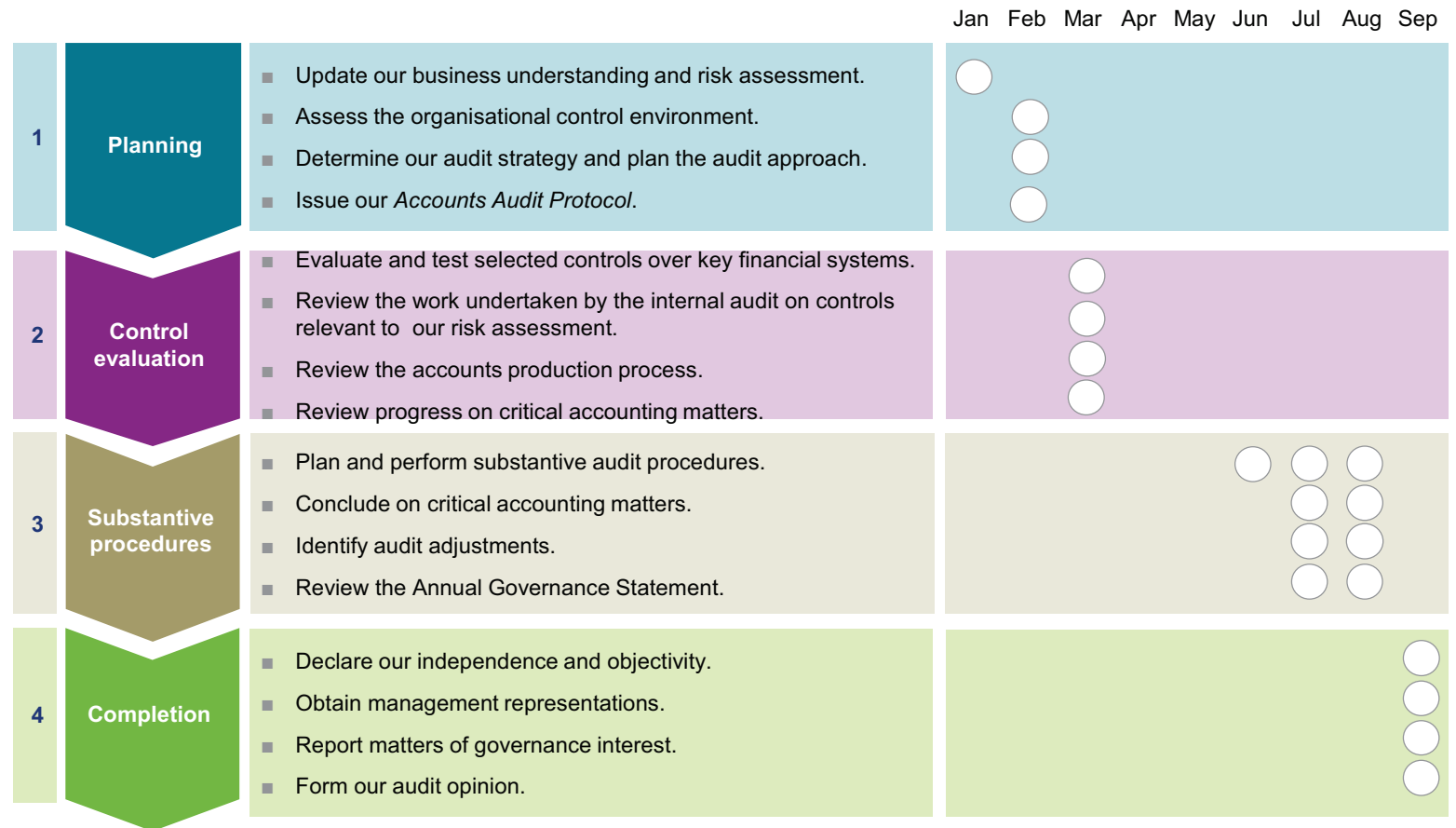
Section three Our audit approach

We undertake our work on your financial statements in four key stages during 2015:

- Planning (January to February).
- Control Evaluation (March).
- Substantive Procedures (July to August).
- Completion (September).

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We have summarised the four key stages of our financial statements audit process for you below:



During January and February 2015 we complete our planning work.

We assess the key risks affecting the Authority’s financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes including the Authority’s IT systems that would impact on our audit.

Our planning work takes place in January and February 2015. This involves the following aspects:

- | | |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planning | <ul style="list-style-type: none"> ■ Update our business understanding and risk assessment including fraud risk. ■ Assess the organisational control environment. ■ Determine our audit strategy and plan the audit approach. ■ Issue our <i>Accounts Audit Protocol</i>. |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Business understanding and risk assessment

We update our understanding of the Authority’s operations and identify any areas that will require particular attention during our audit of the Authority’s financial statements.

We identify the key risks including risk of fraud affecting the Authority’s financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority’s responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team regularly to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the relevant work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of professional judgement and is set by the Engagement Lead.

In accordance with ISA 320 (UK&I) ‘*Audit materiality*’, we plan and perform our audit to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. Information is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Further details on assessment of materiality is set out on page 6 of this document.

When we determine our audit strategy we set a monetary materiality level for planning purposes.

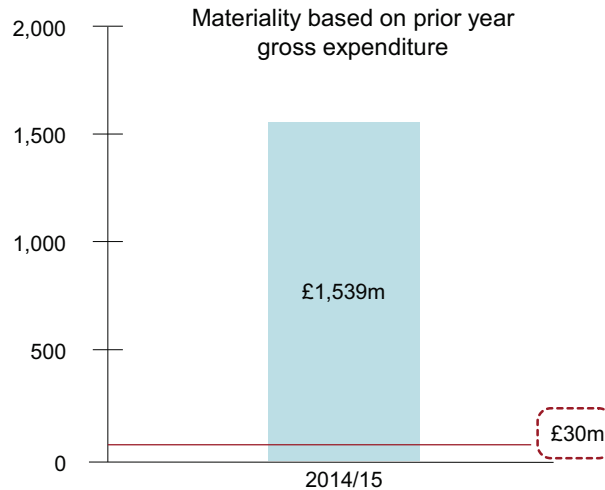
For 2014/15 we have set this at £30 million.

We will report all audit differences over £1.5 million to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader’s perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.



Materiality for planning purposes has been set at £30 million, which equates to 2 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK&I) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 (UK&I), ‘Evaluation of misstatements identified during the audit’, requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.5m.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

We will issue our *Accounts audit protocol* following completion of our planning work.

Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

Mutual learning points from the 2013/14 audit will be incorporated into our work plan for 2014/15. These will be incorporated into our work plan for 2014/15. We revisit progress against areas identified for development as the audit progresses.



Section three Our audit approach – control evaluation

During March 2015 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2014/15.

We work with your finance team to enhance the efficiency of the accounts audit.

We will report any significant findings arising from our work to the Audit Committee.

Our on site interim visit will be completed during March 2015. During this time we will complete work in the following areas:

- | | |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Control Evaluation | <ul style="list-style-type: none"> ■ Evaluate and test controls over key financial systems identified as part of our risk assessment. ■ Review the work undertaken by the internal audit function on controls relevant to our risk assessment. ■ Review the accounts production process. ■ Review progress on critical accounting matters. |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Controls over key financial systems

We update our understanding of the Authority’s key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Review of internal audit

Where our audit approach is to undertake controls work on financial systems, we seek to review any relevant work internal audit have completed to minimise unnecessary duplication of work. This will inform our overall risk assessment process.

Accounts production process

We raised one recommendation in our *ISA 260 Report 2013/14* relating to the pension data flows. We recommended that the Council should liaise with SY Pensions Authority to ensure that continuing action is taken to address the issues in respect of data flows, and take further action if performance does not improve.

We will assess the Authority’s progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work we will present these to the Audit Committee in April 2015.

Section three

Our audit approach – substantive procedures

During July to August 2015 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit Committee* in September 2015.

Our final accounts visit on site has been provisionally scheduled for the period July – August 2015. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the S151 Officer in August 2015, prior to reporting to the Audit Committee in September 2015.

Audit adjustments

During our on site work, we will meet with the Finance Manager on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are part of this.

We report the findings of our audit of the financial statements work in our *ISA 260 Report*, which we will issue in September 2015.

In addition to the financial statements, we also review the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2014/15 have not yet been confirmed.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 15.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of February 2015 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

In this section we set out our assessment of the significant risks or other key areas of audit focus of the Authority's financial statements for 2014/15.

For each key risk/significant risk area we have outlined the impact on our audit plan.

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Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Appendix 3 covers more details on our assessment of fraud risk.

There are no significant risks identified however the table below sets out other risks we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2014/15.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

Area of audit focus	Impact on audit
 <p>LAAP Bulletin 101</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Fixed Assets (Balance Sheet) 	<p>Risk</p> <p>CIPFA issued LAAP Bulletin 101 in December 2014. This provides guidance on Accounting for Non-Current Assets Used by Local Authority Maintained Schools. This is not a significant risk however given this is new guidance for 2014/15, we need to provide specific focus on it.</p> <p>Our proposed audit work</p> <p>Review the schools affected and consider the proposed accounting treatment of these following the new guidance in LAAP 101.</p>

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will report on the results of the VFM audit through our *ISA 260 Report*. This will summarise any specific matters arising, and the basis for our overall conclusion. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Section five VFM audit approach (continued)

We have identified two VFM risk that we will consider as part of our risk assessment.

We will provide an update on how the Authority is managing this risk in our ISA 260 Report.



In line with the risk-based approach set out on the previous page, we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas; and
- concluded to what extent we need to carry out additional risk-based work.

Below we set out our preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion,

We will report our final conclusions in our *ISA 260 Report 2014/15*.

Key VFM risk	Risk description and link to VFM conclusion	Preliminary assessment
 <p>Adult Social Care</p>	<p>The Council has carried out its own detailed and thorough review of the causes of the over-spends within Adult Social Care, and the result were reported to the Audit Committee in July 2014.</p> <p>This review made a significant number of recommendations. There were weaknesses in governance and risk management arrangements, and improvements required in budgetary processes, and overall management control. As a consequence we qualified the Council's value for money conclusion in 2013/14.</p>	<p>Whilst we acknowledge that the Authority is making progress against the recommendations we will need to review the progress made and consider whether this is sufficient to enable us to remove the qualification for 2014/15.</p>
 <p>Savings Plan</p>	<p>The Council continues to face the requirement to reduce its spend as Central Government funding reduces. The 2014/15 to 2018/19 financial strategy assumes that there will be £37m and £45m of reductions in Government funding in 2014/15 and 2015/16 respectively. The Council set a balanced budget for 2014/15, incorporating £58.4m of agreed savings and the savings required for 2015/16 have been built into the budget currently being considered although further work will be needed to ensure these savings are delivered.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Against a backdrop of continued demand pressures it will become more and more difficult to deliver savings in a way that secures longer term financial and operational sustainability.</p> <p>As part of our vfm risk assessment we will critically assess the controls the Authority has in place to ensure a sound financial standing and review how the Authority is planning and managing its savings plans.</p>



Section six Audit Team

Your audit team has been drawn from our specialist public sector assurance department. The audit team will be assisted by other KPMG specialists as necessary.

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Sue Sunderland
Director

“My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the S151 officer.”



Simon Dennis
Senior Manager

“I am responsible for the management, review and delivery of the audit and providing quality assurance for any technical accounting areas..

I will be the main point of contact for the Director of Finance.”



Atta Khan
Assistant Manager

“I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.”

Section six Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Authority's officers prior to publication.

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Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures. 	February 2015
Control evaluation		
Interim Report (if required)	<ul style="list-style-type: none"> ■ Details control and process issues. ■ Identifies improvements required prior to the issue of the draft financial statements and the year-end audit. 	April 2015
Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements. 	September 2015
Completion		
Auditor's Report	<ul style="list-style-type: none"> ■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2015
Whole of Government Accounts	<ul style="list-style-type: none"> ■ Provide our assurance statement on the Authority's WGA pack submission. 	September 2015
Annual Audit Letter	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our audit work for the year. 	November 2015

We will be in continuous dialogue with you throughout the audit.

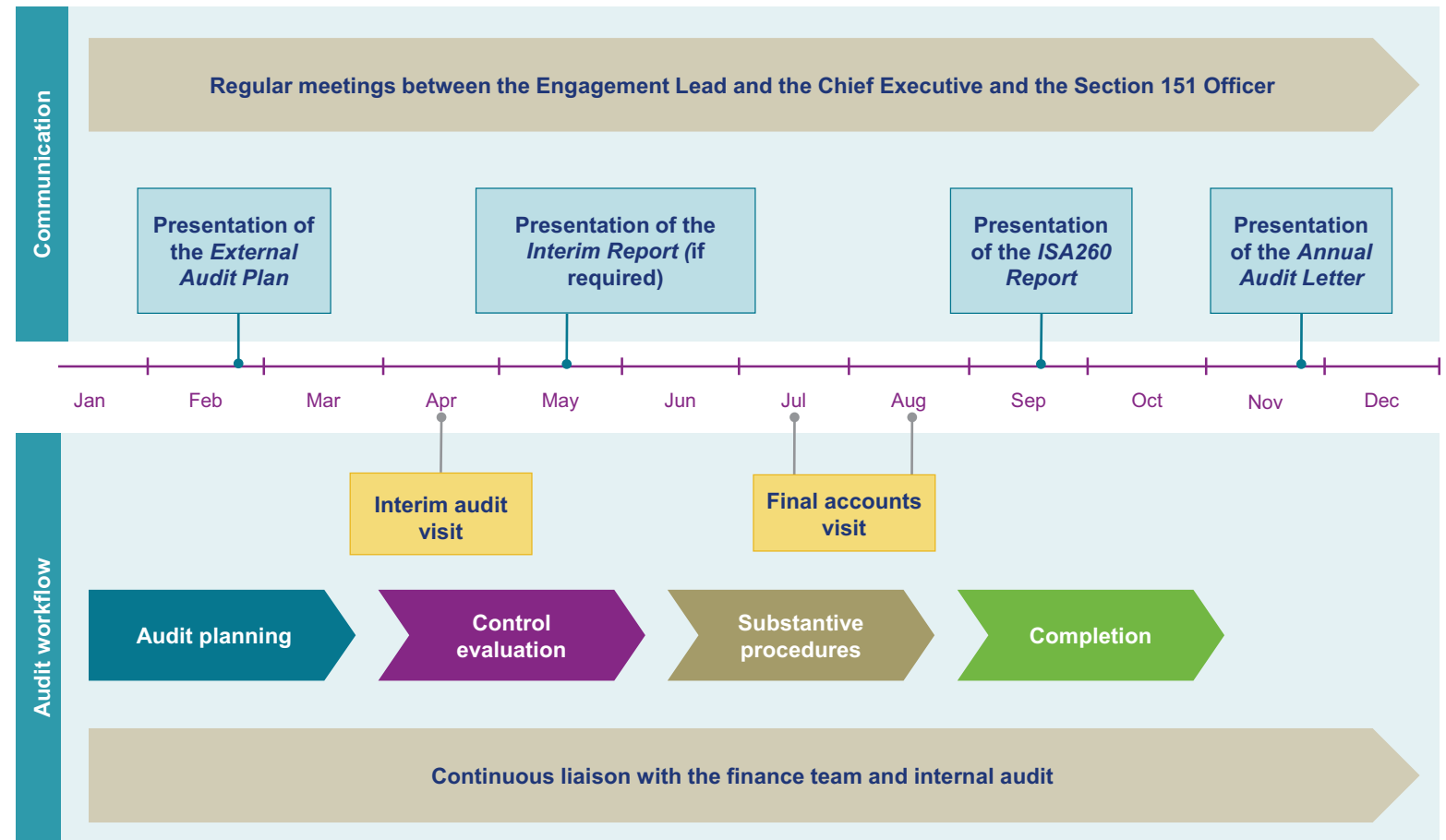
Key formal interactions with the Audit Committee are:

- February – External Audit Plan;
- April – Interim Report (if required)
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visits during March and April.
- Final accounts audit during July and August.



Key: ● Audit Committee meetings.

The fee for the 2014/15 audit of the Authority is £249,330. The fee has increased by £1,470 from that set out in our *Audit Fee Letter 2014/15* issued in April 2014 due to work needed to gain assurance over NNDR transactions.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2014/15* presented to you in April 2014 first set out our fees for the 2014/15 audit. The Audit Commission has subsequently increased the scale fee by £1,470 to reflect the additional work required to gain assurance over business rates transactions now we are no longer required to audit the NNDR claim. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2014/15 is **£249,330**.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15* within your 2014/15 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;
 - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; 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.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

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

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the S151 Officer.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Sue Sunderland as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of her time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission's overall audit quality and regularity compliance requirements.

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

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Members /Officers responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Audit Committee and auditors:
 - any significant deficiencies in internal controls.
 - any fraud involving those with a significant role in internal controls.

KPMG’s identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Audit Committee, and others.
- Evaluate controls that prevent, deter, and detect fraud.

KPMG’s response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Audit Committee and management./officers

KPMG’s identified fraud risk factors

- We will monitor the following areas throughout the year and adapt our audit approach accordingly.
 - Revenue recognition.
 - Management override of controls.

The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commissions' regulatory and other functions.

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- the Commission's responsibilities for local value for money studies will also transfer to the NAO; and
- the National Fraud Initiative (NFI) will transfer to the Cabinet Office.



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AUDIT COMMITTEE REPORT – 28 APRIL 2015

ANNUAL AUDIT FEE LETTER 2015/16

Report of the Director, KPMG.

Recommendation

That the Annual Audit Fee Letter for 2015/16 is noted.

Category of Report - Open

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Sue.sunderland@kpmg.co.uk

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

Our ref ss/dc/526

17 April 2015

Dear John

Annual audit fee 2015/16

I am writing to confirm the audit work and fee that we propose for the 2015/16 financial year at Sheffield City Council.

Closure of the Audit Commission

Although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Our fee proposals are therefore based on the Audit Commission's *Work Programme & Scales of Fees 2015/16*.

Following the closure of the Audit Commission, responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. PSAA will oversee the management of the Audit Commission's audit contracts until they end in 2017, or 2020 if they are extended. The Secretary of State for Communities and Local Government has delegated certain functions formerly exercised by the Audit Commission to PSAA to enable it to deliver these functions.

Also following the Audit Commission's closure, the National Audit Office (NAO) is now responsible for producing and maintaining the Code of Audit Practice (the Code) and providing supporting guidance to auditors. We will follow the requirements of the Code and supporting guidance when delivering our audit work.

Planned audit fee

The planned audit and certification fees for 2015/16 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.



Audit area	Planned fee 2015/16	Planned fee 2014/15
Code of Audit Practice audit fee – Sheffield City Council	186,998	247,860
Certification of grant claims & returns	25,500	26,450

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the audit fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012. The planned fee is in line with the scale fee.

As we have not yet completed our audit for 2014/15 the audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Factors affecting audit work for 2015/16

We tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering changes affecting our audit responsibilities or financial reporting standards.

The Chartered Institute for Public Finance and Accountancy (CIPFA) has confirmed that a change in accounting policy will be introduced for the accounts from 2016/17, in relation to the measurement of transport infrastructure assets for authorities with highways responsibilities. Fees for any additional audit work required in 2015/16, the preparatory year, in relation to disclosures in the financial statements, will be subject to approval under the normal fee variations process. The Audit Commission decided that it was not appropriate to increase scale fees because the amount of work required at individual authorities will vary based on local circumstances, and may not be required for more than one year.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2015/16 fees have been set on the basis that the NAO's Code maintains the scope of work required by auditors under the Audit Commission's previous Code and supporting guidance. The NAO has not yet published guidance for auditors on the required approach to work on value for money arrangements for 2015/16.

Certification work

As well as our work under the Code, we will certify the 2015/16 claim for housing benefit subsidy to the Department for Work & Pensions.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail 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 for the current year's audit. A more detailed audit plan will be issued early next 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, I will first discuss this with the Director of Finance and Corporate Services and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

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

Our team

The key members of our audit team for the 2015/16 audit are:

Name	Role	Contact details
Simon Dennis	Senior Manager	simon.dennis@kpmg.co.uk 0113 231 3543
Alta Khan	Assistant Manager	Alta.khan@kpmg.co.uk 0113 231 3625



Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Trevor Rees (on 0161 246 4063, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3H

Yours sincerely

Sue Sunderland
Director

cc. Eugene Walker

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 2014/15;
 - you will inform us of significant developments impacting on our audit work;
 - internal audit meets the appropriate professional standards;
 - you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2015/16 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 accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; 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.
- 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 and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed 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 KPMG, PSA, the NAO 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.



Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	February 2016
Interim audit report	June 2016
Report to those charged with governance (ISA260 report)	September 2016
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2016
Opinion on Whole of Government Accounts return	September 2016
Annual audit letter	October 2016
Certification of grant claims and returns	January 2017

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REPORT TO AUDIT COMMITTEE

DATE

28th April 2015

REPORT OF

Senior Finance Manager, Internal Audit

ITEM

SUBJECT

Internal Audit Plan 2015/16

SUMMARY

The report presents the Internal Audit planning methodology and programme of work for 2015/16.

RECOMMENDATIONS

In respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice (including CPA requirements) it is recommended that Members endorse the attached programme of work for 2015/16.

**FINANCIAL IMPLICATIONS
CLEARED BY**

**No
K Inman**

**PARAGRAPHS
30**

BACKGROUND PAPERS

CONTACT POINT FOR ACCESS

K Inman

TEL NO.

273 4435

AREA(S) AFFECTED

**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO Cleared by:
Equality of Opportunity implications
YES /NO Cleared by:
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
Corporate
Is the item a matter which is reserved for approval by the City Council? YES/NO
YES /NO
Press release
YES /NO

Director Finance Report – 2015/16 Work Programme

Purpose of the Report

1. The purpose of this report is to present and communicate to members of the audit committee the internal audit plan for 2015/16.

Background

2. The strategy for internal audit work is to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems are being properly managed by directors in service areas.
3. Throughout 2012/13, 2013/14 and 2014/15, internal audit have undertaken a significant number of main corporate system reviews in areas such as performance monitoring and risk management. Assurance has been taken that these processes are operating satisfactorily, based on the number of low or medium/low audit opinions assigned to these reviews. This has then helped to inform the planning process for 2015/16.
4. During the financial years 2012/13, 2013/14 and 2014/15 there was a decrease in the number of benefit fraud referrals received by internal audit. The prime reason for this was an agreed reduction in the processing of Department of Work and Pensions data matching referrals (Housing Benefit Matching Service) received by the Capita counter fraud team, in preparation for the establishment of the Single Fraud Investigation Service.

Planning Methodology

5. In order to plan for the use of internal audits' resources, the approach is structured around the following:
 - Utilisation of the corporate risk management process including the corporate risk register and portfolio risk management plans.
 - Utilisation of the information provided by directors under the Annual Governance Statement (AGS) process.
 - Risk based reviews in areas of highest perceived risk as determined by the chief executive/executive management team (EMT)/executive director - resources/director of finance/assistant directors of finance /senior finance managers/ finance managers.
 - An allocation of resource to cover fraud, theft and corruption allegations (re-active investigations).

- Pro-active counter fraud work.
 - Main financial systems (MFS) work including an allocation of days to consider transactions from the Combined Authority.
6. The format of the tactical plan was revised in 2014/15 and this was positively received by audit committee members. This format has been adopted again for 2015/16 and includes additional information about the scope of audit reviews, whether the auditable area is present in either the portfolio or corporate risk register and whether there are any AGS concerns raised.
 7. We have also distinguished between the different types of audit such as strategic reviews (single topic/theme that impacts on multiple services/portfolios), risk-based audit, compliance audits and other work such as grant sign-offs.

Utilisation of the Corporate Risk Management Arrangements

8. The current risk management process requires service areas to consider risks and either manage and mitigate risks or escalate them up through a process to leadership teams and/or EMT. The information contained within the corporate risk register and portfolio service risk management plans provide a broad range of risks facing the council and identifies risk controls, costs, escalation process etc. A number of the higher risk rating entries on the registers/risk management plans have been included in the audit plan.

Utilisation of the Annual Governance Statement

9. The process for collating information for the production of the AGS is managed by Legal and Governance. The information which directors submit and sign up to provides a wealth of information on how some of the most important internal control arrangements are managed within services. Audit managers review this information when identifying areas for the audit plan.

Fraud Allegations (Re-active investigations)

10. An allocation of time is included in the plan to provide for the investigation of allegations of fraud, theft and corruption. During 2014/15 the number of housing/council tax benefit allegations received by Internal Audit decreased due to an agreed reduction in the processing of allegations by Capita. From Feb 2015, the Single Fraud Investigation Service was

formally established and all benefit fraud cases are now investigated by this central government service, rather than by SCC. Consequently the time allocated for this type of work during 2015/16 has been reduced. Nevertheless, in the event that the volume of fraud allegations increases or a large scale investigation becomes necessary, resources will be transferred from other areas of the internal audit plan.

Pro-active Counter Fraud Work

11. Despite the changes introduced for external audit and the role of the Audit Commission, the National Fraud Initiative (NFI) element of the Commission's work continues under the remit of the Cabinet Office. This element of work has grown in recent years and will probably continue to expand and is no longer exclusively focused on housing benefit fraud, as new areas of scrutiny continue to be added e.g. most recently tenancy fraud and abuse of the blue badge scheme.
12. In addition to the above externally generated work, in recent years internal audit have included a number of exercises in the plan directed primarily at consideration of the specific risk of fraud in an area of activity, for example employee expenses, grants and fuel management. These exercises have been successful in identifying irregularities and weak/inconsistent controls and management arrangements. Four such reviews have been included in this year's tactical plan.
13. During recent years internal audit has provided fraud awareness presentations to employees to improve defences against fraud. In 2015/16 the e-learning course will be refreshed and made available to replace face to face training.

Main Financial Systems (MFS)

14. Internal audit have for a number of years tried to reduce the time devoted to MFS work, however it is unlikely that this could be reduced further and we may come under pressure to increase this work at the behest of external audit. External audit place reliance on the soundness of the MFS and assurance from the work of internal audit on these systems. Any work undertaken on the MFS by external audit is likely to be in the region of double the price of internal audit on a day rate basis.
15. Key financial systems have been selected for the 2015/16 audit plan, including a number of follow up reviews. In addition to this, a number of reviews relating to general ledger systems have also been included within the Resources Portfolio plan. This will assist external audit, who has

confirmed that they will be focusing on these areas for future years. The director of finance believes this aspect of the work of internal audit to be crucial in supporting the S151 officer responsibilities.

16. For 2015/16, it has also been agreed that SCC internal audit will conduct some compliance tests of the Combined Authority transactions which are processed through the MFS of SCC. This work will provide assurance to Barnsley Metropolitan Borough Council (BMBC) who is responsible for governance and audit of the Combined Authority. This work will be recharged to BMBC.

ICT

17. The partnership for technical ICT support is not being renewed for 2015/16 due in part, to the significant changes being undertaken with regards to ICT systems. Consideration will be given to retendering for this support from 2016/17 onwards.

Risk Based Audits of Systems/Services/Functions

18. The resource not utilised on the above elements is devoted to undertaking reviews of the areas of most perceived risk as identified by internal audit in consultation with key officers i.e. principally the executive director - resources/director of finance/chief executive plus executive directors and directors. The basis of the planning discussions was not a fully risk scored audit universe but was more reliant on perceived areas of risk and emerging issues.
19. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of internal audit.
20. At the beginning of each audit assignment the relevant service manager will also be consulted to ensure that current risk areas are included in the remit for the work.

Capital Programme

21. For 2015/16 a block of resource has been dedicated to reviewing the capital programme of SCC. This will start with a review of the revised process introduced in 2014/15, and then audits of specific capital schemes will be undertaken to establish whether there is compliance with the new process.

Summary of the Audit Plan

22. The following represents the summary of the planned audit time for the current year.

Auditable Area	Days
Corporate Reviews	234
Capital Programme	90
Communities	356
Main Financial Systems	126
Children, Young People and Families (CYPF)	311
Place	181
Resources and ICT	338
Investigations and Benefits	246
Total	1882
High Priority	1384
Medium Priority	448
Low Priority	17
Statutory	33
Total	1882

23. It should be noted that the above total does not balance exactly to the resources available. In addition, it will be significantly affected by any unplanned work requests. In the event that these materialise, we will need to re-prioritise our work programme to ensure that key risk areas are still covered.

24. The 2014/15 annual plan is attached at Appendix 1.

Future Considerations

25. Throughout the coming year, internal audit will evaluate the plan to ensure we are directing internal audit resources at the main risks facing the authority.
26. Given that the operating environment of the council is changing rapidly, it has been agreed that the planning process needs to be much more flexible and responsive than in previous years. Internal audit will ensure that key officers are able to suggest areas for review at any time rather than at a fixed planning stage. This approach will potentially involve a greater level of management liaison with senior officers throughout the year.

FINANCIAL IMPLICATIONS

27. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

28. There are no equal opportunities implications arising from the report.

CONCLUSION

29. The audit plan summarises a risk based programme of work which demonstrates that the council has made provision to discharge its (and officers) statutory responsibilities.

RECOMMENDATION

30. In respect of the provision of the statutory internal audit function and in order to comply with best professional practice it is recommended that members endorse the attached programme of work for 2015/16.

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Overall Summary By Portfolio and Audit Type

	Corporate*	Place	CYPF	Communities	Resources** & ICT	MFS	Investigations and benefits	Total Days
Compliance Audits	20	5				126		151
Risk Based Audit	210	126	206	334	323		79	1278
System Based Audit			2				27	29
Control Risk Self Assessment			60					60
Application Reviews								0
Follow Up Audits	12	7	26	14	15			74
Project Management Reviews	72							72
Advisory			2					2
Value for Money	10	18						
Investigations							140	140
Grant certification / sign-off		25	10	8				43
Report Production			5					5
Total Days	324	181	311	356	338	126	246	1882

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High Priority	284	90	189	162	287	126	246	1384
Medium Priority	40	66	105	186	51			448
Low Priority		5	7	5				17
Statutory		20	10	3				33
	324	181	311	356	338	126	246	1882

* Cross cutting reviews covering multiple Portfolios

** Includes Public Health, Sheffield One and Policy, Performance and Communications

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	Portfolio RMP	CRR
Corporate Reviews								
	Sheffield City Region (SCR) - Combined Authority	RBA	High	Providing assurance on the interface between all parties and communication arrangements. To help ensure the right projects are being approved and effectively delivered to promote the Councils outcomes. Ensuring no duplication of work undertaken by Barnsley MBC.	2, 4, 5 & 6			
	Mail Box Usage	Value for Money (VFM)	Medium	Providing assurance that charges for excessive mail box usage are legitimate and kept to a minimum. Demonstrating that all Portfolios have effective monitoring and reporting arrangements in place.	All			
	Business Continuity Plan (BCP)	RBA	High	Assurance that the Portfolio and Council has co-ordinated, comprehensive and quality BCP's. Ensuring key services are prioritised whilst experiencing disruption and resume business as usual quickly and efficiently. Finally ensuring there are clear roles, responsibilities, governance arrangements, reporting lines and a robust testing process and lessons learnt.	All			CR061
	Health and Safety	RBA	High	To provide assurance to management that the processes for undertaking recording and managing the Health and safety processes across the Council are adequate.	All			
Follow up	Statutory Health Check	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H.	All			

Follow up	Business Planning	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	All			
Follow up	Budget Setting and Implementation of Savings	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H.	All			
Follow up	Directors Assurance	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H.	All			
Capital Programme								
	Capital Delivery - New Framework	RBA	High	Assurance that all Portfolio's are complying with the new framework, including an assessment of the approvals process and the effectiveness of the challenge and monitoring role of the Outcome Boards.	All		Place 37, 41, 44 & 50	CR107
	Don Valley Stadium - Development	Project Management	High	Assurance around the governance and decision making arrangements, including the approvals process and development of the site.	2, 3 & 5		Place 154	
	Re-roofing of Council Houses	Project Management	High	Assurance around the governance and decision making arrangements, including the approvals process and development of this project (this is a £90m project over 5 years).	2,3,5 & 6			

Capital & Major Projects	Department of Energy and Climate Change (DECC) - District and Community Heating Project.	Project Management	High	Project management standards are complied with including clear project planning and progression, effective communication channels, defined roles and responsibilities and effective governance and reporting arrangements. Including effective and clear links to other projects and partners. To ensure heat networks provide a quality service and low carbon aspirations.	2,3 & 5			
Combined Authority	Bus Rapid Transit (BRT) - North	Project Management	High	Assurance around the governance and decision making arrangements, including the approvals process and development of this project.	2 & 5			
Partnerships								
Amey	Streets Ahead	RBA	High	Assurance that effective and robust governance, monitoring and financial arrangements in place so that Amey is delivering their contractual requirements and at the same time we are maintaining a positive relationship. Robust and effective communication and engagement with all stakeholders. Ensuring their are clear roles and responsibilities between Client Monitoring Team and Commercial Services. Finally ensure work to Amey is issued in sufficient time for the Council to fully utilise Dept for Transport (DfT) grant funding to consider the issue of liquidation damages. To include an assessment of penalty notices issued and the approval process when not applied.	2 & 5			CR113
Social Housing Repairs and Maintenance (SHRM) contract	Performance monitoring and repairs logging system	RBA	High	Assurance that the performance monitoring and repairs logging system is working effectively and efficiently	5		Comm 71	

SHRM contract	Transition & Exit Plan	RBA	High	To provide assurance that the exit plan in place for the cessation of the current contract is robust.	5		Comm 71	
Kier Asset Partnership Services (KAPS)	Transition Plan	RBA	High	A review of the transition arrangements in place for the KAPS contract and elements that will be brought back 'in house'.	5			
Kier	Kier - Disposal work	RBA	High	To provide assurance that there is a robust monitoring and allocation of disposal work to Kier, bearing in mind the potential contract end date of June 2016. Ensuring effective delivery of services up to this date.	5		Place 39	
Annual Governance System (AGS)								
AGS	Process Review	Compliance	High	Annual review that the AGS has been produced in line as per corporate requirements.	N/A			
AGS	Quality Review	Compliance	High	Assurance that the data contained with the AGS has been subject to appropriate quality checks and the outcomes are robust.	N/A			
Public Health								
Public Health	Public Health Service	RBA	High	Assurance that there is a clear decision making process with linkages to strategies and outcomes. To include financial management and monitoring arrangements.	2,3,5,& 6			
ICT Core								

ICT Core	ICT - Digital Strategy	RBA	High	To provide management with assurance, that the IT strategy effectively supports the deliver of the business aims and objectives and service improvement plans. A review will ensure that the IT strategy is designed to deliver the business aims and that effective programmes and projects are in place to deliver the strategy.	All		BIS23	CR079
BIS Contract Management	Monitoring of the Capita Contract	RBA	Medium	To provide assurance to management that the Council has in place adequate arrangements for the management of the revised ICT elements of the CAPITA contract and that the KPI's used are robust and that the data supplied to support these is fit for purpose.	All			CR082

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	Portfolio RMP	CRR
Place Portfolio (181 days)								
Regeneration & Development Services	Grant - Local Pinch Point Fund	Grant certification / sign off	Statutory	Statutory responsibility - an audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with. A61 Penistone road junction improvements with a grant allocation of £1.9m. Required by 30.9.15.	2 & 5			
	Sheffield Lower Don Valley (LDV) - Growth Fund Allocation	Grant certification / sign off	Statutory	Statutory responsibility - an audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with. Flood defence grant for the protection of commercial businesses. Required by 31.3.16.	2, 5 & 6			
	Local Authority Bus Subsidy Grant	Grant certification / sign off	Statutory	Statutory responsibility - an audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with. £53k to support bus services and provision of infrastructure. Required by 30.9.15.	5			
	Grant - Department for Environment, Food and Rural Affairs (DEFRA) Air Quality Grant 2013/14	Grant certification / sign off	Statutory	Statutory responsibility - an audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with. £46k to produce a communications plan, a prelude to a major capital project expected to be the outcome of the Air Quality Study which is currently on going. Required by 31.10.14 (extension provided).	3 & 5			

	Community Investment Levy (CIL)	RBA	High	Assurance about the implementation of the new CIL to provide an infrastructure to support new developments in an efficient way. Ensuring adherence to agreed timescales and an assessment of the impact of the new CIL, as well as the scaling back of section 106 agreements. Also to review the charging schedule, ensuring it is financially viable and an assessment of the spending arrangements to the levy funds.	2 & 5			
	Planning - Building Controls	VFM	High	Assurance that the service is applying a commercial and competitive approach ensuring full costs are recovered and an effective fee charging mechanism. Ensuring there is a clear Strategy for the service and the audit will include an assessment of the unit costs per inspection. Finally to review the process for notices of enforcement when planning breaches have been reported.	5 & 6			
	Archaeology Accounts	Accounts sign off	Low	Statutory sign off of annual accounts.	N/A			
	Housing and Communities Agency (HCA)	RBA	High	Assurance that the Council is making 'the best use' of the HCA resource available.	2, 5 & 6			
	HCA Compliance Audit	Compliance Audit	Medium	An audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with. The scheme is an Empty Property Purchase and Repair scheme whereby the Council purchases private empty properties, refurbishes them and then adds them to the council housing stock. Required by 31.12.15.	2, 5 & 6			

(also link to Public Health)	Air Quality	RBA	Medium	Assurance that the Council is not breaching European Union (EU) thresholds for air quality. To establish if there is effective monitoring and reporting arrangements on air quality, including financial management and monitoring of the Air Quality Action Plan and working with key stakeholders.	3 & 5		Place 251	
Business Strategy and Regulation	Information Governance/Data Security (Howden House)	RBA	High	Ensuring that the portfolio has sufficient Information Governance arrangements in place to prevent the Council from incurring significant fines from the Information Commissioners Office (ICO). Assurance that data is captured and transported in a safe and secure manner to help prevent loss or misplaced data/information and unauthorised use. Assurance that information which is sensitive and confidential is not left behind during workplace moves and an assessment of the physical security of assets.	5		Place 30, 57, 75, 91, 135, 161, 191 & 219	CR082 CR112
	Debt Management	RBA	Medium	Debt collection arrangements are effective and portfolio debt levels and historical debts have reduced. The Council's system for debt recovery is complied with.	2 & 5		Place 95, 161 & 202	

	European Services Directive	RBA	High	Assurance that the Council is complying with European Services Directive, to help prevent the risk of high value financial penalties. The review will include the need to consider the impact of Licensing moving away from European Union (EU) Portal and implementing its own e-service. Also the potential for under/over recovery of costs due to the new electronic processes and associated fees.	2 & 5		Place 156 & 157	
Capital and Major Projects	Consulting Partnerships and Payments to Developers	RBA	Medium	Adherence to the Councils procurement procedures, including value for money partnerships. Review to consider payments to developers and work done on behalf of developers to facilitate developments.	2 & 5		Place 39	
Follow-ups	Scowerdons, Weakland & Newstead (SWaN) Housing	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H-M.	2, 5 & 6			
	Cash Handling - Place	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	5		Place 212	
	Markets	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H.	5		Place 203, 208, 210, 211, 222, 255 & 257	

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	Portfolio RMP	CRR
CYPF Portfolio (311 days)								
Inclusion and Learning (ILS)	Special Educational Needs or Disabilities (SEND) Programme Phase 2	RBA	High	As part of the government legislation reforms under the Children & Families Act 2014, changes have been made to the way Sheffield works with families with a special educational need or disability. The review will provide assurance that the new SEND 0-25 service has effective joined up services (including a Joint Commissioning Framework) working closely with partners and families to assess, plan, allocate placements and deliver services. The review will also include financial management and action plan delivery for the predicted overspend.	3 & 4			CR010
	Personalised Education Plans (PEP's).	RBA	Medium	Assurance that a PEP is completed when required with full, accurate and quality data. Looked after children should be supported appropriately to maximise their potential and demonstrate attainment for Looked after Children is improving.	3 & 4		CYPF 65	
	Inclusion and Learning Service Review	RBA	High	To provide assurance to management that the service controls for the whole of ILS are adequate and been operated in an effective manner, this will cover; management controls, budget setting and monitoring, KPI's/targets and performance monitoring and reporting arrangements.	4			

Lifelong Learning and Skills (LLS)	Care Leavers (cross cutting with Children and Families)	RBA	Medium	Strategy and results of trying to engage care leavers is effective, resulting in a reduction in NEET statistics (Not in employment, education or training).	4			
Children and Families	Early Years Service Review - 'Best Start' Programme	RBA	High	To provide assurance following the restructure and cessation of grants to some childcare providers. To consider the impact and effectiveness of the changes and redesign of this service, in particular performance and outcomes.	4		CYPF 27	
	Independent Review Services	RBA	High	To provide assurance that this service area has adequate and robust controls in place to provide effective service delivery.	4			
	Aldine House (Secure Children's Home)	RBA	Medium	To provide assurance that this secure children's home has adequate financial, governance and reporting arrangements in place. Demonstrating effective and timely service delivery that serves both local and national communities by looking after children and young people who need a safe and controlled yet child centred secure residential environment in order to prevent harm to themselves or to others.	3, 4 & 6		CYPF 34	

	Building Successful Families	Grant certification / sign off	Statutory	Statutory responsibility - Phase 2 of the Department for Communities & Local Government (DCLG) Expanded Troubled Families Programme. An audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with. Verification and validation checks on a representative sample of results for each claim submitted. Internal Audit will also provide guidance in relation to the Troubled Families Outcome Plan.	3, 4 & 6			
	Attendance Strategy	RBA	High	To provide assurance that the Multi-Agency Support Teams (MAST) are performing well against the Services Attendance Strategy. Helping to improve both children's attendance at school and their performance.	4			
	Direct Payments	RBA	High	Following the Children & Families Act 2014, assurance that the Pilot scheme has operated successfully in a controlled manner and that proposed personalised budgets and direct payments for 2015/16 are going to be controlled, managed effectively and monitored and reported accordingly.	4			
School Themed Reviews	Risk Management in Schools	Control Risk Self-Assessment	Medium	CRSA to identify Headteachers/Business Managers assessment of the Schools Risks. To ensure effective, robust and up to date Risk Management Plans are in place. Ensuring that all risks are identified, reported, documented and appropriate mitigation actions taken where necessary. May involve visits, will depend on content of returns.	4			

	Racial Incident Monitoring in Schools	Control Risk Self-Assessment	High	CRSA to identify Headteachers/Business Managers assessment of the Schools Racial Incident Monitoring to ensure effective and robust plans/policy are in place. Ensuring that all incidents are identified, reported, documented and appropriate remedial action taken where necessary. May involve visits, will depend on content of returns.	4 & 6			
	Health & Safety	Control Risk Self-Assessment	High	CRSA to identify Headteachers/Business Managers assessment of the Schools Health & Safety arrangements to ensure effective and robust controls are in place. Ensuring that all schools have a Policy in place, that they are fully aware of the correct process to follow in case of an incident and the requirement of assessments. May involve visits, will depend on content of returns.	4 & 6		CYPF 54	CR095
	Information Governance/Data Security	Control Risk Self-Assessment	High	CRSA to identify Headteachers/Business Managers assessment on information governance and security of data arrangements. To provide assurance to management that there are adequate safeguards in place regarding the physical security for data assets at Schools, including suitability of IT equipment encryption. May involve visits, will depend on content of returns.	4			CR082

	School Financial Values Standards (SFVS)	Letter	Low	Schools that do not complete the SFVS return for 2014/15 will be issued a letter from Internal Audit notifying them that they will be included on all the School Themed reviewed for 2015/16 due to concerns about their internal controls and processes.	4			
	Schools Annual Report	Report Production	Low	Report outlining and summarising all the findings and recommendations for the 2014/15 school themed audits.	4			
Business Strategy	Early Years Headcount, Free Early Learning (FEL) and payments process	RBA	High	A full review of the Early Years payments process including the manual process, new on-line portal, certification statements and validation process.	4			
	Deficit Recovery	RBA	High	Assurance that there is a robust and timely deficit recovery process.	4		CYPF 5	
	Universal Free School Meals (UFSM)	RBA	Medium	Assurance that the UFSM has now become part of the School's business as usual and funding of each meal has not resulted in a School shortfall at financial year end.	3 & 4		CYPF58 & 59	
	Credit Notes	RBA	Medium	Assurance that credit notes are raised in a timely, controlled manner and appropriately approved.	4			
Chargeable Work	Pye Bank CE Primary School	SBA	Medium	Assurance to the Governing Body that the school has secure financial management in place.	4			
Follow-ups	Use of DSG	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	4			

	City Deal	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	4		CYPF 39 & 43	
	Cash Handling - Schools	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	4			
	Cash Handling - CYPF	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	4			
	Thornbridge Centre	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H.	4			
	Business Continuity Planning - Schools	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3 & 4			
	Critical Incident Planning - Schools	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3 & 4			
	Schools Improvement Plan (SIP)	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	4		CYPF 05	

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	Portfolio RMP	CRR
Communities Portfolio (356 days)								
Care and Support	Provider Services Value For Money (VFM)	RBA	Medium	Assurance that provider charges have reduced in line with the reduction in service size.	3			
	Care Act 2014	RBA	High	A review on compliance with the Care Act 2014	3			
	Hospital Discharges	RBA	High	In anticipation of winter pressures, to provide assurance that there is a robust system in place for the management of hospital discharges	3			
	Appointeeships Scheme	RBA	High	With the roll out of the appointeeship scheme in the Council, assurance that the appropriate controls are in place.	3			
	Client Management in Learning Disabilities (LD)	RBA	Medium	Assurance that the controls around client management within LD are robust.	3			
	Social Care Accounts Service - care packages costing	RBA	High	Assurance that the controls in place dealing with the pricing of care packages are robust.	3		158	
	Social Care Accounts Service - residential and nursing agreements	RBA	High	A review covering the system in place dealing with the input of residential and nursing agreements on Carefirst, ensuring it is operating effectively.	3		158	
	Deprivation of Liberty Safeguards (DOLS)	RBA	Medium	Assurance that the system in place for dealing with DOLS is working effectively.	3			
	Resource Allocation System (RAS)	RBA	High	A review of the RAS, to include assurance on how this is now aligned to the recent Care Act.	3			

	Review and reassessment	RBA	High	Assurance that the controls in place with regard to the reviewing of care packages are sound.	3		199	
	Autism innovation grant sign off	Grant sign off	statutory	Statutory sign off of grant.	N/A			
Business Strategy	Staff Utilisation and Management	RBA	Medium	Review of the process and transaction testing for the management of staff to include sick absence and agency cover.	3		65,202	
	Communities governance	RBA	Medium	Assurance that there are effective and efficient management, governance and decision making bodies in place in Communities.	3			
	Safeguarding	RBA	Medium	Review of systems in place to ensure safeguarding is being effectively managed and reported.	3		5,26,81,119,133,171	CR025
	Safeguarding assurance from Sheffield Health Care Trust	RBA	Medium	Review of the assurance being provided by the Trust that safeguarding controls that they are operating are sound.	3		5,26,80,82,159	
Commissioning	Demand Forecasting	RBA	Medium	Review of the system in place for demand forecasting and quality assurance. Assurance to be provided on our response for the demands in commissioning in the city	3		77, 84	
	Better Care Fund (BCF)	RBA	High	A piece of work to be delivered across the BCF pooled budget area, working in liaison with Health auditors. Yet to be scoped.	2			
	Better Care Fund (BCF)	RBA	High	A second piece of work to be delivered across the BCF pooled budget area, working in liaison with Health auditors. Yet to be scoped.	2			
Council Housing	Rogue Landlord grant sign off	Grant sign off	statutory	Statutory sign off of grant.	N/A			
	Archives Accounts	Accounts sign off	Low	Statutory sign off of annual accounts.	N/A			

	Rechargeable repairs - debt recovery	RBA	Medium	Assurance on the system in place dealing with recharges and recovery for repairs in council housing.	5			
	New Housing - Delivery plan	RBA	Medium	A review focussing on the delivery of the new housing plan, providing assurance that progress is being made.	5			
Follow-ups	Care Contributions - Payments in dispute	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3			
	Transitions	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High	3			
	Handling of serious incidents	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3			
	Choice Based Lettings	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3			
	Cash Handling	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3			
	Short Term Intervention Team	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High	3			

	Quality of Market	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.	3			

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	Portfolio RMP	CRR
Resources and ICT (338 days)								
ICT (54 days)								
	Payment Card Industry (PCI) Controls	RBA	High	To provide assurance to management that arrangements are robust for appropriate operation of PCI controls.	All		R134	
	Information Management/Data Controls	RBA	High	This review will focus in on a small areas in the Council where there are perceived risks. This may well be in the Communities are. It will look in-depth at the controls that are being used for allow aspects of data, including quality, storage, disclosure and sharing. To ensure that the controls are adequate and being implemented and monitored appropriately. with a view to using these across the Council	All		R115 & R145	CR096
Inc. Transformation	BCIS Service Review	RBA	High	To provide assurance to management that the service controls for the whole of BCIS are adequate and been operated in an effective manner, this will cover. Management Controls, Allocation of monitoring of resources to projects, budget setting and monitoring, charge out rate calculations, time monitoring and KPI's/ business planning.	All			R111
Resources (348 days)								
Human Resources	The Cube - HR data system	RBA	High	To provide assurance to management that the data supplied to managers regarding HR issues is timely and adequate.	All			

	Sickness Absence	RBA	High	To provide assurance to management that the processes for undertaking recording and managing the Sickness absence process is adequate.	All			
Customer services	Corporate Complaints processes	RBA	High	To provide assurance to management that the Corporate Complaints processes for undertaking recording and managing complaints across the Council are adequate.	All			
	Blue Badges Assessment process.	Follow-up	Medium	Follow-up of recommendations made in a high opinion audit report	All			
	City Wide Alarms	Follow-up	Medium	Follow-up of recommendations made in a medium-high opinion audit report	All			
	Magnolia (Intranet Application)	Follow-up	Medium	Follow-up of recommendations made in a medium-high opinion audit report	All			
Commercial Services	Changes to European Tendering Processes	RBA	High	To provide assurance to management that the processes are in line with the new OJEC regulations. The review will also look at the process for investigating and resolving tendering disputes.	All		R112	
	Alterations to service processes	RBA	High	The review will support the service as it intendeds to alter a number of management processes. The review will ensure that adequate probity controls are maintained.	All			
	Realisation of the Commercial Savings Target	RBA	High	To provide assurance to management that the processes for identifying and realising commercial saving as adequate.	All			
Finance	New Integrated Finance System (governance arrangement)	RBA	High	To provide assurance to management that the governance arrangements for this major project are adequate.	All		R136	

	New Integrated Finance System (project development)	RBA	High	To provide appropriate input into the development of governance controls for the various work streams of the project.	All		R136	
	Petty Cash - central Controls	RBA	Medium	To provide assurance to management that the processes for undertaking recording and managing the petty cash processes central with the council are robust.	All			
	Pension Arrangements	RBA	High	To provide assurance to management that the processes in relation to pensions administration, including communication with the South Yorkshire Pensions Authority are operating Satisfactorily.	All			
	Corporate Assets Register	RBA	High	To provide assurance to management that the system and processes for recording all of the relevant assets of the Council is operated effectively and produces the require financial information to support the Council financial and management accounts.	All			
	VAT	RBA	High	To provide assurance to management that there are adequate controls in place to manage the identified risk in this area.	All		R139	
Annual Accounts	Employee year end benefits accrual disclosure note	RBA	High	Request from Strategic Finance for assistance.	All			
	External Funding Follow-up	Follow-up	Medium	Follow-up of recommendations made in a high opinion audit report	All		R142	
	Treasury Management	Follow-up	Medium	Follow-up of recommendations made in a medium-high opinion audit report	All			
Legal Services	Role of the Monitoring Officer	RBA	High	To provide assurance to management that roles of the Monitoring officer are being appropriately applied.	All			

Policy, Performance and communications	Elections service	RBA	High	To provide assurance to management that the processes for undertaking the administration of elections and voter registration are operating effectively.	All		PPC 8, 11 & 13	
	Communications Service.	RBA	Medium	To provide assurance to management that the internal and external communications strategies of the council are appropriate, have been communicated to all staff and are operating effectively.	All		PPC 34	

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed Assurance to be obtained	Corporate Plan Link (priority/ value or outcome)	AGS	CRR	PRR
Main Financial Systems (126 days)								
	Council Tax	compliance	High	The system in place for managing and controlling council tax is working effectively and efficiently. Provides assurance to External Audit.	value			
	National non domestic rates (NNDR)	compliance	High	The system in place for managing and controlling NNDR is working effectively and efficiently. Provides assurance to External Audit.	value			
	Debtors	compliance	High	The system in place for managing and controlling debtors is working effectively and efficiently. Provides assurance to External Audit.	value			
	Creditors (P2P)	compliance	High	The system in place for managing and controlling Creditors is working effectively and efficiently. Provides assurance to External Audit.	value			
	Payroll	compliance	High	The system in place for managing and controlling payroll is working effectively and efficiently. Provides assurance to External Audit.	value			
	Org Plus - vacancy controls	compliance	High	Ensure that the system in place for recording and removing of vacancies is operating effectively.	Value			
	Financial controls - Communities	compliance	High	Following reviews in other portfolios, that the arrangements for financial controls in Communities are robust and effective. Provides assurance to External Audit.	value			
Total Days								

NB: As per the protocol with External Audit, the main financial systems are currently defined as:

- Payroll (and associated sub systems such as pensions)
- Purchase to Pay (ordering and accounts payable).
- Accounts Receivable (sundry Debtors) - Debt Recovery Processes
- Corporate Finance Budgetary control – Including Portfolio budgetary control)
- Main Accounting System incl Bank reconciliations
- Asset Management Systems
- Council Tax Income
- National Non-Domestic Rates (NNDR) system
- Housing Benefits and Council Tax Benefits Payments systems.
- Treasury management
- Rent income control

Audits being carried out in Resources/Investigations with links to main financial systems in 2015/16 with links to finance are:

- Housing Benefit Review
- Pension Arrangements
- VAT
- Corporate Assets Register

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	Portfolio RMP	CRR
Investigations (246 days)								
Re-active Investigations	Time for investigations	Investigation	High	Undertake investigations and support service managers where there are allegations of potential fraud.	All			
	Single Fraud Investigation Service	Risk Based Audit	High	To provide assurance that the council has adequate arrangements in place post transfer for dealing with fraud issues in Council benefits relating to the single fraud investigation service.	All			
National Fraud Initiative (NFI)	NFI Data Matching output year	Investigation	High	Legal requirement - This is to coordinate the Councils processing of the output received from the NFI data matching process.	All			
	Protecting the Public Purse	Investigation	High	To coordinate the submission of data for the annual protecting the public purse exercise and for reporting this through to Members of the Audit Committee.	All			
	Advice to Management	Investigation	High	This is a resource to provide ad-hoc advice to management across the Council in relation on-going management investigations.	All			
	Deceased and Gratuities (payroll)	Investigation	High	This is a resource to provide support to payroll in investigating gratuity payments (pensions) to former employees, where there is evidence that they are deceased. This will also look to provide a sustainable process for the service going forward.	All			

	Corporate processes for conducting Investigations	Risk Based Audit	High	To provide assurance to management that the Council has adequate controls in place to undertake investigations, including ensuring that staff are appropriately resourced and trained.	All			
Housing Benefit	Housing benefit review	System Based Audit	High	To provide assurance that the Council has adequate controls in place to control and monitor expenditure on housing benefit in line with the required regulations. Including regularity and the review of the system and application assessment which was previously 3 separate reviews.	All		R133 & R135	CR44
Pro-Active Investigations	Vehicle Management	Risk Based Audit	High	This is to provide assurance to management that the Councils vehicle are being appropriately monitored to ensure that they are only being used for business purposes.	All			
	Positive Verification of ICT assets	Risk Based Audit	High	This is to verify that the Council has an accurate record of the IT assets for which it is paying.	All			
	Review of Staff Expense Claims	Risk Based Audit	High	To provide assurance that the Council has in place adequate controls to identify any investigate this type of potential fraud.	All			
	Review of the processes used by CAPITA to verify and recover Single Person Discounts where eligibility	Risk Based Audit	High	To review the processes used by Capita to identify potential inappropriate SPD claims and that appropriate action is taken to recover any overpayments.	All			

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Corporate Plan Link	AGS	CRR	Portfolio RMP
Corporate	Archive process	RBA	Low	Assurance that controls in place for the operation of the corporate archive process are robust.	All			
Corporate	Business Setting and Implementation of Savings 15/16	RBA	Medium	Following on from last years review, assurance that the implementation of budget savings for 15/16 is progressing.	All			
Place - Business Strategy	Pest Control	RBA	Low	Assurance that commercial income is increasing to help fund the statutory element. To include market awareness and productivity of the section.	3, 5 & 6			Place176
Place - Business Strategy	Medico-Legal and Coronial Services	RBA	Medium	Following the transfer of all Coroner's hospital cases to Medico Legal and Coronial Services the audit will consider the staffing levels and work allocation. Also to review financial arrangements, budget monitoring and cost pressures.	NA			Place 243, 244 & 246
CYPF	Parent Pay	RBA	Medium	Assurance that controls in place for the operation of Parent Pay are robust.	4			
BCIS	Application Implications of the move to the new virtual server system.	RBA	Medium	This review will focus the alterations to applications brought in by the use of the virtual server platform and also issues raised through the Racy matrix.				
Communities - Care and Support	Cash Handling in Learning Disabilities	RBA	Medium	A review of the cash handling processes in LD	3			
Communities - Care and Support	Adult Social Care - finance controls	RBA	Medium	Assurance that financial controls within ASC are robust.	3			
Communities - Care and Support	Real Time Monitoring	RBA	Medium	Review of the real time monitoring controls in place for the payment of providers	3			
Communities - Business Strategy	Management Information	RBA	Medium	Assurance that the finance and other information systems provide timely, effective, quality, robust information to management, to mitigate risks.	3			
Communities - Business Strategy	Quality of Risk Management in Communities	RBA	Medium	Assurance that the risk management processes in place in the portfolio are working effectively, to include fraud risk management.	3			78
Communities - Commissioning	Waivers	RBA	Medium	Assurance that there are effective, appropriate and timely systems in place around the use of waivers in Commissioning	3			77
Communities - Commissioning	Contract Management	RBA	Medium	Assurance on the contract management systems in place.	3			
Communities - Council Housing	Estate Office review-	RBA	Low	A review of the re-structure of the estate office service - have issues been addressed, following management review.	5			
Communities - Council Housing	Housing Plus	RBA	Medium	A review to examine the progress made with the roll out of the Housing Plus project. Assurance that lessons learned from pilot are being addressed. Tenant/stakeholder involvement key.	5			

Communities - Council Housing	Housing Board	VFM	Medium	Assurance that Board governance is effective. The board has inks to Housing Revenue Account income.	5			51
Communities - Council Housing	Anti Social Behaviour Community Safety Team	RBA	Low	Assurance that the team is working effectively following the merging of two teams with different jurisdictions	5			169
Communities - Council Housing	Housing Revenue Account - planning assumptions	RBA	Medium	A review on the robustness of the planning assumptions made as part of HRA plan for the Council.	5			
Customer Services	Reintroduction of Revenue and Benefits Customer facing team from Capita	RBA	Medium	To ensure that the new service team is adequately training and integrated appropriately following their transfer in January 2016				
Policy, Performance and communications	Business led Intelligence model	RBA	Medium	To provide assurance to management that this project are operating effectively.				
Inclusion and Learning (ILS)	Pupil Referral Unit	RBA	Medium	The new model (effective from 1.4.14) demonstrates effective governance and financial management and reporting arrangements across pupil referral units.	4			
BIS Contract Management	Monitoring of the Capita Contract	RBA	Medium	To provide assurance to management that the Council has in place adequate arrangements for the management of the revised ICT elements of the CAPITA contract and that the KPI's used are robust and that the data supplied to support these is fit for purpose.	All		CR082	
ICT	Request for Change Process	RBA	Medium	To provide assurance to management that arrangements are robust for monitoring and recording and tracking of requests for change.	All		CR082	
Human Resources	Individual Performance Review (IPR) Processes	RBA	Medium	To provide assurance to management that the processes for undertaking recording and managing the IPR process is adequate.	All			
Finance	Cashier Review	RBA	Medium	To provide assurance to management that the processes with Cashiers are adequate and provided good value for money.	All			
Legal Services	Members allowances	RBA	Medium	To provide assurance to management that the processes for dealing with members allowances are adequate.	All			R111
Transport and Facilities Management	Workplace project.	RBA	Medium	To provide assurance to management that this on-going project is being managed appropriately and that the appropriate benefits are being realised.	All			R156

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Agenda Item 10

Audit Committee Report

REPORT TO AUDIT COMMITTEE

DATE
28th April 2015

REPORT OF Interim Director of Finance.

ITEM

SUBJECT **Protecting the Public Purse annual fraud report**

SUMMARY

The purpose of this report is to inform the Audit Committee of information and key recommendations contained in the Audit Commission's annual 'Protecting the Public Purse 2014' report and to provide an update on fraud investigation activity within the Council during 2014/15 and beyond.

RECOMMENDATIONS

1. That the Audit Committee notes the content of this report.
2. That the Audit Committee notes the completed checklist for those responsible for governance (Appendix A)

FINANCIAL IMPLICATIONS
CLEARED BY

No
K Inman

PARAGRAPHS
66

BACKGROUND PAPERS

CONTACT POINT FOR ACCESS

TEL NO.
0114 27 35587

AREA(S) AFFECTED

CATEGORY OF
REPORT

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO Cleared by:
Equality of Opportunity implications
YES /NO Cleared by:
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
Corporate
Is the item a matter which is reserved for approval by the City Council? YES /NO
Press release
YES /NO

Sheffield City Council

Report to the Audit Committee – April 2015

Audit Commission Report - Protecting the Public Purse

Purpose of the Report

1. To inform the Audit Committee of information and key recommendations contained in the Audit Commission's 'Protecting the Public Purse 2014' report.
2. To provide the Audit Committee with a completed checklist for those responsible for governance. The checklist is attached and is provided to show to the Audit Committee how the various risks identified for fraud have been mitigated.
3. To provide the Audit Committee with details of fraud activity reported to Internal Audit and investigated within the authority during financial year 2013/14. Details have been included from the 2014/15 financial year, and also work intended for completion in 2015/16.

Introduction

4. The Audit Commission has published its annual 'Protecting the Public Purse 2014 – fighting fraud against Local Government' report which provides a summary of detected fraud and identifies key fraud risks affecting local government. The publication also provides recommendations of good practice in managing the risk of fraud for both central and local government. The report is published near the end of the year, to allow it to amalgamate and summarise the responses that it receives from all local government and other bodies for the previous year.
5. This is the last protecting the public purse report that will be produced, following the closure of the Audit Commission. The National Fraud Initiative (NFI) role will be taken on by the Cabinet Office and CIPFA will run a Counter Fraud Centre to deal with the remaining fraud issues. We have included at the end of the report a number of changes to fraud investigation which have occurred during the year which will impact on the service going forward.
6. This report summarises the key fraud risks contained in "Protecting the Public Purse" and incorporates the SCC perspective on these risk areas.
7. Throughout the year we have become aware of a number of issues which, had the report been produced going forward would have required further clarification, as we have only included in our reported figures areas where

we have had proven fraud against the council. We are not saying that our processes are beyond reproach but there are a number of instances where we have had suspicious issues as part of our processing and checking regimes, but which did not lead to actual fraud and were discovered in the system processing.

8. Examples of the types of issue that we are referring to above but which would not be included within the returns are:

Insurance Claims – We have a number of instances where false or exaggerated claims have been submitted to the council. These were found during checking procedures and were refused payment.

Housing Tenancy Fraud – We have a number of investigations within the council which have led to properties been returned to the council for re-tenanting, these may well have been as a result of fraud. The key aim is the recovery of the property and therefore there is little incentive in obtaining the additional evidence required to prosecute the fraud once the property has been returned. The resources are focused on property recovery.

Bank Mandate Fraud – We have had a series of bank mandate frauds which simple checking have prevented being processed. The potential cost for these is significant. We have reported these issues to the police; however the response from the relevant forces across the country has been weak. This is primarily due to the fast movement of the crime.

Thefts – We have had a number of instances of suspected thefts in the council which the police have agreed for us to investigate and deal with through the council's due processes. The police deal with these as low level instances and often the cases will not meet the higher burden of proof required for criminal prosecution by the Crown Prosecution Service.

Timesheet Fraud – We have had a number of these cases which have been dealt with through the council's processes, often leading to dismissal, but which do not meet the criminal prosecution threshold required by the police.

9. All of these issues highlighted are classed as suspicious incidents; these however were not prosecuted or reported as fraud. It could be that other councils have similar cases, or that they classify cases differently.
10. This report also includes details of SCC activities intended to address the key fraud risks as identified by a checklist contained in the appendices of

the Protecting the Public Purse publication (checklist for those responsible for governance).

11. The report highlights the key messages on fraud in the public sector, namely;
- It is estimated that fraud costs the UK public sector more than £21 billion a year and local government more than £2.1 billion (although this is believed to be an underestimate).
 - In a time of austerity, preventing fraud is even more important to protect the public purse.
 - Every pound lost through fraud cannot be spent on providing public services.

Key Fraud Risk Areas

12. The Audit Commission collected fraud data from almost 500 public sector organisations during 2013/14 to provide a comprehensive picture of detected fraud. The results of the survey map the extent and location of detected fraud and help to identify good practice.

13. The following table summarises the 2013/14 survey of detected fraud in local government in comparison to the previous year's figures.

	2012/13	2013/14	Percentage Difference
Total fraud			
Total value	£178,000,000	£188,000,000	+6
Number of detected cases	107,000	104,000	-3
Average value per case	£1,664	£1,808	+8
Housing benefit/ council tax benefit			
Total value	£120,000,000	£129,000,000	+7
Number of detected cases	47,000	47,000	-1
Average value per case	£2,553	£2,745	+8
Non benefit fraud			
Total value	£58,800,000	£59,000,000	+4
Number of detected cases	59,800	57,400	-4
Average value per case	£983	£1,027	+4.5

14. The above figures do not include the value of detected housing tenancy fraud.
15. The types of fraud that are included in the “non-benefit fraud” category primarily consist of; council tax fraud, procurement fraud, abuse of position, payroll pensions and expenses fraud, disabled parking concession fraud, false insurance claims and social care fraud.
16. The report highlights the areas where the largest increases in fraud have occurred over the past five years in local government these are:

Council tax discount fraud - these are currently running at 50,000 cases per year worth £16.9 million

Right to buy fraud- these have increased more than five-fold in the period to 193 cases worth £12.3 million. The rise in number of these frauds followed large increases in the discount threshold over the period.

Social Care fraud – these cases have more than trebled in the period to 438 worth £6.2 million. This is mainly as the result of the changes to personal budgets.

Insurance fraud - has risen in the period from 72 to 2226 cases worth £4.8 million.

Social Housing – the number of homes recovered as result of tenancy fraudsters has increased by 15 per cent in the last year to 3,030.

17. It is noted in the report that the largest number of tenancy related frauds are identified in London. This is primarily because the incentive for such activity is far larger due to the disparity between the cost of social housing rents and private property values in the capital.

Yorkshire and the Humber

18. The report shows the detected frauds by region. In 2013/14 the information supplied is different from previous years and therefore is not comparable. The data does show that based on 2012/13 expenditure figures (the most recent available) the councils in the region spent 10.1% of all English council spending. Between them the regional councils detected 7.7% of all fraud cases, and these accounted for 8.3% of the total value detected. These percentages equate to 8,018 cases with a value of £15.6 million.

Fraud by type

19. Below we have identified the main types of fraud within Sheffield City Council.

Housing Benefit Fraud

20. In 2013/14 the council detected 147 cases of fraud relating to housing benefit with a value of £1,227,430. This figure is far less than the average for metropolitan district councils at 584. The value of each case was however far higher, the council contractor undertook an initiative to focus resources on larger cases as a result of a reduction in staffing. The lower value cases were dealt with through processing; this recovered the cost without prosecution and are therefore not included in the 147 figure.
21. From February 2015 all fraud cases for benefits fraud will be undertaken directly by the Department of Works and Pensions (DWP) this is detailed later in the report. This has meant that in the current year (2014/15), there was a shift in workload with investigations being passed to DWP at an early stage to allow staff to concentrate on the data transfer process, this makes comparisons of in year work with previous years irrelevant.

Council Tax Discount Fraud

22. It is noted that the council did not record any frauds of this type in the year.
23. The council's contractor undertakes an annual exercise to identify possible cases and then follows them up and addresses them through an administrative process. We have noted that other councils undertaking the same processes are counting these as fraud, which significantly increases their figures. As part of the counter fraud activity for 2015/16 we will be looking at these processes, with a view to counting these as fraud where relevant in the future.

Housing Tenancy Fraud

24. There are approximately 4 million social housing properties in England with an asset value of more than £180 billion. Over half the stock is managed by housing associations and the waiting list totals approximately 2 million families.
25. Housing tenancy fraud refers to the unlawful use of social housing and includes;
- Illegal sub-letting (against the conditions of the tenancy)
 - Provision of false information to obtain a tenancy

- Wrongful assignment/succession of tenancy where no longer occupied by the original tenant
 - Abandonment, selling the key to a third party or failing to use the property as the principal home.
26. The value of housing tenancy fraud was placed at £915 million a year based on a previous estimate that 50,000 properties were subject to tenancy fraud and therefore not available to other tenants. This was calculated using the National Fraud Authority model which states that the main direct cost comes from the need to place homeless families in temporary accommodation. This is approximately five times the annual loss due to housing benefit fraud.
27. Due to the value of property the prevalence of this type of fraud is more significant in London and the amount detected is equivalent to 0.45 per cent of the total London council housing stock. This compares to 0.05 per cent in Yorkshire and Humber.
28. The council has a unit who are involved in the recovery of properties where tenancy fraud is detected. Internal Audit has examined the processes undertaken by this unit as part of its 2014/15 work programme on proactive fraud investigation. The audit found that the service had sound principles and processes in places.
29. The PPP report highlights the need for councils to co-operate on this issue, so that information is passed between all social housing providers in an area.
30. In 2013, the government passed legislation that criminalises sub-letting fraud. On conviction, tenancy fraudster faces up to two years in prison or a fine of £50,000. The legislation allows councils to prosecute tenancy fraudsters on behalf of housing associations.
31. In 2013/14 the council recovered 16 homes (note that this was the first part year for the tenancy fraud team). No prosecutions were undertaken however.

Right to Buy

32. This type of fraud appears to be on the increase. The council has stringent processes to verify applications. It has not identified any frauds in this area, however a number of applications have been returned and subsequently not resubmitted. These have been treated as claimant error rather than as fraud. This is an area where the council is vigilant. The average for all metropolitan council's was only 1 case.

Non Benefits related fraud cases

Business rates

33. In 2013/14, councils in England and Wales contributed nearly £22 billion in non – domestic (business) rates to central government. The government distributes this money across councils. Business rate fraud includes:

- Falsely declaring mandatory or discretionary rate relief or empty property exceptions;
- Failure to declare occupancy of the property;
- Falsely claiming insolvency status to evade payment; and
- Not disclosing relevant information, for example, about the size of the company, to gain rate relief.

34. The council has in place processes to detect and prevent these types of fraud, and they are tested as part of the Internal Audit's annual reviews of the systems in this area.

35. It should be noted that in the period concerned the council did not detect and prosecute any frauds in this area. The average for other councils is less than 1 case.

Social Care (including direct payment) fraud.

36. This is another area where the council has strengthened the controls over the payments. The council's processes for controlling this expenditure have been examined and reported to the Audit Committee previously.

37. It should be noted that in the period concerned the council did not detect and prosecute any frauds in this area. The average for other councils is less than 1 case.

Procurement

38. The National Fraud Association estimates that procurement fraud costs local authorities £876 million, making it the single largest area of financial loss to fraud in local government. In 2012/13, the total value of detected fraud in England was £1.9 million. This is type of fraud is difficult to detect and investigate.

39. The Audit Commission cites a number of on-going risk areas relating to procurement and contracting, the key areas of external fraud being:

- Collusion between staff and bidders to award contracts and favourable terms
 - Collusion between bidders to agree that they will not bid competitively for a particular contract
 - Bidders purposely failing to tender in accordance with the contract and later submitting false claims for extra costs.
40. The council reported a significant attempted fraud in this area during the period. The fraud had a potential to have cost the council £561,000, although no actual payment was made to the fraudsters concerned. The fraud was a bank mandate fraud; this is where a false request is made to change the payment details of a supplier. These types of fraud are undertaken on a phishing exercise where fraudsters target a range of large bodies with requests to change bank details. Most cases are spotted early due to the checking regimes in place. This case was however entered to our systems, but was identified before a payment reached the receiving bank. The procedures have been overhauled, re-documented and the staff involved have been retrained.
41. The police were contacted via the Action Fraud site. We received confirmation from Manchester Police (the locality of the receiving bank) they stated that they had investigated this and no further action would be taken. The police have difficulty in investigating these crimes as they are so fast moving.
42. This is an area where constant vigilance is required as the criminals who undertake this activity constantly try to perfect their techniques. The council is part of the National Anti-Fraud Network (NAFN) and we receive regular updates on incidents from them, we are also part of the South and West Yorkshire investigators group and we share intelligence. We are able to warn the relevant parts of the council to be aware when fraud attempts have increased in their area in other authorities.

Other fraud types

Blue Badge fraud

43. The council did not record any blue badge frauds in the period, the council does recover a large number of badges particularly as a result for the NFI, however this is an administrative exercise rather than a fraud issue. Some badges are recovered for wrongful use and a fixed penalty issued, however these are not recorded as fraudulent by the council and do not show in the reported figures, due to the difficulty and cost in obtaining the level of evidence required to prosecute.

44. The council processes for the assessment of eligibility for badges has been reviewed and reported to the Audit Committee and action is being taken to strengthen the process to ensure that this process is as stringent as possible.

Abuse of position

45. This covers such acts as thefts by employees, timesheet fraud etc. The council has had with a number of cases in this area, which have led to officers being dismissed. This have where appropriate been reported to the police, however they have not taken action, normally as the cases do not have the evidence that meets the Crown Prosecution Services burden of proof.

Social care

46. No frauds were reported in this area for the council during the year. The audit committee have already received reports on the processes and checking involved in this area. The total number of cases for all metropolitan district councils was 61 with a value of £490,078. This is less than one case per council.

Insurance

47. No frauds were reported in this area, although as explained earlier instances of irregularity are noted during processing and claims rejected, although these have not been identified and reported as frauds because reaching the standard of proof would be too difficult. The total number of cases for all metropolitan district councils was 94 with a value of £1,248,884. This is less than one case per council.

Protecting the Public Purse Recommendations

48. The PPP report makes a number of recommendations.

All local government bodies should:

- a) use a checklist for councillors and others responsible for audit and governance (appendix to this report) to review their counter-fraud arrangements;
- b) adopt a corporate approach to fighting fraud, to ensure they fulfil their stewardship role and protect the public purse from fraud
- c) actively pursue potential frauds identified through their participation in the National Fraud Initiative (NFI);

d) assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption (when this is available); and

e) engage fully with the new CIPFA Counter Fraud Centre.

Councils in particular should:

f) protect and enhance their investigative resources, so that they maintain or improve their capacity to detect fraud;

g) be alert to the risk of organised crime, notably in procurement;

h) be alert to the risks of fraud, particularly in growing risk areas such as Right to Buy and social care;

i) apply the lessons from the approach encouraged by PPP to tackle housing tenancy fraud, to other types of fraud;

j) focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources;

k) focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act; and

49. The council is committed to tackling all of these with the limited resources that it has available and will focus the resources on those areas of highest risk.

Checklist for those responsible for governance.

50. The Audit Commission has included a checklist within the Protecting the Public Purse report which is intended to allow those responsible for governance to assess their counter-fraud arrangements against stated good practice. Internal Audit has completed the checklist on behalf of the Audit Committee and a copy is attached at Appendix A.

51. The tolerance of fraud within an organisation is a key element of a counter fraud framework. SCC has formally adopted a Policy Statement on Fraud & Corruption that underlines a zero tolerance to such acts. Fraud awareness training has been provided to services throughout the council. An e-learning course has been developed and made available on learning pool to assist any identified staff development requirements.

Developments in fraud investigation across the council.

52. The council remains committed to having strong controls in place in its systems to prevent fraudulent claims and to have control mechanisms to minimise their impact where they do occur. Claims of fraud are examined

and where there is evidence, they are investigated in line with the council's due processes. Whilst resources are increasingly under pressure, it is a key requirement that losses through fraud are minimised and monies recovered to support front line services.

53. There have been significant changes brought about during the year regarding fraud investigations within the council.

Protecting the Public Purse.

54. It has been confirmed that the current protecting the public purse report produced by the Audit Commission will be the last. Some elements of the work are to be taken on by the Cabinet Office; however this is not one of them. The Chartered Institute of Public Financial Accountants (CIPFA) has taken on the role of Establishing a Centre for Counter Fraud. It is intended that they will undertake a similar exercise to the PPP although no details are available as yet. The centre will also be involved in training and pushing best practice for fraud investigation.

Introduction of the Single Fraud Investigations Service (SFIS).

55. The Department for Works and Pensions (DWP) have over the last year been rolling out SFIS across all local authorities. The DWP will take on directly the investigation of all fraud claims related to housing benefit.
56. The staff undertaking the investigation of housing benefits in Sheffield were employed by Capita. These 10 officers were transferred from Capita to DWP at the beginning of February 2015. The number of qualified investigators available to the council has therefore significantly reduced, and as a result the number and value of fraud cases investigated by the council directly will also significantly diminish. In the current year the number of cases was reduced as some cases were passed directly to the DWP at an earlier stage. No cases were investigated by the council from December 2014.
57. The staff undertaking the investigations at DWP will not have access to the council's systems used to process housing benefits claims. The DWP require that the council has a Single Point of Contact (SPoC) which will be responsible for reporting through potential fraudulent claims identified during processing and also for the co-ordination of the response to requests for information received from the DWP. The benefits service management within the council have signed up to a draft service level agreement with the DWP to provide this information within agreed timescales. Capita have been contracted to provide the SPoC, and the benefits client management team in the council are responsible for monitoring this agreement.

58. Any issues of suspected housing benefits fraud received from the public, members or staff are channelled directly to the DWP.

Application for the Counter Fraud Fund.

59. The Government in the summer of 2014 announced a counter fraud fund of £16 million, for which councils had to put forward bidding proposals. This was intended to be pump priming for on-going fraud work.
60. Sheffield Council put forward a bid totalling £191,000 over 2 years to develop a central team and to provide professional training and support to a wider range of managers across the council who are involved in investigations. This would have expanded the central resource by two individuals and would have allowed the team to undertake additional proactive and reactive work across the council.
61. Although supported by both officers and the cabinet member for finance, the council was unsuccessful in its bid and therefore this development has not taken place. It has been noted that many other councils have been developing a central team to deal with all of the investigations of the council to ensure that there is a professional and consistent approach.

Fraud Investigation plans going forward.

62. As part of the 2015/16 plan for Internal Audit will be reviewing the investigations processes across the council to ensure that they meet the current requirements. This will look, at in particular, management investigations to ensure that all potential fraud cases are being appropriately recorded and reported. It will also ensure that there is a consistency of approach to investigation.
63. The annual audit plan currently has four areas identified for counter fraud work. These are areas of known risk and the reviews examine these fraud risks to ensure that the council's exposure is minimised as far as possible.

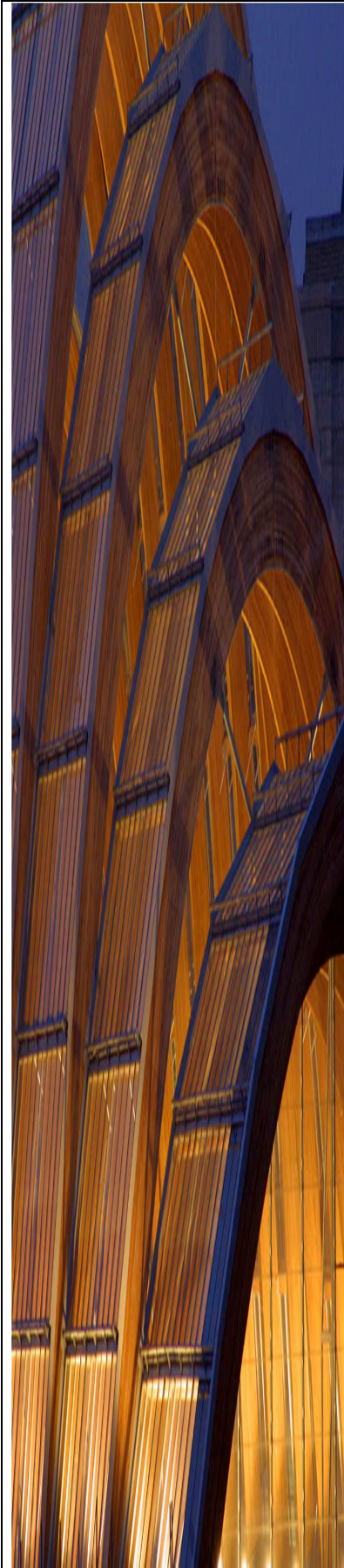
Training and Staff Development.

64. With the transfer of Staff to DWP the number of trained fraud investigators has diminished within the council. It has been agreed by the finance leadership to fund the training of two current members of Internal Audit to CIPFA's Accredited Counter Fraud Specialist (CACFS) from within the current training budget. This training will take place over the summer of 2015. This will ensure that the council has the required coverage in this area.

Recommendations

65. That the Audit Committee notes the content of this report.
66. That the Audit Committee notes the completed checklist for those responsible for governance (Appendix A).

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Fighting Fraud Checklist for Governance

Protecting the public purse 2014

**Sheffield City Council
April 2015**

**Prepared by Internal Audit on
Behalf of the Audit Committee**

Introduction

The Audit Commission has included a checklist appended to the Protecting the Public Purse report. This checklist identifies to Members the key elements that are required to manage the risk of fraud across the Council.

The checklist allows councils to evaluate their arrangements. This document seeks to use the Audit Commission publication as a basis for evaluating the arrangements in place within Sheffield City Council.

This document has been prepared by Internal Audit to highlight to the Council's Audit Committee which is referred to as "those charged with governance" that the Council has in place adequate arrangements for the mitigation, detection and investigation of fraud that may occur within the Council.

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	✓	
<p><u>Actions</u></p> <p>The Policy Statement - Fraud & Corruption incorporates a message from the Chief Executive which clearly states the 'zero tolerance' approach of the authority. It incorporates the fact that any instances of fraud or corruption will be treated as gross misconduct. The Policy Statement forms part of the Corporate Code of Conduct for Employees.</p> <p>The 'zero-tolerance' message was included in fraud awareness training events which were delivered to managers/employees across SCC. This message was also incorporated into a fraud awareness course available to staff via e-learning.</p>		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	✓	
<p><u>Actions</u></p> <p>The following fraud related strategies, policies and plans are in place:</p> <ul style="list-style-type: none"> Financial Regulations 2014 Code of Conduct for employees Policy Statement – Fraud & Corruption (Appendix to the above) Money Laundering Policy Whistleblowing Policy Regulation of Investigatory Powers Act Policy Internal Audit Plan (incorporating pro-active and re-active counter fraud assignments) Finance Service Plan (including specific counter-fraud related deliverables) Fraud Response Plan Risk Management Toolkit Fraud Risk Management guidance Annual Governance Statement (Fraud Risks) Fraud awareness e-learning module. 		

	Yes	No
3. Do we have dedicated counter-fraud staff?	✓	
<p><u>Actions</u></p> <p>Service Managers are responsible for the investigation of fraud within their respective areas. Internal Audit has accredited officers available to investigate larger scale allegations and provide advice to managers.</p> <p>Internal Audit has a limited resource for fraud investigation as outlined in the Annual Plan. Presently there is only one qualified fraud investigator in the service. To strengthen this position the finance leadership team have agreed to fund the training of two extra officers to increase capacity and resilience in the service.</p> <p>There are dedicated staff in housing to investigate housing tenancy fraud.</p>		
4. Do counter-fraud staff review all the work of our organisation?		✓
<p><u>Actions</u></p> <p>Internal Audit maintains a resource to address fraud issues e.g. policy issues, serious allegations etc. and the Internal Audit plan contains a small number of counter fraud exercises to review specific fraud risks.</p> <p>Service Management has the primary responsibility for internal fraud investigation (with the support of Human Resources).</p> <p>Internal Audit operates a risk based approach to auditing and key risks are identified for inclusion in the audit plan in conjunction with service management. Internal Audit considers fraud risk for inclusion in the scope of each audit review.</p> <p>In the forthcoming year Internal Audit will be undertaking a review of the investigation process and its application across the council to ensure that these are undertaken in an efficient and effective manner.</p>		
5. Does a councillor have portfolio responsibility for fighting fraud across the council?		✓
<p><u>Actions</u></p> <p>Ben Curran is the cabinet member for finance and resources. His responsibilities align to the resources portfolio which encompassed Internal Audit. There is no specific responsibility delegated to the post to cover fighting fraud across the council. All members of the cabinet are responsible for fraud in their area, and are held to account by the council as a whole.</p> <p>The Audit Committee receive reports on fraud arrangements across the council.</p>		

	Yes	No
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	✓	
<p><u>Actions</u></p> <p>The Annual Governance Statement provides a level of assurance that fraud risks have been identified and addressed.</p> <p>The internal audit plan is endorsed by the Audit Committee on an annual basis and the senior finance manager (Internal Audit) produces an annual report which includes information on counter fraud activities.</p> <p>A bi-annual risk management report is submitted to the Audit Committee.</p> <p>Individual investigation reports are provided for serious incidents.</p>		
7. Have we received the latest Audit Commission briefing presentation from our external auditors?	✓	
<p><u>Actions</u></p> <p>The details of the Audit Commission briefing have been included in the fuller report on the PPP report attached to this appendix. This answers the issues raised and shows how the council has dealt with the issues.</p>		
8. Have we assessed our management of counter-fraud work against good practice?	✓	
<p><u>Actions</u></p> <p>A full review of SCC practice compared against CIPFA's 'Red Book 2' was completed in 2013. A new code is being produced by CIPFA and we will review our practice against this once it is available. Internal Audit have also attended National Anti-Fraud Network Conference and South and West Yorkshire investigators forums where best practice is shared and this is incorporated into our methods of working.</p>		
9. Do we raise awareness of fraud risks with:		
■ new staff (including agency staff);	✓	
■ existing staff;	✓	
■ elected members; and	✓	
■ our contractors?	✓	
<p><u>Actions</u></p> <p>Fraud is specifically covered in the Officer code of Conduct. It is a requirement that all agency staff must comply with the code and it is the appointing manager's responsibility to ensure that the individuals concerned are fully compliant with the code at the start of their appointment. Specific short term appointments such as those</p>		

or polling clerks may not cover, the full code, but specific fraud issues pertinent to these posts are specifically raised with the individuals concerned.

A programme of awareness training was provided in 2009/10 and 2010/11. This training has been delivered to more than 600 employees across SCC and Sheffield Homes.

A specific training session was organised for the Audit Committee in February 2010 and all members were invited. Members may also be given access to the e-learning package.

Fraud awareness is not currently included in the corporate induction programme beyond the requirement to read the Code of Conduct for employees (incorporating the Policy Statement – Fraud & Corruption).

An e-learning fraud awareness course has been produced and made available to all staff with access to e-learning for whom a development need is identified (including new recruits). The training will be updated in 2015/16 and will be re-emphasised to the appropriate managers.

Commercial fraud risks are addressed by a requirement for contractors to comply with all current legislation (and indemnity provision) being incorporated into the standard terms and conditions. In addition specific anti-competitive and anti-bribery conditions apply to the contracting process.

	Yes	No
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓	

Actions

SCC maintains membership with Core Cities and the South & West Yorkshire Investigators Group.

Internal Audit & Capita work directly with the Department of Work and Pensions, the Local Authority Investigation Officer Group and the National Anti-Fraud Network.

There is a Service Level Agreement (SLA) in place between the council and Department for Works and Pensions (DWP) to cover the requirements brought in as a result of the new Single Fraud Investigation Service (SFIS)

The National Anti-Fraud Network and the Financial Crime Information Network provide bulletins on current fraud risks. Internal Audit staff are members of professional bodies such as CIPFA, Institute of Internal Auditors and CIMA. These bodies provide periodic updates in areas such as fraud risks. These updates are cascaded throughout the team as appropriate.

	Yes	No
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	
<p><u>Actions</u> As 9 and 10 above plus:</p> <p>The Audit Commission National Fraud Initiative (NFI) operates under formal arrangements and provides for the sharing of data between local authorities and other participating organisations. As part of the South and West Yorkshire investigators group information on fraud issues is shared on a regular basis. A shared portal has been developed by Cheshire Council to allow this to be undertaken in an easier way.</p> <p>Internal Audit maintains an informal working arrangement with South Yorkshire Police.</p>		
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	✓	
<p><u>Actions</u></p> <p>The annual Internal Audit Plan includes 'risk-based' audits based on a risk assessment and discussion with Service Directors. Each of these reviews includes an assessment of the internal controls within scope to identify instances in which they are not present or not working effectively. Auditors consider fraud risks for each assignment.</p> <p>Where appropriate recommendations are made to improve internal controls at the conclusion of each review, implementation is confirmed with the client and followed up.</p> <p>A small number of pro-active counter fraud reviews are included in the internal audit plan that focus on activities where, due to the nature of the service, the risk of fraudulent activity is heightened. At the conclusion of appropriate re-active investigations, systems and controls are reviewed to identify weaknesses and to recommend improvements to prevent future instances of fraud both within the relevant service area and corporately.</p>		
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	✓	
<p><u>Actions</u></p> <p>The council has been a participant in the NFI since 1995. Data matches are circulated to all relevant service areas and Capita for examination and resolution. Internal Audit maintains a coordinating and advisory role in addition to responsibility</p>		

for examination of some data matches.

SCC participated in the NFI Council Tax, single person discount data matching exercise for the first time in 2012 and is now an annual exercise.

SCC has taken part in a NFI pilot exercise to data match self-directed support (Direct Payments) with other local authority and central government data following the pilot this dataset is now included in the two yearly exercise.

	Yes	No
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓	
<p><u>Actions</u></p> <p>SCC has adopted a detailed Anti Money Laundering Policy. This document includes an appendix which contains guidance to staff and is available via the intranet. Incidents are reported to Internal Audit and in turn the Serious Organised Crime Agency where appropriate.</p>		
15. Do we have effective arrangements for:		
■ reporting fraud?; and	✓	
■ recording fraud?	✓	
<p><u>Actions</u></p> <p>Financial Regulations require Executive Directors to ensure that Internal Audit (on behalf of Section 151 officer) is notified of all incidents of financial irregularity. Internal Audit records each reported incident and compiles the Audit Commission annual Fraud and Corruption survey. Fraud attempts against SCC have also been reported to Action Fraud.</p> <p>Although the above controls are in place, full compliance cannot be assured.</p> <p>A key issue to be reviewed going forward is to identify and record not only proven fraud activity, but also areas which are serious issues are identified, but where actual fraud is indicated, but not proven.</p>		
16. Do we have effective whistle-blowing arrangements? In particular are staff:		
	Yes	No
■ aware of our whistle-blowing arrangements?	✓	
■ have confidence in the confidentiality of those arrangements?	✓	

■ confident that any concerns raised will be addressed?	✓				
<p><u>Actions</u></p> <p>SCC has adopted an extensive Whistleblowing Policy that contains an explanation on whistleblowing arrangements and the reporting access routes including the details of designated contact officers. The Human Resources service maintains a central register of allegations. Whistleblowing allegations are all reviewed and where appropriate fully investigated by someone independent of the area.</p> <p>Although the above controls are in place, full compliance cannot be assured. It is noted that during the current year the number of whistleblowing actions with the potential to uncover fraud has risen. These are always dealt in confidence and followed up promptly.</p>					
<table border="1"> <thead> <tr> <th data-bbox="177 741 1098 779"></th> <th data-bbox="1098 741 1249 779">Yes</th> <th data-bbox="1249 741 1425 779">No</th> </tr> </thead> </table>				Yes	No
	Yes	No			
17. Do we have effective fidelity insurance arrangements?	✓				
<p><u>Actions</u></p> <p>SCC's fidelity insurance covers every employee to a limit of £10M.</p> <p>There is annual requirement to complete a pro-forma for the fidelity guarantee insurance. This is undertaken by the Insurance Section with input from Internal Audit. This has been recently completed for the forthcoming year and accepted by the insurance company.</p>					
<table border="1"> <thead> <tr> <th data-bbox="177 1182 1098 1256">Fighting Fraud with reduced Resources</th> <th data-bbox="1098 1182 1249 1256">Yes</th> <th data-bbox="1249 1182 1425 1256">No</th> </tr> </thead> </table>			Fighting Fraud with reduced Resources	Yes	No
Fighting Fraud with reduced Resources	Yes	No			
18 .Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once the SFIS has been fully implemented?	✓				
<p><u>Actions</u></p> <p>The internal audit plan is produced on an annual basis, the formulation of this plan incorporates new and emerging risks including those associated with the current financial climate. The resources are under review as there is very little capacity in the system should a major incident (or a number of smaller incidents) occur.</p> <p>The staff transferred to SFIS only dealt with the benefits fraud work which is being transferred. The level of remaining resource is adequate for the workload in the Internal Audit plan. In order to provide additional capacity and to provide the required resilience, funding has been allocated to train an additional two fraud investigators. These will be able to undertake additional investigations should the need arise.</p> <p>A review of the SFIS arrangements will be conducted in 2015/16 to ensure that the new processes are operating satisfactorily.</p>					

	Yes	No
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefits fraud after the SFIS is in place	✓	
<p><u>Actions</u></p> <p>Sheffield Council put forward a bid totalling £191,000 over 2 years to develop a central team and to provide professional training and support to a wider range of managers across the council who are involved in investigations. This would have expanded the central resource by two individuals and would have allowed the team to undertake additional proactive and reactive work across the Council.</p> <p>Although supported by both officers and the cabinet member for finance, the council was unsuccessful in its bid and therefore this development has not taken place. It has been noted that many other council's have been developing a central team to deal with all of the investigations of the council to ensure that there is a professional and consistent approach. At this point in time we are unable to drive this forward, but will look for any future opportunities to pursue this.</p>		
20. If successful, are we using the money effectively	✓	
<p><u>Actions</u></p> <p>Not required as no funding received.</p>		
Current risks and issues	Yes	No
Housing tenancy		
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	✓	
<p><u>Actions</u></p> <p>A revised lettings policy was presented to cabinet on 20th March 2013. There is a vetting and validation process in place to confirm identity and eligibility of each individual prior to the letting of any property.</p>		
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓	
<p><u>Actions</u></p> <p>Home visits and day to day contact with tenants provides assurance on occupancy however resources have been allocated to recover properties identified. The NFI process also identifies issues with tenancies.</p> <p>The 2015/16 Internal Audit plan included a review of internal controls in respect of housing tenancy fraud and the application of new offences. This resulted in a medium</p>		

low opinion as the controls were found to be good and adequately applied.

Procurement	Yes	No
23. Are we satisfied our procurement controls are working as intended?	✓	

Actions

Internal Audit conducted audits in this area in 2014/15. The reviews covered the Purchase to Payment review covering the creditors systems. Other reviews covered specific aspects of the process such as the procurement of external legal advice. The audits resulted in Internal Audit issuing a 'medium – low' opinion on the risk of the service not achieving its objectives.

Reviews of the council's major contractors and tendering processed have not revealed any significant issues.

Several audits have been included within the 2015/16 internal audit plan to cover this area.

24. Have we reviewed our contract letting procedures to ensure they are in line with best practice?	✓	
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Actions

Aspects of contract letting feature in the Internal Audit annual plan. Internal Audit conducted the following reviews; Commercial Services, Use of Consultants, Contract Waivers. All audits covering the letting or management of contracts now include testing in this area.

A review of the new EU tendering regulations is included in the 2015/16 annual audit plan.

Recruitment	Yes	No
25. Are we satisfied our recruitment procedures:		
■ prevent us employing people working under false identities;	✓	
■ confirm employment references effectively;	✓	
■ ensure applicants are eligible to work in the UK; and	✓	
■ require agencies supplying us with staff to undertake the checks that we require?	✓	

Actions

The Council has in place controls to ensure that all of the above areas are covered,

this included a requirement for the council's agency staff provider to complete the appropriate propriety checking.

The number of appointments made by the council has fallen significantly in recent years. Many of the schools for instance have transferred to academy status and these are now separate from the controls and auditing regimes of the Council.

Internal Audit has completed testing in this area as part of its normal auditing work, and no issues have been found in the performance of the controls linked to the above areas.

The National Fraud Initiative matches payroll records against Immigration records every two years and reports any instances of potential illegal working for investigation. The most recent NFI exercise reports were delivered in February 2015 and there were no Immigration matches identified.

Personal budgets	Yes	No
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	✓	

Actions

A review of SDS operational controls was completed during 2012/13. Progress on the issues contained in the report was reported to the audit committee in November 2013 and subsequent to this Internal Audit has carried out a follow-up report of this area to confirm the information provided. The result of this is that significant progress has been made in this area; however some issues remain to be completed.

Self-directed support was included in the Adult Social Care Management Review undertaken in 2014/15, undertaken by Internal Audit.

A number of audits have been scheduled for completion in 2015/16 concerning adult social care including working with health on the Better Care Fund, the operation of the resource allocation system and progress made with the review and reassessment of adult social care packages.

27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	✓	
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Actions

The SCC Whistleblowing Policy is intended to be used to report inappropriate behaviour by members / officers of the council including financial malpractice. The highest risks relating to personal budgets are associated with misuse by service user and abuse by service providers and family members.

The SCC website has a simple link (2 clicks from the homepage) which gives access to advice on 'Reporting Abuse'. This specifically refers to financial abuse and provides links to the Council, South Yorkshire Police and specialist support organisations.

Council tax discount	Yes	No
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓	

Actions

A review of the new Council Tax Support which is Local Authority administered and replaced Council tax benefit was conducted in 2014/15 and no significant issues were noted.

The council tax and business rates systems (including discounts) are regularly reviewed by Internal Audit as part of the assurance provided on the council's main financial systems.

A review of the Single Person Discount processes will be carried out by Internal Audit in 2015/16. Which will look at the processes to identify and deal with potential fraud cases.

Housing benefit	Yes	No
29. When we tackle housing benefit fraud do we make full use of:		
■ National Fraud Initiative;	✓	
■ Department for Work and Pensions Housing Benefit matching service (HMBS);		✓
■ internal data matching; and	✓	
■ private sector data matching?	✓	

Actions

SCC participates fully in the core biennial NFI exercise and annual Single Person Discount exercise. Capita and Internal Audit have in the past utilised the DWP HBMS service to identify potentially fraudulent claims however this process has been temporarily paused within contract management arrangements and with the agreement of the DWP.

An e-communication system (ATLAS) has been introduced by the DWP to provide local authorities with up to date information on changes in circumstances affecting benefit claims.

Internal audit have access to a programme called IDEA (Interactive Data Extraction and Analysis) which allows data matching of datasets for fraud activity. This has been successfully used on a number of reviews during the year, and is being developed further.

Capita has utilised private sector data matching techniques to identify potential Housing Benefit fraud in addition to obtaining credit referencing agency data during individual investigations.

Other fraud risks	Yes	No
29. Do we have appropriate and proportionate defences against emerging fraud risks:		
■ business rates;	✓	
■ Right to Buy;	✓	
■ council tax reduction;	✓	
■ schools	✓	
■ grants	✓	

Actions

Emerging fraud risks are taken into account in the formulation of the Internal Audit annual plan in addition to other identified risks. Examination of emerging risks is included in the scope of planned audits or scheduled for specific future review. For example, a specific review of the Council Tax Support and Hardship Fund was completed in 2014/15. The Social Fund and Local Welfare Assistance scheme has been identified for future audit. Risks relating to Business Rates will be included within the scope of the Main Financial Systems review (National Non Domestic rates) and the risks relating to schools were examined in a number of themed reviews in this area (note that academy schools are outside the scope of council governance and auditing regimes and should have their own arrangements in place).

REPORT TO AUDIT COMMITTEE

DATE
28th April 2015

REPORT OF Interim Director of Finance

ITEM

SUBJECT Compliance with International Auditing Standards

SUMMARY

This report has been drafted at the request of the Chair of the Audit Committee so that the Audit Committee can demonstrate to the External Auditors and wider audience that they have exercised the required oversight to meet the requirements of the International Standards on Auditing. This report draws together much of the work that has been undertaken by the Audit Committee in the past year.

RECOMMENDATIONS

- 1) Members are asked to confirm that the report gives an accurate reflection of the reports that they have received and considered throughout the year.
- 2) Members are also asked to confirm that they now have an overview of the Council's systems of internal control so that they are assured that they are fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

FINANCIAL IMPLICATIONS
CLEARED BY

No
K Inman

PARAGRAPHS
54

BACKGROUND PAPERS

CONTACT POINT FOR ACCESS

TEL NO.
0114 27 34435

AREA(S) AFFECTED

CATEGORY OF
REPORT

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO Cleared by:
Equality of Opportunity implications
YES /NO Cleared by:
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
Corporate
Is the item a matter which is reserved for approval by the City Council? YES /NO
Press release
YES /NO

Sheffield City Council

Report to the Audit Committee April 2015

Compliance with International Auditing Standards (IASs)

Elements of the Council's System of Internal Control reviewed by the Audit Committee in order to form their opinion on the adequacy of control

Introduction

- 1) As part of the International Auditing Standards (IAS) there is a requirement for those charged with governance (in the case of Sheffield City Council this is the Audit Committee) to formally demonstrate that they have exercised adequate oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control.
- 2) For the past few years similar reports have been produced for the Audit Committee to enable them to demonstrate that they have taken the appropriate overview of the entire governance framework of the council, and have therefore exercised the necessary oversight to meet the requirements of the International Standards on Auditing.

Key Requirements of the International Auditing Standards

- 3) The key elements that are required to be covered by members in relation to the IAS are noted below:
- 4) *Under International Auditing Standard on Auditing (UK&I)240 the Council's appointed External Auditors (in the case of Sheffield City Council KPMG LLP) are required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. Explicit to this is gaining confirmation from the Audit Committee of the following:-*
- 5) *(i) how the Audit Committee oversees management processes to identify and respond to such risks (ie both counter-fraud arrangements, and more general oversight of internal control arrangements), and
(ii) whether you have knowledge of any actual, suspected or alleged frauds affecting the Council.*
- 6) *A second International Standard on Auditing (ISA(UK&I)250) requires that auditors understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with. Again an understanding of how this responsibility is discharged.*

- 7) *Additionally those charged with governance must approve the financial statements, so an understanding as to how the Audit Committee obtains the necessary assurances to discharge this responsibility is required (for example assurances over the qualifications, experience and suitable numbers of key accountancy staff preparing the accounts, robust general ledger and key financial systems, adequate closedown planning, suitable quality assurance processes).*

Areas Covered in the Report

- 8) The following paragraphs summarise how the members of the Audit Committee can gain assurance that key elements of the council's internal control systems are being reviewed and reported. This is a consolidation report of items that have been reported to the Audit Committee throughout the year, and covers the : -
- Annual Accounts
 - System of Internal Control
 - Governance Arrangements
 - Counter Fraud Arrangements
 - Risk Management
- 9) The report will also highlight where it has been agreed to supply additional information over the coming year to the Audit Committee on specific issues. Officers of the council and KPMG also attend the committee to present reports and to answer questions raised.
- 10) The Audit Committee comprises six elected members drawn from the parties on a politically balanced basis. The committee is chaired by Councillor Ray Satur OBE. The constitution of the group is strengthened by the inclusion of two independent non-voting Members; Rick Plews and Liz Stanley. These two individuals bring considerable skills and external experience to the committee. It is noted that the Audit Committee have taken a number of steps to help them undertake their roles and responsibilities. This has included taking independent advice and training.

Annual Accounts

- 11) Those charged with governance (the Audit Committee) are required to approve the financial statements. In order to do this effectively, the Audit Committee obtains the necessary assurances to discharge this responsibility (for example assurances over the qualifications, experience and suitable numbers of key accountancy staff preparing the accounts,

robust general ledger and key financial systems, adequate closedown planning, suitable QA processes).

- 12) The Interim Director of Finance reported upon the arrangements for the production of the 2013/14 annual accounts when he presented them at the September 2014 meeting for sign off. External Audit expressed satisfaction with these arrangements. The process for compiling the annual accounts is a rolling process, with lessons learnt in one year being used to develop the process for future years.
- 13) The Audit Committee reviewed the accounts and questioned the officers on items contained therein, when the accounts were presented. Where additional information was requested, this was provided to the committee promptly in a suitable form for discussion.
- 14) The external auditors audit the accounts and presented a report on their findings to the September 2014 Audit Committee prior to the accounts being finalised (this is the ISA 260 report). The report outlined the work undertaken on the 2013/14 accounts to support KPMG's conclusions. This allowed Members to have an independent opinion on the accounts. Issues raised by the external auditors are followed up by the council officers and progress is reported to the Audit Committee at appropriate intervals. The 2013/14 accounts were closed by the external auditor within the required timescales.
- 15) The accounts for 2013/14 were given an unqualified opinion by the external auditor. The controls over the majority of the council's key financial systems were sound but there were some weaknesses in respect of individual financial systems relating to pension data flows and the credit clearing account and a diminution of controls following a review by the council and change in the practice relating to journals.
- 16) Issues raised by the external auditor were discussed and addressed by officers. These were specifically in relation to the authorisation of internal journals, the credit clearing account and adult social care. They also responded to further questions relating to South Yorkshire Trading Standards Unit. Follow-up action on the points raised was also reported to the committee in January 2015.
- 17) The KPMG Director outlined the specific value for money risks in relation to the social care overspend resulting in the qualified opinion on the value for money conclusion.
- 18) The KPMG Director indicated that due to the scale of savings and the decisions that underpin these, it was accepted that some savings may not be achieved during the year as planned but that it was about how that would be addressed by management. The Chief Executive acknowledged the increased challenge in achieving savings targets. However the council continued to deliver a balanced budget at the year end and the Chief Executive did not recall having to abandon any in year saving.

System of Internal Control

- 19) The Leader of Sheffield City Council signed off the Code of Corporate Governance. This Code of Corporate Governance sets out why good governance is important, explains how Sheffield City Council defines this, and explains how it will make sure that it takes place. This code supports the work of the two key internal committees – Audit Committee and Standards Committee. This report was conveyed through the council's web site to all members, staff and the general public.
- 20) There is an explicit requirement on officers and members to comply with the council's Code of Conduct and supporting rules and regulations. As part of the sign-off process for the annual governance statement, the directors are required to confirm in writing that they have in place adequate systems that ensure compliance with the relevant rules and legislation pertaining to their area of activity and this is used as a basis for the production of the statement. They also confirm that they are managing the risks pertaining to their service.
- 21) The 2013/14 Annual Governance Statement was presented to the Audit Committee in July 2014 following sign off by the Chief Executive and Council Leader. The statement only contained three items and management action for each of these was included within the statement.
- 22) Internal Audit planning arrangements are designed to cover the significant risks of the Council and the plans are endorsed by the Audit Committee. The plan for 2014/15 was presented to the committee in April, along with a report describing the process for compiling the plan. The new plan for 2015/16 is on the same agenda as this report.
- 23) Although copies of all audit reports are not shared with the committee, all reports containing a "high opinion" are submitted to committee members in full. Members can then forward any questions to the Senior Finance Manager, Internal Audit and responses are circulated to all. Regular update reports are provided to the committee to outline progress on the implementation of recommendations contained within the high opinion reports. In addition, issues would be raised from other reports, where Internal Audit are aware of serious breaches of control arrangements or where it is felt that management are not adequately dealing with matters of concern.
- 24) Members requested and received an update report on progress to address recommendations made in a 2013 report on Parking Services. This followed concerns raised regarding the slower than anticipated progress when the follow-up review was undertaken by Internal Audit in 2014.

- 25) The Chief Audit Executive (Senior Finance Manager) produces an independent annual report to the Audit Committee which highlights the work undertaken on the council's control environment and her opinion on the control arrangements.

Governance Arrangements

- 26) The council constantly reviews key governance documents, such as the Constitution and the Code of Corporate Governance to ensure that they are fit for purpose. These are then reported to the Audit Committee where appropriate.
- 27) This area is primarily the remit of the council's monitoring officer, who provides reports to the Audit Committee on these issues. She also regularly attends the committee (as appropriate) to answer any questions that members may wish to raise.
- 28) A report is presented to the committee at least twice per year that highlights the current issues with the council's key external relationships. This also highlights the mitigation strategies that are being taken to reduce any potential risks and allows members to question any issues raised. The latest of the reports was presented in January 2015. From 2015/16, it has been agreed to incorporate this report into the bi-annual update on risk management.
- 29) Directors confirm compliance with the governance arrangements as part of their sign off for the Annual Governance Statement (AGS). The 2013/14 AGS highlighted three significant control weaknesses as well as the officer actions to address these. A similar process will be followed for 2014/15.
- 30) A number of issues have emerged throughout the year for which specific reports and explanations were requested. The committee has been provided with the required updates. These reports include a report and update on the Adult Social Care Management Review. A report was also presented of an independent review undertaken by KPMG of the South Yorkshire Digital Region Project. Reports were also given on the revised approach to capital delivery and reporting.
- 31) High opinion internal audit reports were also provided to the Audit Committee in full and the recommendations from these reports are included within a six monthly tracker report, which is produced by Internal Audit to monitor all recommendations until they are satisfactorily implemented.
- 32) The Senior Finance Manager (Internal Audit) presented her independent annual report to the September meeting of the Audit Committee, this supported the council's Annual Governance Statement. The report gave details of the audit coverage and outlined how overall the response to recommendations made by Internal Audit was positive, with the majority being accepted by management.

- 33) Internal Audit arrangements have changed over the past year following alterations to the management structure within the finance service. The Senior Finance Manager for Internal Audit now reports directly to the Interim Director of Finance and attends the senior management team meetings. This process is working well and should allay some of the concerns previously raised by members regarding the reporting arrangements for Internal Audit. Although no issues were noted with the previous arrangements, this visually strengthens the independence of Internal Audit.
- 34) The Senior Finance Manager for Internal Audit still retains the independent access rights to the Chief Executive of the council, as described previously. This has worked well in the year.

Counter Fraud Arrangements

- 35) Counter Fraud resources are allocated in the annual Internal Audit plan as presented to the Audit Committee.
- 36) The Chief Audit Executive's annual report contained a summary of counter fraud activity during 2013/14.
- 37) A "Protecting the Public Purse" report is on the agenda for today which summarises the national fraud activity identified by the Audit Commission survey, the number of investigations within the authority in 2013/14 and highlights the actions taken to mitigate potential fraud in order to give assurance to the Audit Committee.
- 38) Fraud awareness training has been provided across the council. An e-learning package has been developed and made available across the council through the learning pool system. This is to be refreshed in 2015/16.
- 39) Individual incidents of a material scale will continue to be reported to the Audit Committee by Internal Audit.
- 40) The Audit Committee can call in officers to respond to issues raised by the Audit Commission and/or Internal Audit.
- 41) Internal Audit have conducted four pro-active counter fraud exercises in the current financial year, these have not highlighted any specific control weakness in counter fraud processes. Issues from these reviews have been discussed and actions agreed with the relevant managers in the areas concerned. The internal audit service will continue to conduct audits in this area in the coming year.
- 42) The National Fraud Initiative (NFI) exercise for 2014/15 is taking place currently. The council submitted the required data sets and recently received the data matches. These are being worked through across the

council to identify any irregularities. Internal Audit will continue to monitor this exercise. With the closing of the Audit Commission the government have stated that this process will continue and is being moved to the Cabinet Office. There will also be the ability to undertake additional data matches where required on an ad-hoc basis, should the need arise.

- 43) Regular meetings now take place with Human Resources and representatives of Internal Audit where issues pertaining to fraud are raised and discussed.
- 44) There have been considerable changes regarding fraud investigations undertaken across the council during the year. These are detailed in the protecting the public purse report on today's agenda. The key points are that the closure of the Audit Commission will mean the Protecting the Public Purse report is no longer produced. Discussions will, therefore need to take place with the Audit Committee on the form and timing of the reports on fraud that they will receive.
- 45) The Department for Works and Pensions (DWP) have formed a National Single Fraud Investigation Service (NFIS) and, as from the 1st of February 2015, all fraud investigations relating to housing benefits will be undertaken directly by DWP. The investigators employed by Capita who undertook this service for the council have now transferred to DWP. This has reduced the council's resources in this area as the number of accredited fraud investigators employed by the council has significantly reduced. The finance service has recently agreed to fund the training of two additional officers to strengthen its approach to fraud investigation. This training will take place over the next six months.
- 46) Although considerable progress has been made in implementing fraud awareness across the council and the policies that underpin this, much of the fraud investigation work is undertaken by management supported by Internal Audit and HR. A review of fraud investigation practices across the council will be undertaken as part of this year's audit plan.

Risk Management

- 47) The council's corporate risk manager attended the committee in April and November 2014 to present to members a report on the current risk management reporting arrangements within the Council and measures being implemented to further strengthen and improve those arrangements.
- 48) The report in November 2014 included the risk trend analysis from the previous report to the committee as well as the current and emerging risk to delivery of the council's strategic objectives and the controls in place to manage those risks.
- 49) The council's risk management framework has been made available on the intranet and training has been provided to all senior managers on its

operation. The council's risk managers review the risks identified and offer support and challenge to services on their identified risks.

- 50) Performance monitoring information is reported to the appropriate Scrutiny Boards, in line with their agreed plans of work. The council's corporate management team (CMT) also received a quarterly presentation on performance across the council and the cabinet members have direct access to the information relevant to their portfolio. Reporting of risk is now fully integrated with the reporting of service delivery and financial issues.
- 51) There is a requirement that all reports that are presented to the council's cabinet contain the key risks that relate to the subject area, these are scrutinised by the members. There is also a process in place to record and manage the risks in relation to programmes and projects as part of the progress reports submitted to members.

Recommendation

- 52) Members are asked to confirm that the above report gives an accurate reflection of the reports that they have received and considered throughout the year.
- 53) Members are also asked to confirm that they now have an appropriate overview of the council's systems of internal control so that they are assured that they are fulfilling the requirements of "those charged with governance" under the International Auditing Standards.



Audit Committee Report

Report of: Director of Legal and Governance

Date: 28 April 2015

Subject: Work Programme

Author of Report: Dave Ross

Summary:

The report provides details of a proposed work programme for the Committee to April 2016

Recommendations:

That the Committee:-

- (a) considers the Work Programme and identifies any further items for inclusion;
and
 - (b) approves the work programme.
-

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
Cabinet Member for Finance and Resources
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 an outline work programme for the Committee for 2015/16 and to identify any further items for inclusion.

2. Work Programme

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. 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 An outline programme to April 2016 is set out below and Members are asked to identify any further items for inclusion.

Date	Item	Author
16 July 2015	Update on actions to address the issues in the KPMG report on the review of Financial Support Processes in Adult Social Care	Eugene Walker (Interim Executive Director, Resources)
16 July 2015	Progress report on the Adult Social Care Recovery Programme	Eugene Walker/Laraine Manley (Interim Executive Directors, Resources and Communities)
16 July 2015	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
16 July 2015	Summary of the Statement of Accounts	Dave Phillips (Interim Director of Finance)
16 July 2015	Audit Committee Annual Report	Dave Ross (Legal and Governance)
16 July 2015	Progress on Audit Reports with a High Opinion	Kayleigh Inman (Senior Finance Manager)
16 July 2015	Markets Service High Opinion Audit Report Update	Nalin Seneviratne (Director of Capital & Major Projects)/Andy Ward (Head of Markets)

24 September 2015	Report to those Charged with Governance (ISA 260)	Sue Sunderland (Director, KPMG)
24 September 2015	Statement of Accounts	Dave Phillips (Interim Director of Finance)
24 September 2015	Internal Audit Annual Report	Dave Phillips (Interim Director of Finance)
12 November 2015	Annual Audit Letter 2014/15	Sue Sunderland (Director, KPMG)
12 November 2015	Strategic Risk Management/ Corporate Risk Register	Richard Garrad (Corporate Risk Manager)
10 December 2015	(additional meeting if required)	
14 January 2016	Update on actions to address the issues in the KPMG report on the review of Financial Support Processes in Adult Social Care	Eugene Walker (Interim Executive Director, Resources)
14 January 2016	Progress report on the Adult Social Care Recovery Programme	Eugene Walker/Laraine Manley (Interim Executive Directors, Resources and Communities)
14 January 2016	Progress on Audit Reports with a High Opinion	Kayleigh Inman (Senior Finance Manager)
14 January 2016	Annual Governance Statement Progress Report	Gillian Duckworth (Director of Legal and Governance)
11 February 2016	(additional meeting if required)	
10 March 2016	(additional meeting if required)	
14 April 2016	Certification of Claims and Returns Annual Grants 2014/15	Sue Sunderland (Director, KPMG)
14 April 2016	External Audit Plan 2015/16	Sue Sunderland (Director, KPMG)
14 April 2016	Annual Audit Fee Letter 2016/17	Sue Sunderland (Director, KPMG)
14 April 2016	Internal Audit Plan 2016/17	Kayleigh Inman (Senior Finance Manager)
14 April 2016	Audit Commission Report on Protecting the Public Purse/Update on Counter fraud	Dave Phillips (Acting Director of Finance)

	initiatives	
14 April 2016	International Auditing Standards – Compliance with Internal Control/counter Fraud	Dave Phillips (Acting Director of Finance)
14 April 2016	Strategic Risk Management/ Corporate Risk Register	Richard Garrad (Corporate Risk Manager)

3. Recommendation

3.1 That the Committee:-

- (a) considers the Work Programme and identifies any further items for inclusion; and
- (b) approves the work programme.

Director of Legal and Governance

Audit Committee Terms of Reference (Revised February 2012)

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

Audit Activity

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

Regulatory Framework and Risk Management

- (10) To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (except in relation to those matters which are within the Terms of Reference of the Standards Committee e.g. code of conduct and behaviour of Members).

- (11) To monitor the effective development and operation of risk management and corporate governance in the Council.
- (12) To monitor Council policies on “Raising Concerns at Work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.
- (13) To oversee the production of the Council’s Annual Governance Statement and monitor progress on any issues.
- (14) To consider the Council’s arrangements for corporate governance and any necessary actions to ensure compliance with best practice.
- (15) To consider the Council’s compliance with its own and other published standards and controls.

Accounts

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

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