

Audit and Standards Committee

Thursday 27 April 2017 at 5.00 pm

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

The Press and Public are Welcome to Attend

Membership

Councillors Josie Paszek (Chair), Dianne Hurst, Alan Law, Pat Midgley, Peter Price,
Vickie Priestley (Deputy Chair) and Paul Scriven.

Independent Co-opted Members

Liz Stanley.

PUBLIC ACCESS TO THE MEETING

The Audit and Standards Committee oversees and assesses the Council's risk management, control and corporate governance arrangements and advises the Council on the adequacy and effectiveness of these arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts and consider the Annual Letter from the External Auditor.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted members.

A copy of the agenda and reports is available on the Council's website at <http://democracy.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 meetings of the Committee 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 AND STANDARDS COMMITTEE AGENDA
27 APRIL 2017**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of the Press and Public**
To identify items where resolutions may be moved to exclude the press and public.
- 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 - 8)
To approve the minutes of the meeting of the Committee held on 12 January 2017.
- 6. General Data Protection Regulation** (Pages 9 - 16)
Report of the Head of Information and Knowledge Management.
- 7. Internal Audit Plan 2017/18** (Pages 17 - 64)
Report of the Senior Finance Manager, Internal Audit.
- 8. Public Sector Internal Audit Standards Peer Review** (Pages 65 - 98)
Report of the Senior Finance Manager, Internal Audit.
- 9. Compliance with International Auditing Standards** (Pages 99 - 108)
Report of the Head of Strategic Finance.
- 10. Annual Report on Grants and Returns 2015/16** (Pages 109 - 122)
Report from KPMG.
- 11. External Audit Plan 2016/17** (Pages 123 - 142)
Report from KPMG.
- 12. Work Programme** (Pages 143 - 146)
Report of the Director of Legal and Governance.
- 13. Date of Next Meeting**
To note that the next meeting of the Committee will be held on 13 July 2017 at 5.00 p.m.
- 14. Strategic Risk Management** (Pages 147 - 182)
Report of the Acting Executive Director, Resources.

(Note: The above 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, relating to the financial or business affairs of any particular person, including the authority holding that information).

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 Audit and 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 and Standards Committee

Meeting held 12 January 2017

PRESENT: Councillors Josie Paszek (Chair), Dianne Hurst, Alan Law and Peter Price

Co-opted Independent Members

Liz Stanley

In attendance: Independent Persons
Marvyn Moore, Stuart Carvell and David Waxman

Parish/Town Council Representatives

Councillor Michael Appleby (Ecclesfield)

Representative of KPMG

Matt Ackroyd (Manager)

Council Officers

John Mothersole (Chief Executive)

Eugene Walker (Acting Executive Director, Resources)

Dave Phillips (Head of Strategic Finance)

Kayleigh Inman (Senior Finance Manager, Internal Audit)

Jason Dietsch (Head of Member Services)

Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Pat Midgley and Vickie Priestley.

2. EXCLUSION OF THE PRESS AND PUBLIC

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

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 16 November 2016 were approved as a correct record.

5. PROGRESS ON HIGH OPINION AUDIT REPORTS

- 5.1 The Senior Finance Manager (Internal Audit) introduced a report that gave details of the progress that had been made against recommendations in audit reports that have been given a high opinion and summarised the implementation of recommendations by priority in each audit review. Of the 87 recommendations, 55 had been implemented, 31 were ongoing and only one recommendation was considered to be outstanding as no action had been taken.
- 5.2 The report proposed that three audits were removed for the action tracker. In addition, the Senior Finance Manager proposed that as there were 8 ongoing recommendations for the audit of Transitions Governance Arrangements and insufficient progress had been made, the audit was removed from the action tracker and that a further full review would be undertaken.
- 5.3 A Member of the Committee sought reassurance regarding the revised implementation dates for the two recommendations for the Statutory Responsibilities Health Check audit not being met. In response, the Senior Finance Manager indicated that those recommendations were ongoing. This item was included in the Annual Governance Statement and there was a mechanism for those recommendations to be reviewed annually.
- 5.4 **Resolved:** That the Committee:-
- (a) notes the report;
 - (b) agrees that the audits relating to Firs Hill Primary School – Financial Health Check, Mailroom Processes (Proactive Fraud Review), Delivery of Highway Scheme and Transitions Governance Arrangements are removed from the action tracker; and
 - (c) notes that the report on the further audit of the Transitions Governance Arrangements would be circulated to Members of the Committee when the audit had been completed.

6. STANDARDS COMPLAINTS UPDATE

- 6.1 The Head of Member Services introduced a report of the Monitoring Officer and Director of Legal and Governance that provided a summary of the 27 complaints considered since the Procedure for Dealing with Standards Complaints Regarding City, Parish and Town Councillors and Co-opted Members was introduced in March 2015.
- 6.2 The Monitoring Officer had assessed 19 complaints, in consultation with one of the three Independent Persons, and decided to take no action on 16 of the complaints and seek informal resolution on three. Six complaints were still to be concluded and two complaints were not accepted due to a significant amount of time having passed since the alleged incidents took place.

6.3 The Head of Member Services referred to the Monitoring Officer visiting each of the three Parish and Town Councils to outline good practice, the requirements of the Members' Code of Conduct and the Social Media Guidance for Members. He also referred to the Annual Standards Report that would be submitted to Full Council in due course.

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

7. REVIEW OF THE PROCEDURE FOR DEALING WITH STANDARDS COMPLAINTS

7.1 The Head of Member Services introduced a report of the Monitoring Officer and Director of Legal Governance that proposed, following a recent review, a number of revisions to the Procedure for Dealing with Standards Complaints Regarding City, Parish and Town Councillors and Co-opted Members that was introduced in March 2015. This had taken into account the learning and experience of dealing with complaints under the Procedure and the views of the three Independent Persons and the Parish and Town Councils had also been sought. Generally, the Procedure had worked well but the following revisions were proposed:-

- Clarifying the process for withdrawing a complaint.
- Including an explanation for the possible reasons for taking no action, seeking informal resolution and referring a complaint for investigation.
- Including an amendment to the process that if an informal resolution cannot be agreed then the Monitoring Officer, in consultation with the Independent Person, will reassess the complaint, taking into consideration the reasons why an informal resolution has not been agreed.
- Clarifying that it is expected that the Monitoring Officer will refer only the most serious potential breaches for investigation or where the Member is not willing to accept an informal resolution or fundamentally disputes or does not accept the allegations in the complaint.

7.2 In response to a query from David Waxman, Independent Person, on whether a complaint would still be considered if it was subject to a police investigation, the Head of Member Services indicated that it would but this would take place following the conclusion of any Police action. This point would be clarified in the revised Procedure.

7.3 A Member of the Committee asked what sanctions were available if there was a finding of a breach of the Code of Conduct. The Head of Member Services indicated that these were set out in section 11.8.1 of the Procedure but these were limited in comparison to the sanctions that were available under the previous Standards regime.

7.4 Marvyn Moore, Independent Person, asked what the Council's policy was on recording meetings. The Head of Member Services indicated that the Council did not record its meetings but members of the public and press were entitled to film or record meetings.

7.5 **Resolved:** That the Committee:-

- (a) recommends to Full Council, with the inclusion of the clarification now discussed relating to complaints that were also subject to Police investigation, the adoption of the revised Procedure for Dealing with Standards Complaints Regarding City, Parish and Town Councillors and Co-opted Members and that the Constitution is then amended accordingly;
- (b) refers the revised Procedure to the Parish and Town Councils for adoption; and
- (c) requests the Director of Legal and Governance to review the Procedure annually and submit a report to this Committee on any proposed changes.

8. **REVIEW OF THE MEMBERS' CODE OF CONDUCT**

8.1 The Head of Member Services introduced a report of the Monitoring Officer and Director of Legal and Governance that proposed, following a recent review, a number of minor changes to the Members' Code of Conduct. These related to the Equalities section and were to reflect changes in legislation that have been repealed and incorporated into the Equality Act 2010 and amended titles of Council Policy documents.

8.2 **Resolved:** That the Committee recommends to Full Council the approval of the revised Members' Code of Conduct appended to the report now submitted and that the Constitution is amended accordingly.

9. **WORK PROGRAMME**

9.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee to July 2017.

9.2 **Resolved:** That the Committee's work programme is approved.

10. **DATES OF FUTURE MEETINGS**

10.1 The Committee (a) agreed to cancel the additional meeting scheduled for 16 February 2017 and (b) noted that meetings would be held on:-

- 9 March 2017 (additional meeting if required)
- 27 April 2017
- 13 July 2017



Audit and Standards Committee Report

Report of: Acting Executive Director, Resources

Date: 27 April 2017

Subject: GENERAL DATA PROTECTION REGULATION (GDPR)

Author of Report: JOHN L CURTIS, HEAD OF INFORMATION MANAGEMENT, INFORMATION MANAGEMENT, BUSINESS CHANGE AND INFORMATION SOLUTIONS, RESOURCES

Summary:

This report outlines the proposed changes to how we process and use personal data.

These changes will be introduced through the General Data Protection Regulation (GDPR) which will come into force on May 25th 2018.

This report outlines some of the proposed changes outlined within the GDPR, as well as work undertaken to date and ongoing work to address these proposed changes.

Recommendations:

To note the proposed changes and support the ongoing work.

Background Papers:

Reference should be made to the Internet Links detailed within the report.

Category of Report: OPEN

Statutory and Council Policy Checklist

| |
|---|
| Financial Implications |
| NO |
| Legal Implications |
| YES |
| Equality of Opportunity Implications |
| NO |
| 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 Member |
| Councillor Ben Curran, Cabinet Member for Finance |
| Is the item a matter which is reserved for approval by the City Council? |
| NO |
| Press release |
| NO |

GENERAL DATA PROTECTION REGULATION (GDPR)

1.0 INTRODUCTION

- 1.1 This report provides an overview of the proposed changes to Data Protection legislation which will be brought in through the General Data Protection Regulation (GDPR).
- 1.2 It also provides an overview of ongoing work around the project working group which has been established to support compliance in this area.

2.0 BACKGROUND

- 2.1 The European Union Commission proposed a General Data Protection Regulation in 2012, mainly to achieve the following objectives;
 - Bring data privacy legislation up to speed with globalisation and technological advancements.
 - Have a coherent approach to data privacy within Europe, all EU Member States following the same rules hence Regulation rather than a Directive.
- 2.2 The Regulation has been through various EU Authorities/Committees and was agreed fully and published in the Official Journal in May 2016.
- 2.3 It will come into effect in 25th May 2018 meaning we now have just over a year to be fully compliant. The current Data Protection Act 1998 will be repealed and replaced with local legislation where there is requirement and/or flexibility to enact local laws. Further information can be found at <https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/>
- 2.4 Although the UK plans to exit the EU, the Information Commissioner's Office (ICO) advice is that organisations within the UK should continue to work towards ensuring that they comply with the GDPR which becomes effective from May 2018.
- 2.5 It is important that we see this as an opportunity and should be used to get things right at the start when we collect and use (process) personal data. The GDPR is an opportunity to be much better placed around how we manage and process data, and reduce the recollection of the same personal data.

3.0 The main changes detailed within the GDPR are :

3.1 Accountability

The data controller (Sheffield City Council) is responsible for demonstrating compliance with the Regulation – this is not a new concept however the change is significant as this will be an explicit legal requirement under the GDPR. In addition, explicit compliance measures such as 'privacy by default' and 'privacy by design' are included in respect of development/application of technology/ policy.

In terms of documentation, Sheffield City Council as the data controller will be responsible for ensuring all processing activity records are kept including who its processors and joint data controllers are.

3.2 **New Rights for Individuals**

Data Portability, Sheffield City Council would need to have the ability to extract data that has been provided by the individual, in a format that can be easily transported /read by another provider/organisation

Restriction, individuals can ask Sheffield City Council to restrict data processing i.e. to contest legitimate ground unless verified by Sheffield City Council that such processing does not override data subject rights.

Profiling, when there are legal implications.

Right to be forgotten, this is a qualified right and has to meet certain conditions. It should be noted if the data is no longer required for the purposes it was collected for then this right applies. In any event data must be processed for specified purposes.

3.3 **New Types of Sensitive Data**

There are new types of sensitive data including genetic data, genetic characteristics of the individual, unique information resulting from an analysis of a biological sample.

Biometric Data, this includes facial recognition, finger prints etc.

3.4 **Fines**

Currently the maximum fine that the ICO can impose is £500,000. This will significantly change and will depend on the severity of the breach/ non-compliance/ notification. The maximum fine will be around £2m.

3.5 **Breaches**

Breaches are to be reported to the Supervisory Authority without undue delay and in any event within 72 hours. Failure to contain and notify would increase any fine unless there was good reason.

3.6 **Legitimate Interest of the data controller**

This is a new requirement of notification to the individual where processing is taking place under legitimate interest.

3.7 **Consent for processing data for children under 16 years of age**

Parental or holder of parental responsibility must consent if data is processed in relation to a minor. Some exemptions exist such as children's helplines etc. where consent is clearly irrelevant and not workable. **It should be stressed more than**

likely option of lowering this (to no lower than 13) by national derogation

3.8 Data Protection Officer

Appointment is mandatory for public authority or body, for data controllers that carry out systematic monitoring of individuals or if the activities consist of processing on a large scale of special categories of personal data. At this stage it is proposed that the Head of Information Management will take on this responsibility.

4.0 Ongoing work and Plan

- 4.1 Through the Information Governance Board and Working Group there is ongoing work through a dedicated GDPR project working group. We have also engaged with our insurer Zurich who will be providing some support. This has included a key note presentation in Sheffield from their IG lead (December 8th) and further development of a project / action plan.
- 4.2 Through the Yorkshire and Humber IG group the ICO also provided an update around the GDPR in Sheffield (January 20th).
- 4.3 To date communications have included Managers Brief (March 2017) and main coms updates are provided from the main GDPR page on the Council Intranet. <http://intranet/ict/handling-council-info/info-governance/gdpr> It is also proposed to also hold some drop in sessions around better use of data and GDPR so that we see this as an opportunity around how we manage this change. In addition, to this specific awareness sessions have been set up for elected Members and Schools (governors and head teachers).
- 4.4 A GDPR project working group has been established which includes members primarily from the Information Governance Working Group. Legal, and Commercial Services will specifically supporting interpretation of the regulation and work we need to do with SCC suppliers. A project plan has been created and signed off.
- 4.5 The first stage of this work will be a gap analysis (audit/ discovery phase) which will tease out what we need to do to become GDPR compliant. (reference should be made to the diagram at the end of this report which provides an overview of the methodology).
- 4.6 A sharepoint site has been established to support this work which also reuses previous IG audits we have undertaken across the council. For example, information sharing agreements, privacy impact assessments. The sharepoint site established will support work after the project and should greatly support our understanding of what data we hold, how it's been shared, and processed.
- 4.7 We do aim to ensure that this is seen as an opportunity to rationalise data collection, reduce the number of privacy notices we have and improve upon how we collect personal data once and then appropriately, safely and securely use many times.
- 4.8 By the end of this year it is proposed that anything identified as a "high risk" area (eg large volume of processing sensitive data) will have been assessed and controls put into place so

that we are compliant. This will include completion of a privacy/ data impact assessment. This is illustrated in the second part of the diagram.

5.0 RECOMMENDATIONS

To note the proposed changes and support the ongoing work.

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Audit and Standards Committee Report

Report of: Kayleigh Inman, Senior Finance Manager (Internal Audit)

Date: 27th April 2017

Subject: Internal Audit Tactical Plan 2017/18

Author of Report: Kayleigh Inman

Summary:

The report presents the Internal Audit planning methodology and programme of work for 2017/18.

Recommendations:

In respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice (including PSIAS Standards) it is recommended that Members endorse the attached programme of work for 2017/18.

Background Papers:

Category of Report: Open

* Delete as appropriate

Statutory and Council Policy Checklist

| |
|---|
| Financial Implications |
| No Cleared by: Kayleigh Inman |
| 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 |
| Corporate |
| 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 |

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE 27th April 2017

Senior Finance Manager Report – 2017/18 Work Programme

Purpose of the Report

1. The purpose of this report is to present and communicate to members of the Audit and Standards Committee the internal audit plan for 2017/18.

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. For 2017/18, a risk scoring approach has been implemented in order to prioritise the identified auditable areas. The use of a risk-scoring methodology is a requirement of the Public Sector Internal Audit Standard.
4. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.

Planning Methodology

5. In order to plan for the use of Internal Audit's resources, the approach is structured to give consideration to 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.
 - Areas of highest perceived risk as determined by the Chief Executive/Executive Management Team (EMT)/Executive Director - Resources/Director of Finance and Commercial Services/Heads of Service within Finance /Senior Finance Managers/ Finance Managers.
 - The outcomes from the internal audit risk-scoring methodology.
 - An allocation of resource to cover fraud, theft and corruption allegations (re-active investigations).
 - Pro-active counter fraud work.
 - Required main financial systems (MFS) work.
 - Liaison with and learning from other Core Cities and more general best professional practice.

6. The format of the tactical plan remains the same as last year, however additional information has been added to link the plan clearly to the themes contained within the Annual Governance Statement. Each auditable area has been reviewed to determine which themes from the AGS will be covered within the scope. More than one theme may be included within the scope of a single audit.
7. The table on page 2 of Appendix 2 outlines the results of this analysis. All AGS themes are covered to varying degrees and this will help to support the internal audit opinion on the control environment which is provided to the Audit and Standards Committee annually in September.
8. In addition, given the current restructuring of the Council's Portfolios, each service block has been identified separately to provide flexibility to Internal Audit in allocating work blocks within the team. As an example, Communities and Housing have been separated for the purpose of this years' plan.

Utilisation of the Corporate Risk Management Arrangements

9. 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. In addition, Internal Audit will perform a review of the risk management process to provide assurance that it operates effectively.

Utilisation of the Annual Governance Statement

10. The process for collating information for the production of the AGS is managed by Legal and Governance. The information to which Directors submit and sign up provides a wealth of information on how some of the most important internal control arrangements are managed within services. Finance Managers (Internal Audit) review this information when identifying areas for the audit plan. In addition Internal Audit will perform a review of the annual governance statement process to provide assurance that it operates effectively.

Fraud Allegations (Re-active investigations)

11. An allocation of time is included in the plan to provide for the investigation of allegations of fraud, theft and corruption. Some investigations are carried out directly by Internal Audit and for others Internal Audit provides support to management for them to carry out their own reviews.
12. The Single Fraud Investigation Service (SFIS) was formally established in 2015 and all benefit fraud cases are now investigated by this central government service, rather than by SCC.

Pro-active Counter Fraud Work

13. 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. It 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.
14. Internal Audit continues to administer the system and oversee the submission of data for the NFI. 2017/18 is an NFI output year, and so Internal Audit will be coordinating the responses to Cabinet Office in relation to the NFI data matching exercise, testing the adequacy of the responses provided by service, and will be undertaking some in-house work on a sample of the data matches.
15. In addition to the above externally generated work, for 17/18, Internal Audit has four pieces of proactive fraud work planned. These reviews look at activities that are more susceptible, by the nature of what they encompass, to fraud. Internal Audit exam each activity's overall fraud risks to ensure that all of the areas of fraud have been identified. These exercises have been successful in identifying irregularities and weak/inconsistent controls and management arrangements. The work on proactive fraud may subsequently lead to more specific case investigations. Flexibility is therefore required in the use of the fraud investigation resource. 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.
16. In 2016/17 the fraud awareness e-learning course was refreshed and this will be launched and added to the Sheffield Development Hub in the early part of 2017/18.

Main Financial Systems (MFS)

17. Internal Audit reviews the key financial systems of the Council every year, and the Head of Strategic Finance believes this aspect of the work of Internal Audit to be crucial in supporting the S151 officer responsibilities. External Audit place reliance on the soundness of the MFS and will take assurance from the work undertaken by Internal Audit.

ICT (BCIS)

18. As in 2016/17, the partnership for technical ICT support will not renewed for 2017/18 due in part, to the significant changes being undertaken with regards to ICT systems. Consideration will be given to retendering for this support from 2018/19 onwards when a number of new key systems should be operational. In-house expertise is believed to be sufficient to cover the ICT audits included in the 17/18 plan.

Risk Based Audits of Systems/Services/Functions in each Portfolio

19. 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 and Commercial /Executive Directors and Directors.
20. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
21. New for 2017/18, Internal Audit has introduced a risk scoring methodology to prioritise the areas identified throughout the planning process. The approach involves assessing some key criteria such as statutory requirements, the impact of service failure, size of budget, budget position and approach to risk management. The template for the approach is attached at appendix 1.
22. The resulting analysis calculates a score for that particular auditable area, with the maximum score possible of 1000. The plan has then been defined to include all areas with a score of 500+. The use of a risk-scoring methodology is a requirement of the Public Sector Internal Audit Standard.
23. 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.

Summary of the Audit Plan

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

| Auditable Area | Days | No of Outputs |
|--|-------------|----------------------|
| Corporate Reviews (incl AGS, Risk Management) | 114 | 8 |
| Place | 198 | 17 |
| Housing (includes 72 days for Social Care Accounts Service) | 220 | 13 |
| Children, Young People and Families (CYPF) | 246 | 25 |
| Communities | 116 | 12 |
| Resources | 222 | 14 |
| ICT (BCIS) | 160 | 9 |
| Main Financial Systems | 156 | 10 |
| Investigations, Proactive Fraud and Benefits (*excl reactive allocation) | 213 | 8 |
| Total | 1645 | 116 |

| Assessed Priority | Outputs |
|--------------------------|----------------|
| High Priority | 80 |
| Medium Priority | 27 |
| Low Priority | 1* |
| Statutory | 8 |
| Total | 116 |

*Schools' annual report which combines the themed reviews into a composite report for all maintained schools.

25. It should be noted that in previous years the Housing Service has been a part of the Communities portfolio and so the total number of days dedicated to this area would have appeared higher. Until the finer detailer

of the portfolio restructure is known, and the plan can be re-organised, it was deemed most appropriate to identify each area separately. There are still some reviews included in the Housing block that relate to Social Care Accounts Service (SCAS).

26. Whilst the above plan is currently achievable with the level of resource available, the above 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.
27. Attention is also drawn to the first call list (last page of the plan), which highlights the reviews identified during the planning process which cannot be completed in 2017/18. Every effort has been made to add medium priority reviews (scoring less than 500) to the first call list, and maintain all the high priority reviews in the plan. There are 9 high priority reviews on first call however, for all of these there are service-based reasons why an audit review cannot be undertaken in 17/18.
28. The first call list is effectively the 18 month audit plan, as reviews included on first call will be included for review in the early part of 18/19, assuming they are still relevant.
29. The 2017/18 annual plan is attached at Appendix 2.

Future Considerations

30. 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.
31. 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. 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.
32. It is recommended in the Public Sector Internal Audit Standards that any significant changes to the plan are also reported to the Audit and Standards Committee. As a result, Internal Audit have defined 'significant' as a 15% change to the audits ratified in the April 2017 meeting, and in the event of this level of change, will report to the September or November Committee (subject to meeting timetabling).

FINANCIAL IMPLICATIONS

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

EQUAL OPPORTUNITIES IMPLICATIONS

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

CONCLUSION

35. 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

36. 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 2017/18.

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Appendix 1

Internal Audit Planning Document

| | |
|-----------|--|
| Portfolio | |
| Service | |
| Area | |

Audit Title

Area on which providing Assurance

Questions

Is the Audit required in the plan (AGS)? 1=yes, 0=no

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

Is this Audit a MFS for External Audit? 1=yes, 0=no

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

Is there a grant requirement? 1=yes, 0=no

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

Last Audit Opinion

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

- 1 Low
- 2 Medium low
- 3 Not audited
- 4 Medium high
- 5 High

Audit recommendations complied with

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

- 1 Yes
- 2 Not confirmed
- 3 No

As a professional Audit Manager is there a reason it is required

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

1=yes, 0=no

State Emerging risk/ too good to be true - potential cost saving

Is the Service a Statutory responsibility

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

- 1 No
- 2 Yes - but not significant (Libraries)
- 3 Yes- Significant (Safeguarding)

Is the service significant to the outcomes of the Council

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

- 1 No
- 2 Yes - but not significant
- 3 Yes- significant

(1-10 - include if it supports other objectives)

Is the service new or reconfigured

| | |
|-----------|---|
| Weighting | 0 |
|-----------|---|

- 1 Service is going
- 2 Stable service
- 3 Undergone recent MER

| | | | |
|---|----------------------|-----------|--------------------------------|
| 4 New way of working | | | |
| 5 New service | | | |
| Likely impact of service failure (financial) | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Unlikely to be noticed | | | |
| 2 low local impact | | | |
| 3 Serious local impact | | | |
| 4 Major national impact | | | |
| Reputational risk resulting from service failure | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Unlikely to be noticed | | | |
| 2 low local impact | | | |
| 3 Serious local impact | | | |
| 4 Major national impact | | | |
| Risk Recognition | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Not recognised risk | | | |
| 2 In Service Risk Register | | | |
| 3 In Portfolio Risk Register | | | |
| 4 No risk register | | | |
| 5 In Corporate Risk Register | | | |
| Fraud risk | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Not an area susceptible to fraud | | | |
| 2 management assessment completed | | | |
| 3 Potential area | | | |
| 4 No management assessment | | | |
| 5 Known frauds | | | |
| AGS (has the areas been raised in :) | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Service return | | | |
| 2 Portfolio Return | | | |
| 3 EMT Report/Significant issue | | | |
| 4 AGS | | | |
| 5 Known issues not declared | | | |
| Required compliance with laws/regulation/policies/contracts | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Low | | | |
| 2 Medium | | | |
| 3 High | | | |
| 4 Never tested | | | |
| Finance | | | |
| Budget Size | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 up to £1m | | | |
| 2 up top to £10m | | | |
| 3 Over £10m | | | |
| Overspend (month 6) | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Balance Budget | | | |
| 2 up to 5% under/overspend | | | |
| 3 Over 5% under/overspend | | | |
| Is the service grant funded/ externally funded/ reliant on income | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 Up to 10% | | | |
| 2 Up to 50% | | | |
| 3 Over 50% | | | |
| 5 funded by a source known to be going | | | |

Staffing

| | | | |
|--|----------------------|-----------|--------------------------------|
| Size of Staffing | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 No Staff | | | |
| 2 Up to 40 staff | | | |
| 3 Over 40 staff | | | |
| 4 Dispersed staff (area base/home workers) | | | |
| 5 Known staffing issue (major MER etc.) | | | |

Reliance on IT

| | | | |
|----------------------|----------------------|-----------|--------------------------------|
| Reliance on IT | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| System | <input type="text"/> | | |
| 1 Does not use IT** | | | |
| 2 Significant use | | | |
| 3 Could not function | | | |

Data

| | | | |
|--|----------------------|-----------|--------------------------------|
| Data | <input type="text"/> | Weighting | <input type="text" value="0"/> |
| 1 No Data | | | |
| 2 Minimum data | | | |
| 3 Significant Data known to be well managed | | | |
| 4 Not tested | | | |
| 5 Significant Data known not to be well managed | | | |

| | |
|------------------------|--------------------------------|
| Overall Weighted Score | <input type="text" value="0"/> |
|------------------------|--------------------------------|

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Overall Summary By Portfolio and Audit Type

APPENDIX 2

| | Corporate* | Place | Housing | CYPF | Communities | Resources** | BCIS | MFS | Investigations | Total Days |
|--------------------------------------|------------|------------|------------|------------|-------------|-------------|------------|------------|----------------|-------------|
| Compliance Audits | 20 | | 3 | 2 | | | | 154 | | 179 |
| Risk Based Audit | 90 | 144 | 215 | 144 | 102 | 222 | 72 | | 30 | 1019 |
| Control Risk Self Assessment | | | | 30 | | | | | | 30 |
| School Visits | | | | 33 | | | | | | 33 |
| Application Reviews | | | | | | | 88 | | | 88 |
| Follow Up Audits | 4 | 10 | 2 | 4 | 10 | | | 2 | 5 | 37 |
| Project Management Reviews | | 36 | | 18 | | | | | | 54 |
| Advisory | | 3 | | | | | | | 30 | 33 |
| Investigations | | | | | | | | | 54 | 54 |
| Pro-active Fraud Reviews | | | | | | | | | 94 | 94 |
| Grant certification/account sign-off | | 5 | | 10 | 4 | | | | | 19 |
| Report Production | | | | 5 | | | | | | 5 |
| Total Days | 114 | 198 | 220 | 246 | 116 | 222 | 160 | 156 | 213 | 1645 |
| No of audits | 7 | 13 | 12 | 16 | 7 | 14 | 9 | 9 | 7 | 94 |
| No of follow-up reviews | 1 | 4 | 1 | 2 | 5 | | | 1 | 1 | 15 |
| School visits/reports | | | | 7 | | | | | | 7 |
| Productive Outputs | 8 | 17 | 13 | 25 | 12 | 14 | 9 | 10 | 8 | 116 |

exc reactive

| | | | | | | | | | | |
|-------------------|----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|----------|------------|
| High Priority | 5 | 10 | 12 | 10 | 5 | 14 | 9 | 9 | 6 | 80 |
| Medium Priority | 3 | 6 | 1 | 10 | 5 | | | 1 | 1 | 27 |
| Low Priority | | | | 1 | | | | | | 1 |
| Statutory | | 1 | | 4 | 2 | | | | 1 | 8 |
| Total Days | 8 | 17 | 13 | 25 | 12 | 14 | 9 | 10 | 8 | 116 |

* Cross cutting reviews covering multiple Portfolios

** Policy, Performance and Communications

| | Corporate | Place | Housing | CYPF | Communities | BCIS | Resources | MFS | Investigations | Total | % |
|-----------------------------|-----------|-------|---------|------|-------------|------|-----------|-----|----------------|-------|----|
| info governance | | 1 | 6 | 4 | | 9 | 12 | | 6 | 38 | 38 |
| contract management | | 3 | 6 | 2 | 2 | 9 | 3 | | 3 | 28 | 28 |
| financial governance | 1 | 9 | 10 | 17 | 3 | 9 | 14 | 9 | 7 | 79 | 79 |
| HR - people management | 1 | 2 | 2 | 10 | | 1 | 5 | 1 | 5 | 27 | 27 |
| performance & data quality | 2 | 7 | 5 | 14 | 3 | 2 | 6 | 4 | 3 | 46 | 46 |
| business planning | 2 | 2 | 4 | 2 | 2 | 1 | 2 | | | 15 | 15 |
| commissioning & procurement | | 1 | 1 | 6 | 1 | 1 | | | | 10 | 10 |
| risk management | 2 | 3 | 5 | 1 | | 9 | 14 | | 7 | 41 | 41 |
| Project & Programmes | 2 | 4 | 1 | 1 | 1 | 1 | 2 | | | 12 | 12 |

| | | | | | | | | | | | |
|---------------------------|----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|----------|------------|------------|
| No of audits | 7 | 13 | 12 | 16 | 7 | 9 | 14 | 9 | 7 | 94 | |
| No of follow-up reviews | 1 | 4 | 1 | 2 | 5 | | | 1 | 1 | 15 | |
| School visits/reports | | | | 7 | | | | | | 7 | |
| Productive Outputs | 8 | 17 | 13 | 25 | 12 | 9 | 14 | 10 | 8 | 116 | 100 |

audits and school visits were categorised by AGS theme. This was not applied to follow-up reviews or the school annual report.

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|---------------------------------------|---|------------|------------------|--|---------------------|-----|-----------------------|-----|
| Corporate Reviews | | | | | | | | |
| | Statutory Duty - Assurance Mapping | RBA | High | To provide assurance that we have the capacity and ability to fulfil our statutory duty. | | | | |
| | Development of the new Business Planning System | RBA | High | To provide assurance that the system is operated effectively and consistently across all Portfolio's. | | | | |
| | Programme Boards | RBA | High | To provide assurance on the effectiveness of the Programme Boards in relation to the management and control of capital projects. | | | | |
| Business Continuity Planning | | | | | | | | |
| | Corporate BCP arrangements | RBA | High | To provide assurance on the effectiveness of corporate business continuity processes in place. | | | Place 198 & 218 & 303 | |
| Risk Management | | | | | | | | |
| | Corporate risk management | RBA | High | To provide assurance that the corporate risk management approach is embedded and working well. | | | | |
| Annual Governance System (AGS) | | | | | | | | |
| | AGS - statement production | Compliance | Medium | Assurance that the controls in place on the production of the annual AGS statement are sound. | | | | |
| | AGS - quality reviews | Compliance | Medium | Assurance that the controls in place around the quality reviews of the AGS statement are sound. | | | | |
| Follow up | | | | | | | | |

| | | | | | | | | |
|-------------------|-------------------|-----------|--------|---|--|--|--|--|
| | Achieving Savings | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High. | | | | |
| Total Days | | | | | | | | |

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|---------------------------------------|--|--------------------------------|------------------|--|---------------------|-----|---------------|-----|
| Place Portfolio | | | | | | | | |
| Regeneration and Development Services | 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. Grant to support bus services and provision of infrastructure. Required by 30.9.17. | 5 | | | |
| Chargeable Work | Lower Don Valley (LDV) Business Improvement District - Year 3 Levy | Grant certification / sign off | Medium | To provide assurance that open and transparent accounts are held for this business unit. Ensuring that money is used to pay for works and services as part of the Lower Don Valley Flood Defence Project. | 5 | | | |
| | Traffic, Transport and Parking Services (TT&PS) external funding arrangements and transport projects | RBA | High | Assurance about the management of projects and control of funding arrangements in line with corporate capital approvals processes. | 2 & 5 | | 313-330 | |
| | 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 | | | |

| | | | | | | | |
|---|--|--------------------|------|---|-------------|--|--|
| | Highways Client Monitoring of Amey Performance | RBA | High | Assurance about the client monitoring role ensuring Amey delivery a high quality and timely service. | 2 & 5 | | |
| Place Regeneration and Development (also link to Public Health) | Air Quality | RBA | High | 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 (funding and areas of spend) and monitoring of the Air Quality Action Plan and working with key stakeholders. | 3 & 5 | | 251 |
| Business Strategy and Regulation | Business-like Place Project - Implementation Stage | RBA | High | Following on from the 2016/17 audit of the development stage this audit will provide assurance that the implementation stage is effectively managed and controlled. | 2 & 5 | | |
| | Waste Project (Veolia) | Project Management | High | To provide assurance that the monitoring of the waste project is effective. To also include a review of the steps taken to reaching an agreement with Veolia in relation to savings. | 3 & 5 | | 33, 178-183, 185, 187, 188, 239, 256, 258, 279, 302, 312 & 335 |
| | Licencing | RBA | High | To provide assurance that processes are robust and effective for all licences issued by the Council. | 2, 3, 5 & 6 | | 155, 156, 160, 162, 164, 165, 299-301, 303, 308 & 309 |

| | | | | | | | | |
|----------------------------|---|--------------------|--------|--|-------|--|-----------|--|
| Capital and Major Projects | Sheffield Retail Qtr Project (NRQ) | Project Management | High | Project management standards are complied with including clear project planning and progression, effective communication channels, defined roles and responsibilities, clear funding arrangements and effective governance and reporting arrangements. Including effective and clear links to other projects and partners. | 2 & 5 | | Place 254 | |
| | Moor Market Service Charge | Advisory | Medium | To provide assurance that the service charge has been calculated methodically and all costs included are legitimate and eligible for the Moor Market. | 2 & 5 | | | |
| Creative Sheffield | Maker Hub - City Centre Digital Incubator (Castlegate Technology North) | RBA | High | To provide assurance that grant funding conditions are complied with and effective procurement arrangements are in place. Also to ensure that robust governance arrangements are in place and effective value for money is demonstrated. | 2 & 5 | | 272 | |
| Culture and Environment | Monitoring arrangements of Sheffield International Venues Ltd (SIV) and Places for People | RBA | High | To provide assurance that monitoring arrangements are robust and effective. | 2 & 5 | | | |
| Follow-ups | Use of Consultants and Professional Services in Place Portfolio | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | 2 & 5 | | | |
| | Strong Economy Projects | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High. | 2 & 5 | | | |

| | | | | | | | | |
|-------------------|-----------------------------|-----------|--------|---|----------|--|--|--|
| | Markets | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High. | 2, 3 & 5 | | | |
| | European Services Directive | 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 | | | |
| Total Days | | | | | | | | |

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|------------------------------------|---|------------|------------------|---|---------------------|-----|---------------|-----|
| Housing and Neighbourhood Services | Social Care Accounts Service (SCAS) - deferred payments | RBA | High | To provide assurance that the system in place for dealing with deferred payments for clients is robust. | 4 | | | |
| | SCAS - process overview | RBA | High | A cross portfolio review of the end to end process for engaging and paying for social care clients to ensure the controls are robust. | 4 | | | |
| | SCAS - mental health payments | RBA | High | To review the process and systems in place for the payment to the Sheffield Health and Social Care Trust for the delivery of mental health services | 4 | | | |
| | Executor Services | RBA | High | A review of the Executor Services team and processes, to ensure that controls are in place for dealing with deceased clients estates | 4 | | | |
| | Homes and Community Agency (HCA) - peer review | Compliance | High | HCA funding controls - peer review | 4 | | | |
| | Integration of Housing Services | RBA | High | A review of the processes and practices in place in the Housing Service to ensure they align with the Council's strategies and outcomes | 4 | | | |

| | | | | | | | |
|--|--|-----|------|--|-----|--|--------------|
| | Homelessness prevention and management | RBA | High | To review the homelessness prevention and management systems in place in Housing | 4 | | |
| | Heating Mechanical Engineering capital review | RBA | High | To review the process and evidence in place that support the teams delivery of capital projects | 3 | | |
| Transport and Facilities Management and Building Maintenance | Procurement - Including the Use of Subcontractors (HRM Insourcing) | RBA | High | To provide assurances to management that the procedures in place relating to procurement of Goods and Contractors are operating efficiently and effectively | 2&3 | | R265 |
| Transport and Facilities Management and Building Maintenance | Stock Control (HRM insourcing) | RBA | High | To provide assurance to management that the stores system is being operated effectively and that store are held securely and transactions are undertaken in an effective manner. | 2&3 | | R281 R265 |
| Transport and Facilities Management and Building Maintenance | Performance management (HRM insourcing) | RBA | High | To provide assurances to management that the performance of the new service is operating effectively and is benchmarked to provide the service is efficient and effective. | 2&3 | | R281 R265 |
| Transport and Facilities Management and Building Maintenance | Financial Controls and Reporting (HRM insourcing) | RBA | High | To provide assurances to management that the procedures in place relating to the management and reporting of financial information is being undertaken in an efficient and effective manner. | 2&3 | | R281 R265 |

| | | | | | | | | |
|-------|---|-----------|--------|--|--|--|--|--|
| | Follow up - SCAS residential and nursing agreements | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| Total | | | | | | | | |

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|------------------------------------|--|------------|------------------|--|---------------------|-----|---------------|-----|
| CYPF Portfolio | | | | | | | | |
| Lifelong Learning and Skills (LLS) | Employability Programme | Project | High | To provide assurance that this project is being effectively managed and controlled to achieved defined outcome and to support vulnerable people to overcome personal and practical barriers and move into sustainable work. | 4 | | | |
| | Quality Assurance Process | RBA | High | To provide assurance that an effective and robust quality assurance framework is in place within this service area. | 1, 4 & 6 | | | |
| Children and Families | Quality Assurance Framework and Process | RBA | High | To provide assurance that an effective and robust CYPF quality assurance framework is in place which has been effectively communicated to all stakeholders. | 1, 3 4 & 6 | | | |
| | Social Care - Screening Arrangements | RBA | High | To provide assurance that Phase 1 and 2 have been successful and effectively managed resulting in more efficient and effective working practices. To include an assessment of the desired outcomes, any cost savings and the new delivery model of 7 localities. | 1, 3 4 & 6 | | | |
| | Early Years - including Early Support - Children Centres | 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 an assessment of children centres. | 4 | | | |

| | | | | | | | | |
|-------------------------------|---|--------------------------------|-----------|---|----------|--|-----|--|
| (Link with Business Strategy) | Childcare Placements | RBA | High | To provide assurance that an effective integrated approach has been adopted by the authority and the NHS, with robust intervention work and identification of high complex cases on a timely basis for effective planning and costings. To include an assessment of the effectiveness of the partnership arrangements with Sheffield Clinical Commissioning Group (CCG), NHS England and other NHS providers to provide a range of joint services to children and families. | 3 4 & 6 | | 269 | |
| | Local Assistance Schemes - Section 17 | RBA | High | To provide assurance that the process is robust and fit for purpose, including a review of the governance arrangements and operational practices. | 3 4 & 6 | | | |
| | Building Successful Families - April 2017 Claim | 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 the claim submitted. | 3, 4 & 6 | | | |

| | | | | | | | | |
|--|---|--------------------------------|-----------|---|----------|--|--|--|
| | Building Successful Families - July 2017 Claim | 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 the claim submitted. | 3, 4 & 6 | | | |
| | Building Successful Families - Sept 2017 Claim | 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 the claim submitted. | 3, 4 & 6 | | | |
| | Building Successful Families - January 2018 Claim | 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 the claim submitted. | 3, 4 & 6 | | | |

| | | | | | | | | |
|-----------------------|--|------------------------------|--------|---|-------|--|--|--|
| School Themed Reviews | Payroll Controls in schools | Control Risk Self-Assessment | High | CRSA to identify Head teachers/Business Managers assessment of the Schools Payroll control arrangements in place. May involve visits, will depend on content of returns. | 4 & 6 | | | |
| | Procurement Cards | Control Risk Self-Assessment | Medium | CRSA to identify Head teachers/Business Managers assessment of the procurement card arrangements at the school. To ensure effective and robust set up arrangements and controlled management and monitoring on the use of the cards. May involve visits, will depend on content of returns. | 4 & 6 | | | |
| | Routine school visits - 5 schools | School Visit | Medium | Financial health check of schools in light of the compulsory academisation programme. | 4 | | | |
| | Deficits in Special Schools | School Visit | Medium | To provide assurance that the deficits in special schools are being effectively managed and controlled. | 4 | | | |
| | School Financial Values Standards (SFVS) | Compliance | Medium | Schools that do not complete the SFVS return for 2016/17 will be issued a letter from Internal Audit notifying them that they will be included on all the School Themed reviewed for 2017/18 due to concerns about their internal controls and processes. In an addition an audit visit may also be undertaken. | 4 | | | |
| | Schools Annual Report | Report Production | Low | Report outlining and summarising all the findings and recommendations for the 2016/17 school themed audits and school visits. | 4 | | | |

| | | | | | | | | |
|---|---|-----------|--------|--|-------|--|--|--|
| Business Strategy | 2 year old Free Early Learning (FEL) | RBA | High | To provide assurance in relation to performance and the achievement of targets, including strategy to help increase performance measures. | 4 & 6 | | | |
| (Link with Children and Families and Resources Portfolio) | Transport | RBA | High | To provide assurance in relation to data quality, operational issues and performance. | 4 & 6 | | | |
| Follow-ups | Looked after Children - Fostering Service | 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 & 6 | | | |
| | SEND Reforms | 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 & 6 | | | |
| Total Days | | | | | | | | |

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|------------------------------|--|--------------------------------|------------------|---|---------------------|----------|---------------|-----|
| Communities Portfolio | | | | | | | | |
| Care and Support | Transition from Children's to Adults social care (links to CYPF) | RBA | High | Assurance that there are robust controls in place for the transfer of children to adults social care. | 4 | | 203 | |
| | Continuing Health Care (CHC) in adults/children | RBA | High | Assurance that CHC controls are effective with regard to the provision of care to adults/children between health and the Council. | 4 | | | |
| | Disabled facilities grant sign off | 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. | 4 | | | |
| | Social care grant sign off | 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. | 4 | | | |
| | Project and Programme business case review | RBA | High | To provide assurance that business cases are robust and will deliver planned benefits. | 4 | Comms 14 | | |
| Commissioning | Independent sector provision - home care | RBA | High | To provide assurance on the provision of independent sector care. | 4 | | | |
| | Community equipment pooled budget arrangements | RBA | High | To provide assurance on the controls in place on the pooled budget arrangement in place for the supply of community equipment. | 4 | | | |

| | | | | | | | | |
|-------------------|---|-----------|--------|--|--|--|--|--|
| Follow-ups | Follow up - City Wide Care Alarms | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| | Follow up - Staff utilisation | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| | Follow up - Sickness absence in Communities | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| | Follow up - Review and Reassessments in Learning Disabilities | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| | Follow up - CHC in Learning Disabilities | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| Total Days | | | | | | | | |

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|------------------------|--|--------------------|------------------|---|---------------------|-----|----------------------|-----|
| BCIS | | | | | | | | |
| Technical | Change Control | RBA | High | To provide assurance to management that the processes for system change control and updating are being operated in a controlled and efficient manner. | 1/2/3/4/5 | | R277 | |
| Technical | Software Licencing | RBA | High | To provide assurance to management that the processes are adequate to ensure that all systems have the required software licences and that these are being purchased in an effective and economic manner. | 1/2/3/4/5 | | R277 R136 | |
| Technical | Disaster Recovery | RBA | High | To provide assurance to management that there are adequate processes in place to identify the relative needs of each system in terms of disaster recovery and that the arrangements in place are adequate to fulfil these requirements. | 1/2/3/4/5 | | R340 R163 R164 | |
| Project Implementation | Payment Card Industry - Re-implementation review | RBA | High | To provide assurance to management that the processes in place for the use of payments cards both in a technical and physical format are in place to ensure full compliance with the Payment Cards Industry requirements. | 1/2/3/4/5 | | R134 | |
| OHMS System | OHMS - application review | Application review | High | To provide assurance to management that the application is being operated effectively. | 1/2/3/4/5 | | R267 | |
| AIM System | AIM/AXIS application review Implementation | Application review | High | To provide assurance to management that the application is being operated effectively. | 1/2/3/4/5 | | R134 | |

| | | | | | | | | |
|---|-------------------------------------|--------------------|------|--|-----------|--|------|--|
| Callsys - system used for housing repairs | Callsys -new application review | Application review | High | To provide assurance to management that the application is being operated effectively. | 1/2/3/4/5 | | R281 | |
| Integra - Integrated GL/Purchasing and Debtors System | Integra -new application review | Application review | High | To provide assurance to management that the application is being operated effectively. | 1/2/3/4/5 | | R264 | |
| Resource Link - Payroll Processing System | ResourceLink new application review | Application review | High | To provide assurance to management that the application is being operated effectively. | 1/2/3/4/5 | | R328 | |
| Total Days | | | | | | | | |

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|---------------------------------|---|------------|------------------|--|---------------------|-----|---------------|-----|
| Resources | | | | | | | | |
| Human Resources | HR Transition - Insourcing | RBA | High | To provide assurance to management that the insourced processes, to ensure that they are effective and meet the governance requirements of the Council | 1&2 | | R238 R231 | |
| Human Resources | Capability Procedures | RBA | High | To provide assurance to management, that the policies and controls for the management of capability procedures for staff are operating effectively. | All | | | |
| Human Resources | Pension Arrangement | RBA | High | To provide assurance to management that the data flows in relation to the working relationships with South Yorkshire Pensions Authority are operating effectively | All | | R201 | |
| Finance and commercial Services | External Grants funding | RBA | High | To provide assurance to management that the processes used to manage the financial and governance arrangements for external grants are operating in an efficient and effective manner. | All | | R179 | |
| Finance and commercial Services | Integra Controls | RBA | High | To provide assurance to management that the controls surrounding the Integra system are operating effectively | All | | R264 | |
| Finance and commercial Services | Integra Interfaces and Suspense Account reconciliations Processes | RBA | High | To provide assurance to management, that the interfaces to and from Integra are operating effectively and that they can be reconciled to the feeder system. Also to ensure that suspense accounts relating to these interfaces are identified and are cleared and reported on a regular basis. | All | | R264 | |

| | | | | | | | | |
|--|--|-----|------|--|-----|--|-----------|--|
| Finance and commercial Services | Contract waivers | RBA | High | To provide assurance to management, that the processes and controls in place for contract waivers are operating effectively. | All | | R265 | |
| Finance and commercial Services | Sign -off of Financial decisions | RBA | High | To provide assurance to management that all financial decision are identified and are signed off appropriately. | All | | R265 | |
| Finance and commercial Services | Procurement Card processes | RBA | High | To provide assurance to management that control surrounding procurement card are operating effectively | All | | R134 R313 | |
| Legal Services | Sign - off of Legal decisions | RBA | High | To provide assurance to management that all legal decision are identified and are signed off appropriately. | All | | R281 R265 | |
| Legal Services | Corporate Governance | RBA | High | To provide assurance to management that the Policies surrounding Corporate Governance are up to date and are operating effectively to safeguard the interests of the Council. | All | | R313 | |
| Legal Services | Lord mayors Office and Corporate Functions | RBA | High | To provide assurance to management, that the office of the lord mayor is being transacted in a controlled manner. | All | | | |
| Policy, Performance and communications | Performance Management | RBA | High | To provide assurance to management, that the performance management arrangements for the council are operating in an efficient and effective manner. | All | | R265 | |
| Policy, Performance and communications | Internet and Intranet - Channel Shift and Benefits realisation | RBA | High | To provide assurance to management, that the introduction of the new internet and intranet platforms are leading to the benefits realisation of the project by moving more services to an automated channel shift. | All | | R265 | |
| Total Days | | | | | | | | |

| 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 | | | | | | | | |
| | Debtors | Compliance | High | The system in place for managing and controlling debtors is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |
| | Creditors (P2P) | Compliance | High | The system in place for managing and controlling creditors is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |
| | Payroll | Compliance | High | The system in place for managing and controlling payroll is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |
| | Council Tax | Compliance | High | The system in place for managing and controlling council tax is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |
| | NNDR | Compliance | High | The system in place for managing and controlling NNDR is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |

| | | | | | | | |
|--|------------|--------|---|---|--|--|--|
| Rent Income Control | Compliance | High | The system in place for managing and controlling rent income is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |
| Asset Management | Compliance | High | The system in place for managing and controlling asset management is working effectively and efficiently. Provides assurance to External Audit. | 1 | | | |
| Portfolio financial controls - CYPF | Compliance | High | Following reviews in other portfolios, that the arrangements for financial controls in CYPF are robust and effective. Provides assurance to External Audit. | 1 | | | |
| Reconciliation controls for main financial systems | Compliance | High | Assurance that the process and controls in place for the reconciliation of main financial systems to the Councils control account are robust | 1 | | | |
| Follow up - MFS - Combined authority - cash book testing | Follow up | Medium | Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H. | | | | |
| 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

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | Portfolio RMP | CRR |
|--------------------------|--|---------------|------------------|---|---------------------|-----|---------------|-------|
| Investigations | | | | | | | | |
| Re-active Investigations | Time for investigations | Investigation | High | Undertake investigations and support service managers where there are allegations of potential fraud. | All | AGS | R158 | |
| Re-active Investigations | 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 | AGS | R158 | |
| | Follow-up - Council Investigation review | Follow-up | Medium | To provide assurance to Members and Management that appropriate progress has been made on the outcomes from the corporate review of investigations processes. | All | AGS | R158 | |
| Housing Benefit | Housing benefit review | RBA | High | To provide assurance that the Council has adequate controls in place to control and monitor expenditure of 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 | AGS | R133 & R135 | CR120 |
| Housing Benefit | Housing Benefits call centre | RBA | High | The provide assurance to management that following the recent insourcing of the benefits Call centre, that it is operating in an efficient and effective manner. | All | AGS | R278 & R280 | |

| | | | | | | | | |
|---|---|------------|-----------|--|-----|-----|------|--|
| National Fraud Initiative | National Fraud Initiative | Advisory | Statutory | To coordinate the responses to the Cabinet Office in relation to the NFI data matching exercise. To undertake some of the matches in house and to test the adequacy of responses across the Council. | All | AGS | R313 | |
| Governance Arrangements./ Pro-Active Fraud prevention | Appointeeship Service | Fraud Risk | High | This service manages the finance for individuals, where the Council is the appointee. The service is responsible for a large number of vulnerable individuals finances and is therefore susceptible to potential fraud. The review is to provide assurance to management that the fraud risks of the service have been identified, evaluated and that there are adequate controls and processes in place to ensure that these effectively mitigated. | All | AGS | R313 | |
| Governance Arrangements./ Pro-Active Fraud prevention | National Fraud report on procurement Fraud | Fraud Risk | High | A new national report on the potential risks associated with Fraud in procurement has been received. This review will be to verify that that the Council has taken adequate procedures to minimise the risk of frauds. | All | AGS | R313 | |
| Governance Arrangements./ Pro-Active Fraud prevention | Analysis of Areas of High Fraud Risk | Fraud Risk | High | To provide assurance to management that all the areas where there is potentially a high risk of fraud have been identified and that fraud risk has been adequately considered. | All | AGS | R313 | |
| Governance Arrangements./ Pro-Active Fraud prevention | Vetting of New Starters and Agency Staff/Consultants. | Fraud Risk | High | To provide assurance to management that there are adequate processes in place to ensure that all new staff and consultants have been adequately vetted to minimise the potential of fraud. | All | AGS | R313 | |

Total Days

First Call List (18 month schedule)

| Area | Audit Title | Audit Type | IA Assessed Risk | Proposed assurance to be obtained | Corporate Plan Link | AGS | CRR | Portfolio RMP | Reason for non-inclusion in plan |
|------------------|------------------------------------|------------|------------------|---|---------------------|-----|-----------------------------------|---------------|---|
| Corporate | | | | | | | | | |
| | Sustainability | RBA | High | To provide assurance across the Council that robust challenge processes are in place to expand and increase sustainability. | | | | | Actions recommended in the Achieving Savings review in 16/17 related to this area. These need to embed before the area is reviewed again. |
| Place | | | | | | | | | |
| | Production of the Local Plan | RBA | Medium | Assurance that the Local Plan is robust and produced following effective consultation and communication with stakeholders. | 2 & 5 | | | | |
| | Flood Programme | RBA | Medium | Assurance that this programme is effectively controlled and managed. | 2 & 5 | | | | |
| | Medico-Legal and Coronial Services | RBA | Medium | To provide assurance to management that the service controls 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. | N/A | | 242, 243, 246, 282, 333, 346, 358 | | |
| | Adherence to Financial Regulations | RBA | Medium | To provide assurance that the service is adhering to Financial Regulations. | 2 & 5 | | | | |

| | | | | | | | | | |
|-------------|---|-----|--------|---|----------|--|---------------------------|--|--|
| | Parks Service Review | RBA | Medium | To provide assurance to management that the service controls 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. | 5 | | Place 65, 70, 76, 78 & 80 | | |
| | Succession Planning/Staff Development | RBA | Medium | To provide assurance that succession planning has been considered and appropriate action taken to address this issue across the Portfolio. To include an assessment of staff development plans and effective monitoring and delivery. | 2, 5 & 6 | | 328 & 341 | | |
| 250 | City Centre Management and Major Events | RBA | Medium | To provide assurance that effective city centre management arrangements are in place. Including an assessment of the Major Events Strategy and delivery. | | | 90, 91, 103, 107, 226 | | |
| CYPF | | | | | | | | | |
| | Youth Justice Service | RBA | Medium | To assess the impact following the national review of Youth Justice Services which will include roles and responsibilities following any decentralised to individual local authorities. To review local delivery and any financial, staffing and capacity issues. | | | 265 | | |
| | Independent Review Services | RBA | Medium | To provide assurance that this service area has adequate and robust controls in place to provide effective service delivery. | 4 | | | | |

| | | | | | | | | | |
|--|---|-----|--------|---|-------|--|-----|--|---|
| | Resettlement of Unaccompanied Asylum Seeking Children | RBA | Medium | To provide assurance that this service area has adequate and robust controls in place to effectively plan and subsequently delivery a high standard service to Asylum Seeking Children. Ensuring effective planning process considering impact on placements for looked after children, transport arrangements etc. | | | 270 | | |
| | Take up of Free School Meals | RBA | Medium | To provide assurance that robust planning and strategies are in place to help increase the 'take up' of free school meals. | 4 & 6 | | | | |
| | Inclusion and Learning Service Review | RBA | High | The service currently has a vacant Director post. The scope of the audit will be defined following this appointment/restructure but may cover management controls, budget setting and monitoring, KPI's/targets and performance monitoring and reporting arrangements within a specified service area. | 4 | | | | There is a vacant Director post within this service and then a potential restructuring - little value will be added performing a review now |
| | Gibson House (Children's Home) | RBA | Medium | To provide assurance to management that the centres controls are adequate and operating in an effective manner, this will cover; management controls, financial controls, Human Resources and performance monitoring and reporting arrangements. | 4 & 6 | | | | |
| | School Meals and Milk Income | RBA | Medium | In light of the new policy/procedures (2016) alerting schools to meal and milk income shortfalls over £500 this audit is to provide assurance around the reconciliations process and outcomes. | 3 & 4 | | | | |

| | | | | | | | | | |
|--------------------|--|------------------------------|--------|--|-------|--|-----|-----|---|
| | Disclosure and Barring Service (DBS) Process in schools | Control Risk Self-Assessment | Medium | CRSA to identify Head teachers/Business Managers assessment of the Schools DBS arrangements. To ensure effective, robust and undertaken promptly for all staff. May involve visits, will depend on content of returns. | 4 & 6 | | | | |
| | Learn Sheffield - School Company | RBA | Medium | To provide assurance that robust governance and commissioning arrangements are in place. | 4 & 6 | | | | |
| | Routine school visits - 5 schools | School Visit | Medium | Financial health check of schools in light of the compulsory academisation programme. | 4 | | | | |
| | Apprenticeships in Schools | Control Risk Self-Assessment | Medium | CRSA to identify Head teachers/Business Managers assessment of the apprenticeship arrangements and numbers. | 4 & 6 | | | | |
| | New School Funding Formula | RBA | High | To assess the impact of the introduction of the fair funding formula and changes proposed and actions for Sheffield City Council. | 4 | | 257 | 132 | Too early to add any value as funding arrangements not in place as yet. Due for implementation 18/19 |
| | Procurement Professionals in CYPF (SCART - Strategic Contracts and Resources team) | RBA | High | A review to provide assurance that the work undertaken by the team in CYPF does not duplicate or contradict that of Commercial Services. | | | | | Corporate review of professional services is being undertaken. An IA review would effectively be duplication. |
| | Special Educational Needs and Disabilities (SEND) Overpayments | RBA | Medium | To assess the process in place to control and monitor overpayments. | | | | | |
| Communities | | | | | | | | | |
| Care and Support | Shared Lives initiative | RBA | Medium | Assurance that the controls in place in the service are effective for the delivery of the shared lives initiative | 4 | | | | |

| | | | | | | | | | |
|--------------------|---|-----|--------|--|-----|--|--|--|--|
| Care and Support | Carers assessment | RBA | High | Assurance that the carers assessments schemes as per the Care Act, outsourced to the voluntary sector are working in practice. | 4 | | | | A restructuring process is in progress in Care and Support during April to August 2017, which will impact on this piece of work. |
| Care and Support | Short Term Intervention Team (STIT) | RBA | High | Assurance that controls are in place and short term intervention is working effectively. | 4 | | | | A restructuring process is in progress in Care and Support during April to August 2017, which will impact on this piece of work. Work has been undertaken by Internal Audit in this service in 2016/17. |
| Care and Support | Equipment and adaptations service | RBA | Medium | Assurance that the controls in place in the service for the supply, delivery and fitting of equipment/adaptations are sound | 4 | | | | |
| Care and Support | Health funded posts in care and support | RBA | Medium | To provide assurance that the controls in place around monitoring and value for money on the posts funded by health are sound | 4 | | | | |
| Community Services | CAB funding strategy | RBA | Medium | To review the CAB funding strategy to ensure it is fair, equitable and will be effective to enable the CAB to deliver as a 3rd party provider. | 4 | | | | |
| Commissioning | Better Care Fund (BCF) | RBA | High | A joint piece of audit work delivered with the Clinical Commissioning Groups (CCG) auditors. As yet to be determined. | 4 | | | | Progress implementing the operational arrangements of the BCF remains slow and work is underway within service to progress this. It would be more useful to include the review of mental health pooled budget next year. |
| Business Strategy | Communities performance management | RBA | High | To provide assurance that the performance management framework in place for the Communities portfolio is effective | 3,4 | | | | A corporate performance management review is being undertaken which will sample test Communities portfolio. In addition the replacement of the Carefirst system will impact on how performance is monitored. |

| Housing | | | | | | | | |
|--|--|------------|--------|--|-----|-----|------|---|
| Housing and Neighbourhood Services | Homes and Communities Agency - Harrogate | compliance | Medium | Review requested by Harrogate on HCA funding controls | 3 | | | Chargeable work |
| Housing and Neighbourhood Services | Allocation of council housing | RBA | Medium | To provide assurance that the system for the turnover and allocation of council housing is fair | 3 | | | |
| Housing and Neighbourhood Services | Income Management Unit | RBA | Medium | To provide assurance that the IMU controls in place are effective and debt management is robust. | 3 | | | |
| Housing and Neighbourhood Services | SCAS - care packages costings | RBA | Medium | To provide assurance that the assessment and ongoing monitoring of care packages is robust | 4 | | | |
| Housing and Neighbourhood Services | SLA's in housing | RBA | Medium | To provide assurance that the SLA's in place within Housing are effective and working in practice. | 3 | | | |
| Housing and Neighbourhood Services | Community Engagement | RBA | Medium | To provide assurance that the central community engagement team is effective - with the emphasis on engagement with tenants associations and allocation of funding. | 3 | | | |
| Investigations/ Pro-Active | | | | | | | | |
| Governance Arrangements./Pro-Active Fraud prevention | Internet Usage | Fraud Risk | High | To provide assurance to management that there are adequate processes in place to ensure that the internet policy is adequate to prevent fraudulent usage and is robustly applied | All | AGS | R313 | Other pro-active reviews have been give priority over this one. Internal Audit have a target to undertake 4 pro-active reviews and so if any of the planned reviews are deferred, this would be the substitute. |
| Total Days | | | | | | | | |



Audit and Standards Committee Report

Report of: Kayleigh Inman, Senior Finance Manager (Internal Audit)

Date: 27th April 2017

Subject: Public Sector Internal Audit Standards Peer Review Report

Author of Report: Kayleigh Inman

Summary:

The purpose of this report is to present and communicate to members of the Audit and Standards Committee the outcomes of the peer review performed by Leeds City Council Internal Audit Service to assess compliance with the Public Sector Internal Audit Standards (PSIAS).

Recommendations:

- 1) Members of the Audit and Standards Committee are asked to note the contents of the report produced by Leeds Internal Audit Service.
 - 2) Members of the Committee approve the revised Internal Audit Charter.
-

Background Papers:

Category of Report: Open

* Delete as appropriate

Statutory and Council Policy Checklist

| |
|---|
| Financial Implications |
| No Cleared by: Kayleigh Inman |
| 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 |
| Corporate |
| 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 |

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE
27th April 2017

Senior Finance Manager Report – Peer Review assessment compliance with the Public Sector Internal Audit Standards (PSIAS)

Purpose of the Report

1. The purpose of this report is to present and communicate to members of the Audit and Standards Committee the outcomes of the peer review performed by Leeds City Council Internal Audit Service to assess compliance with the Public Sector Internal Audit Standards (PSIAS).

Background

2. The Public Sector Internal Audit Standards (PSIAS) requires that an external assessment of an organisation’s internal audit function is carried out once every five years by a qualified, independent assessor or assessment team.
3. The purpose of the external assessment is to help improve delivery of the audit service and establish whether governance requirements relating to provision of the service are embedded.
4. In April 2016, the then Audit Committee approved the proposed method by which the external assessment will be undertaken at the council – that being a peer review conducted by one of the Core City authorities. The review would involve a self-assessment against the PSIAS followed by an external evaluation of the assessment and supporting evidence.

Review Process and Outcomes

5. In January 2017, Leeds City Council visited Sheffield to undertake the evaluation of our self-assessment, review supporting evidence, interview senior officers and members associated with Internal Audit and sample test a number of individual audit assignments.
6. The resulting assessment report, produced by Leeds concluded that :

Our assessment concludes that Sheffield City Council’s Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.

Generally Conforms means the assessor has concluded that the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the

Code of Ethics in all material respects. For the sections and major categories, this means there is general conformance to a majority of the individual Standard or element of the Code of Ethics and at least partial conformance to the others, within the section/category. This is the highest assessment opinion that can be given.

7. It was pleasing to note that Leeds concluded that “the Internal Audit service is a highly valued, professional and respected team which is actively contributing to improving the control environment of the Council”.
8. The full report is attached at appendix 1 to this report, and details the areas where further improvement can be made.
9. All recommendations were agreed and some have already been actioned. Progress is being made to implement the rest within the timescales agree.
10. One of the areas that required improvement was the Internal Audit Charter which is formally approved by the Audit and Standards Committee with the annual report (presented in September). This has been updated in line with the agreed recommendations and is also attached to this report for endorsement by the Audit and Standards Committee.

FINANCIAL IMPLICATIONS

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

EQUAL OPPORTUNITIES IMPLICATIONS

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

CONCLUSION

13. The peer review concluded that the Internal Audit Service within Sheffield City Council generally conforms to the Public Sector Internal Audit Standards.

RECOMMENDATION

14. Members of the Audit and Standards Committee are asked to note the contents of the report produced by Leeds Internal Audit Service.
15. Members of the Committee approve the revised Internal Audit Charter.

Internal Audit Confidential Report

Public Sector Internal Audit Standards External Assessment of Sheffield City Council

Date: March 2017
Report Status: Final

Our assessment concludes that Sheffield City Council's Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.

Generally Conforms means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. This is the highest assessment opinion that can be given.

Report Recipients

| Name | Title | Reason for receiving the report |
|----------------|--|---------------------------------|
| Eugene Walker | Interim Executive Director, Resources (S151 officer) | For Information |
| Josie Paszek | Chair of the Audit and Standards Committee | For Information |
| David Phillips | Head of Strategic Finance | For Information |
| Kayleigh Inman | Senior Finance Manager, Internal Audit (Chief Audit Executive) | Action |

Assessment Team

| Name | Title |
|----------------|-------------------------|
| Tim Pouncey | Chief Audit Executive |
| Sonya McDonald | Acting Head of Audit |
| Louise Ivens | Principal Audit Manager |

Declaration

I, Tim Pouncey confirm that I am a CCAB qualified accountant, and have over 30 years audit experience, including 10 as the Head of Audit. This experience has been gained in local government and I currently undertake the role of Chief Audit Executive for Leeds City Council. I confirm that I have no conflict of interest in performing this assessment of Sheffield City Council's Internal Audit Service, I am not a part of, or under the control of Sheffield City Council.

Assessment Details

1. Introduction and background

1.1 The Public Sector Internal Audit Standards (PSIAS) came into force from 1st April 2013 (updated March 2016). The Standards apply the Institute of Internal Auditors (IIA) International Standards to the UK public sector and are mandatory. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector
- Set basic principles for carrying out internal audit in the UK public sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

1.2 The PSIAS include a definition of Internal Auditing, a Code of Ethics and eleven specific standards. The PSIAS introduced a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

1.3 The Core Cities Internal Auditor Group developed a Terms of Reference that outlined the methodology for the external assessments. The Terms of Reference were approved by the Audit Committee on the 14th April 2016.

2. Approach/Methodology

2.1 We reviewed the self-assessment which had been completed by the Senior Finance Manager and evaluated the documentation that supported the responses.

2.2 Meetings were held with:

- Eugene Walker, S151 Officer
- Josie Paszek, Chair of the Audit Committee
- Simon Green, Executive Director (Place); and
- Kayleigh Inman, Senior Finance Manager (Internal Audit)

2.3 We reviewed a sample of audit engagements during our on site visit.

3. Executive Summary

- 3.1 Our assessment concludes that Sheffield City Council's Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.
- 3.2 Generally Conforms means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. This is the highest assessment opinion that can be given.
- 3.3 It was clear from our on-site visit and interviews that the Internal Audit service is a highly valued, professional and respected team which is actively contributing to improving the control environment of the Council.
- 3.4 Of the 349 questions within the PSIAS Local Government Application Note, the Internal Audit Service fully conforms in 311 areas, partially conforms in 28 areas and does not conform in 10 areas. In common with the other core cities assessments, most of the areas of non-conformance are generally accepted practice. Where the questions were not applicable we have deemed this to be fully conformant.
- 3.5 The majority of the areas of non and partial conformance detailed within this report have already been identified by the service and documented in the self-assessment. The details are included in the action plan attached Appendix 1, alongside the additional findings from our review and recommendations that may further develop and enhance the operation of the Internal Audit section.
- 3.6 The areas of non-conformance and the impact of these should be reported to senior management and the Audit Committee together with the action plan as a result of this external assessment. The summary of the assessment is detailed in the table below.

ATTRIBUTE STANDARDS

PERFORMANCE STANDARDS



Key

- Conforms
- Partially conforms
- Does not conform

Assessment of conformance with individual areas within each Standard by number

| | | | | | | | | | | | | | | | | |
|--------------------|---|----|--|-----------------------------------|-------------------------|-------|---|---|---------|----|----|----|---|---|---|---|
| | 0 | 0 | 1 | 4 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 3 | 0 | 0 | 0 |
| | 0 | 0 | 6 | 2 | 3 | 1 | 1 | 6 | 6 | 4 | 1 | 0 | 5 | 0 | 0 | 0 |
| | 3 | 13 | 16 | 29 | 18 | 33 | 33 | 40 | 40 | 27 | 57 | 22 | 47 | 4 | 4 | 2 |
| Total | 3 | 13 | 23 | 35 | 21 | 35 | 47 | 47 | 47 | 31 | 58 | 22 | 55 | 4 | 4 | 2 |
| Does not conform | | | SA 10j | SA 17 SA 21e SA 22 SA 23 | | SA 74 | SA 110 | | | | | | SA 202g SA 202h SA 202i | | | |
| Partially conforms | | | SA 10d SA 10e SA 10h SA 10o SA 10p SA 10m | SA 21c SA 21f | SA 41 SA 46 SA 52 | SA 73 | SA 84 SA 93 SA 94 SA 101 SA 103 SA 109 | SA 121a SA 121b SA 121c SA 123 | SA 133d | | | | SA 184 SA 187g SA 196 SA 199b SA 199c | | | |

4. Detailed Findings

4.1 Definition and Code of Ethics

- 4.1.1 From evidence obtained during this review, we can confirm that Internal Audit is independent, objective and uses a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Council.
- 4.1.2 There are appropriate arrangements in place to ensure that the section demonstrates integrity, objectivity, confidentiality, competency and that auditors have regard to the Seven Principles of Public Life.

4.2 Attribute Standards

Standard 1000: Purpose, Authority and Responsibility

- 4.2.1 The Internal Audit Charter explains that the Senior Finance Manager (Internal Audit) reports to the Head of Strategic Finance, who in turn reports to the Interim Director of Finance and Commercial Services, who in turn reports to the Acting Executive Director of Resources.
- 4.2.2 The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit Committee and 'Senior Management' is defined as the Executive Management Team.
- 4.2.3 The self-assessment identified one non-conformance in relation to the organisational independence of Internal Audit (SA 10i). This related to the SFM recently taking on management responsibility for the External Funding Team. The change in responsibilities had taken place in November 2016 and the overarching governance arrangements that would ensure that any potential independence issues are appropriately managed had yet to be finalised at the time of our visit. The Charter should be updated to confirm how the SFM will demonstrate independence from this area and avoid conflicts of interest (SA 10 m).
- 4.2.4 In our opinion the Charter partially conforms in some areas of the standard and should be refined in order to fully conform. These areas are contained in the action plan. By updating the Charter in these areas, the internal audit section would fully conform with the purpose, authority and responsibility standard.

Standard 1100 Independence and Objectivity

- 4.2.5 The self-assessment identified four areas of non-conformance with this area of the standard. We agree with this assessment and have identified two further areas of partial conformance. These relate to reporting arrangements within SCC. The expectation of the standard is that the person undertaking the role of the CAE reports to an organisational level equal or higher than the corporate management team. However the reporting arrangements at SCC have been fully disclosed in their charter and to the Audit Committee.

- 4.2.6 The other non conformances in this standard relate to HR arrangements around the appointment, removal and appraisal of the person undertaking the role of the CAE. The expectation of the standard is that the Audit Committee contributes to these HR processes. The arrangements at SCC are that the SFM is appraised and appointed in line with the HR policies of the organisation. This is in common with other core cities.
- 4.2.7 The review confirmed that the SFM has direct and unrestricted access to senior management and the Audit Committee as required by the standards.

Standard 1200 Proficiency and Due Professional Care

- 4.2.8 All staff are either professionally qualified or are studying for a professional qualification. Internal Auditors have an annual and mid-year appraisal, this includes the discussion of areas for staff development. Areas of training are discussed during regular one to one meetings with Audit Managers or at the quarterly service planning meetings. An area for improvement identified by the service in their self-assessment was regarding maintaining a record of professional development and training activities (SA 52).
- 4.2.9 Our onsite review confirmed that training provided by the council is recorded electronically on Myview, with staff retaining personal responsibility for the maintenance of their own continuing professional development training records.
- 4.2.10 The self-assessment identified that there are opportunities to make greater use of data matching/continuous audit techniques (SA 46). We agree that further development in this area is required in order to fully conform with the standard and would benefit the section by enhancing audit coverage.

Standard 1300 Quality Assurance and Improvement Programme (QAIP) and 1320 Reporting on the QAIP

- 4.2.11 The standards require that a QAIP is developed that covers all aspects of the internal audit activity and enables conformance with the PSIAS to be evaluated. Evaluation against the PSIAS should be undertaken through internal and external assessments. Internal assessments at SCC include ongoing supervision and monitoring, discussion of key performance indicators on a quarterly basis with the internal audit team and annual audits of a sample of engagements for compliance with internal procedures.
- 4.2.12 The service has identified two partial conformances in this area of the standard. These relate to reporting the results of the QAIP to senior management and the Audit Committee, and progress against improvement plans. In our opinion one of these partial conformances should be reported as a non-conformance.
- 4.2.13 The QAIP is submitted to the Audit Committee with the Annual Report and sets out how the Internal Audit section demonstrates that it performs its work in line with the PSIAS. The QAIP, in its current format, does not include the areas that the section has identified for improvement. The addition of an action plan to the QAIP which details the non and partial conformances that have been identified through the self-assessment and this review, would satisfy the

requirements of this standard. The QAIP and the action plan should then be reported to senior management and the Audit Committee.

4.3 Performance Standards

Standard 2000 Managing the internal audit activity

- 4.3.1 The standards require that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance. The SFM confirmed that the development of assurance mapping currently rests with Legal and Governance Services and is in the process of being progressed.
- 4.3.2 Although the absence of assurance maps presents a risk that there may be gaps or duplication in assurance coverage across the council, our review confirmed that Internal Audit has worked in a risk-based manner to develop their audit coverage. The section had mapped their audit coverage over the past three financial years against the risk register and the audit planning methodology takes into account the corporate and portfolio risk registers, the views of stakeholders and other key sources of information. The methodology is included in the Annual Plan which was approved by the Audit Committee in April 2016.
- 4.3.3 A requirement of this standard is that the risk based plan includes the approach to using other sources of assurance and any work that may be required to place reliance upon those sources. During our review, we were advised that there had been external assurance provision for ICT areas for previous financial years. If these assurances are required by an external provider in the future, it is suggested that this forms part of the assurance mapping exercise.
- 4.3.4 An area that we have identified for consideration during our review is the reporting to the Audit Committee of changes made to the audit plan as part of the mid-year review (SA 101). The SFM undertakes a mid-year review of the audit plan and where appropriate removes audits in the plan where they will not be undertaken and replace these with audits from the first call list. This is reported to the Head of Strategic Finance but not to the Audit Committee until the Annual Report is issued. It is recommended that the Charter is updated to include the circumstances where changes to the audit plan are reported to the Audit Committee.

Standard 2100 Nature of the work

- 4.3.5 Internal Audit has a guidance manual on the shared electronic drive which provides background information to the section and contains detailed procedure notes. There is a disciplined approach to managing and undertaking the audits which is recorded on an electronic audit system.

Standard 2200 Engagement Planning

- 4.3.6 One area of partial conformance detailed in the self-assessment has been identified in respect of the inclusion of resource allocations in the Terms of Reference for audit engagements. Terms of Reference are prepared for each audit and as part of procedures must be signed off by a Finance (Audit) Manager or the SFM. The Terms of Reference include the objectives, the scope of the

audit and timescales for completing the work.

- 4.3.7 Engagement objectives and scope are set with regard to factors detailed in the PSIAS. The Audit Management Team set the engagement resource allocation so that it matches the complexity, nature and time constraints of the audit. Work programmes are documented on the electronic audit system and procedures are in place to ensure that they are signed off at appropriate stages by the reviewer.

Standard 2300 Performing the Engagement

- 4.3.8 The audit review process should ensure that PSIAS requirements regarding identification of information, analysis and evaluation and documentation of information are considered during every audit. We reviewed a sample of audit engagements during our visit and found these to be in line with the section's documented procedures. A minor area for improvement has been suggested in the Action Plan.

Standard 2400 Communicating Results

- 4.3.9 The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications (SA 184) in addition to highlighting areas for improvement. Audit reporting at Sheffield City Council is on an exceptions basis and therefore does not include detail on areas where good performance has been identified during the audit. However, our interviews with senior officers confirmed that the audit reports met their needs, were clearly written and focussed on the 'right things'.
- 4.3.10 We have identified some areas of partial conformance with regard to the standards on the overall opinion in the Annual Report. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The Annual Report does contain an opinion, however this could be strengthened to incorporate the wider coverage undertaken in the year, rather than a specific focus on the 'core systems' (SA 196).
- 4.3.11 The Annual Report does not specifically mention any limitations in scope or the consideration of related projects, including the reliance placed on other assurance providers (SA 199 b & c). If there are no limitations in scope in the year, it is recommended that a proactive opinion is included in the Annual Report.

Standard 2500 – Monitoring Progress

- 4.3.12 A monitoring process is in place to follow up management actions, which conforms with the PSIAS requirements.

Standard 2600 – Communicating the Acceptance of risks

- 4.3.13 The Audit Committee is provided with a rolling report on high opinion audits and details the progress made against the recommendations. There is a procedure in place with the Audit Committee for reporting high/critical priority recommendations not agreed by management.

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments | |
|--|---|---|--|--|--|
| 1000 Purpose, Authority, Responsibility | | | | | |
| SA 10d | <p>The Charter does not comply with the standards in the following areas.</p> <p>The Charter should establish the responsibility of the Board and also the role of the statutory officers (CFO, Monitoring Officer, Head of Paid Service) with regards to IA.</p> | <p>The Charter should be refined to fully conform with the standards.</p> | <p>Partial conformance</p> | <p>Agreed</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>27.4.2017</p> <p>The revised Charter will be submitted to the Audit Committee with the Annual Plan in April 2017</p> | |
| SA 10e | <p>The Charter should be more explicit in internal audit's right of access to records, personnel and physical properties, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.</p> | | SA 10h | <p>The Charter should set out internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2015.</p> | |
| SA 10o | <p>The CAE should define the nature of consulting services in the Charter and clarify which work undertaken falls within this definition.</p> | | SA 10p | <p>The Charter should be explicit that the</p> | <p>Although this will simply be a statement that we do not undertake Consultancy work.</p> |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|--|---|---|--|---|
| | PSIAS (incorporating the Definition of Internal Auditing and the Code of Ethics as well as the Attribute and performance standards) are mandatory. | | | |
| SA 10i | It was acknowledged during the audit that the CAE took on management responsibility for the External Funding Team. A protocol had been put in place to outline the working arrangements. | The Charter should be updated to confirm how the SFM will demonstrate her independence from this area and avoid conflicts of interest. | Non conformance | Agreed |
| SA 10m | This has not been reported to the Audit Committee as a non conformance previously as this is a relatively new development. | | Partial conformance | To be actioned by Kayleigh Inman, Senior Finance Manager. 27.4.2017 |
| 1100 Independence and Objectivity | | | | |
| SA 17 | The CAE (SFM) does not report to an organisational level equal or higher to the corporate management team. This has been reported to Audit Committee and is included in the 2015-16 Annual Report. The SFM does have direct and unrestricted access to senior management and the Audit Committee. | Identified by the SFM as part of the self assessment. SFM should discuss with the Audit Committee to determine if it is satisfied with the current arrangements and if any actions are necessary. | Non conformance | Agreed This arrangement has been reported and ratified by the EMT and the AC so is highly unlikely to change. |
| SA 21 c | The Board (Audit Committee) does not approve the internal audit budget.* * denotes generally accepted practice within the sector | The Audit Committee should determine whether it is satisfied with the current arrangements for approving the Internal Audit budget. | Partial conformance | Agreed The IA budget is set as part of the corporate budget setting process and so it will not be treated separately. I will expressly include a recommendation in the AC report on the plan that asks |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---------------------|---|--|--|--|
| SA 21e | <p>The Board (Audit Committee) approves decisions relating to the appointment and removal of the CAE.* <i>This has not been reported to the Audit Committee as a non conformance previously.</i></p> | | | <p>members to approve how IA resources are being utilised. To be actioned by Kayleigh Inman, Senior Finance Manager.</p> |
| SA 22 | <p>The Chief Executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the CAE? *</p> | <p>Identified by the SFM as part of the self assessment. SFM should discuss with the Audit Committee to determine if it is satisfied with the current arrangements and if any actions are necessary.</p> | <p>Non conformance</p> | <p>Agreed To discuss at the AC when this report is presented. July 2017 A questionnaire was issued to member of EMT and the AC at the end of the 15/16 financial year asking for feedback on Internal Audit. To be actioned by Kayleigh Inman, Senior Finance Manager.</p> |
| SA 21f | <p>The expectation of the standard is that the Audit Committee contributes to these HR processes.</p> <p>There is no evidence to suggest that the Board (Audit Committee) has sought reassurance from management and the SFM as to whether there are any inappropriate scope limitations.</p> | <p>The SFM when presenting the Annual Plan and Annual Report should ensure assurances are given and sought regarding limitations in scope.</p> | <p>Non conformance</p> | <p>Agreed This will be included in the Annual Report rather than the Planning report, as this is simply the schedule of audits we propose to undertake.</p> |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---|---|---|--|--|
| | | | | To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017 |
| 1200 Proficiency and Due Professional Care | | | | |
| SA41 | There are generic job descriptions in place across finance with a 'task list' which is specific to Internal Audit. The standard requires that up to date job descriptions exist to reflect the roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes. | Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine and any actions arising. | Partial conformance | The whole of the Finance Service have generic JD's, which were introduced as part of a 'World-Class Financial Management' initiative. There is currently consideration being given to re-introducing specific JD's for certain services across Finance, however this is beyond my control. |
| SA 46 | Internal audit utilise computer assisted audit techniques, for example data manipulation and analysis with Idea and excel, for example on key financial system audits. The SFM advised that difficulties have been experienced obtaining the required information from SCC's contractors. The use of these techniques could be extended with the insourcing of the payroll system and the new finance system (integra). | Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising. | Partial conformance | |
| SA 52 | An area for improvement identified by the service was regarding maintaining a record of professional development and training activities. Our onsite review confirmed that training provided by the council is recorded electronically on Myview, but staff retain personal responsibility for the | Identified by the SFM as part of self assessment. SFM and Audit Committee to determine any actions arising. | Partial conformance | Agreed I think it is sufficient to ask staff to maintain their own professional CPD certificates etc. All training provided by SCC will also be recorded on |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---|---|---|--|---|
| | maintenance of their own continuing professional development training records for example CPD certificates. | | | MyView or the Sheffield Development Hub. In addition, SCC is an accredited employer for CPD purposes. No further action required. |
| 1300 Quality Assurance and Improvement Programme | | | | |
| SA 73 | The QAIP includes both internal and external assessments, however it does not document the areas for improvement. The inclusion of an action plan and progress against it should be included as an Appendix to the QAIP and should be reported to senior management and the Audit Committee in the Annual Report. (New non conformance). | The results of the QAIP should be brought together into an action plan and progressed against these actions should be reported to the Audit Committee in the Annual Report. | Partial conformance Non conformance | Agreed I will include this in the Annual Report To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017 |
| SA 202h & i | The service has identified that the results of the QAIP and progress against this plan should be included in the Annual Report (SA 202 h & i). <i>This has not been reported to the Audit Committee as a non conformance previously.</i> | | Non conformance | |
| QAIP | The QAIP states there is an annual self review of conformance with the PSIAS, however this has been conducted twice since 2013. There are annual quality audits on specific audit engagements but these do not incorporate compliance against PSIAS. The QAIP states resultant action plans will be monitored by SFM on a quarterly basis. This is not operating in practice. | The QAIP should be updated to reflect how the service will review its performance against its own policies and procedures. | Service improvement | Agreed I will include this in the Annual Report To be actioned by Kayleigh Inman, Senior Finance Manager. September 2017 |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|--|---|--|--|---|
| 2000 Managing the Internal Audit Activity | | | | |
| SA 84 | The SFM's self assessment has identified a partial conformance in respect of the risk based plan taking into consideration the council's assurance framework. The SFM confirmed that the development of assurance mapping currently rests with Legal and Governance Services. The PSIAS require that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance. This has been identified as a non conformance by the SFM. In mitigation, internal audit have mapped their audit coverage over the past three financial years against the risk register to 'check' coverage. These areas have been identified as areas for further development by the CAE. | Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising. | Partial conformance | Our insurance provider is undertaking an exercise to pilot an assurance mapping methodology in a sample of service areas. |
| SA 110 | Until the approach is adopted and embedded, Internal Audit will continue to develop the audit plan based on the intelligence gathered from other sources. | | Non conformance | |
| SA 109 | During our review, we were advised that there had been external assurance provision for ICT areas for previous financial years. If these assurances are required by an external provider in the future, it is suggested that this forms part of the assurance mapping exercise. | The approach to using other sources of assurance and any work that may be required to place reliance upon those sources should be further developed as part of the assurance mapping exercise. | Partial conformance | |
| SA 93, 94 | The SFM has identified that further refinement of risk assessments was | | | Already Actioned |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---------------------|--|---|--|---|
| SA 85b | <p>required in order to fully conform with the standard.</p> <p>It is not clear in the plan how the service will be developed in accordance with the charter. The PSIAS require that the risk based plan must incorporate or be linked to a strategic or high level statement of how the internal audit service will be delivered and developed in accordance with the charter.</p> | <p>The service should consider the inclusion of a section on training and development in the charter, and how the development and improvement of the section should be included in the Annual Report.</p> | <p>Service improvement</p> | <p>This has been developed and introduced for the 17/18 plan.</p> <p>Agreed</p> <p>To be included in the Audit Charter and Annual Report.</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>27.4.2017</p> |
| SA 96 | <p>The input of senior management is considered during the audit planning process and the audit plan is discussed at the Audit Committee meeting in April.</p> | <p>There is an opportunity for the Audit committee to consider areas for inclusion in the plan at its meeting prior to April when the Audit Plan is discussed.</p> | <p>Service improvement</p> | <p>Agreed</p> <p>Members can contribute any areas that they feel haven't been covered when the Plan is reported to the AC in April, however I will also ask for any input at the January AC meeting.</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> |
| SA 101 | <p>An area that we have identified as a partial conformance during our review is the reporting to the Audit Committee of changes made to the audit plan as part of the mid year review. The SFM undertakes a mid year review of the audit plan and where appropriate replaces audits in the plan where they will not be undertaken and replace these with audits from the first call list. This is reported to the Head of</p> | <p>The Audit Committee should be informed of significant changes to the audit plan.</p> <p>Significant should be defined in the charter.</p> | <p>Partial conformance</p> | <p>Agreed</p> <p>We will agree a definition of 'significant' and include this in the charter.</p> <p>Significant changes will be reported to the November AC meeting. (Our mid-year review is conducted at the end of</p> |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|--------------------------------|---|--|--|--|
| | <p>Strategic Finance but not to the Audit Committee until the Annual Report is issued.</p> <p>A 'significant' change to the audit plan has not been defined. This should be undertaken and the relevant wording included in the charter. This would aid in transparency of information as regular updates to the Audit Committee do not detail progress against the audit plan.</p> | | | <p>September and so would miss the mid-sept AC meeting)</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager. November 2017</p> |
| SA 103 | <p>The SFM has identified a partial conformance in relation to explaining how resources available in the risk based plan have been assessed. The Audit Committee have previously queried the resources available to internal audit during the April 2016 meeting.</p> | <p>Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.</p> | <p>Partial conformance</p> | <p>This specifically related to the development of the risk-scoring methodology to demonstrate why specific reviews had been prioritised over those on the first call list.</p> <p>This has been introduced for the 2017/18 planning process which will be reported to the AC in April.</p> <p>Action already implemented.</p> |
| 2100 Nature of the work | | | | |
| SA 121 a, b, c SA 123 | <p>The SFM has identified partial conformances with the standard regarding the evaluation of the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities and the consideration of the proportionality of the amount of work required to assess the ethics of the organisation when developing</p> | <p>Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising.</p> | <p>Partial conformance</p> | <p>Agreed</p> <p>Currently have Corporate Governance and members' interests in the 17/18 plan.</p> <p>Consideration will be given to amending our standard Service Planning risk in our RBA</p> |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---------------------------------------|---|--|--|---|
| | the risk based plan. | | | approach to consider ethical issues. To be actioned by Kayleigh Inman, Senior Finance Manager |
| 2200 Engagement Planning | | | | |
| SA 133d | The terms of reference include the objectives and the scope of the audit, and that the final report will be issued no later than 3 months after the terms of reference have been agreed (or by exception). The standards state that the engagement plan should also include the resource allocations. | Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising. | Partial conformance | Agreed To be actioned by Kayleigh Inman, Senior Finance Manager. 1.4.2017 |
| 2300 Performing the engagement | | | | |
| 2300 | Observation from review of a sample of audits undertaken. | In accordance with local operating procedures a final version of the audit report should be held on the electronic audit system. | Service improvement | Agreed To be actioned by Kayleigh Inman, Senior Finance Manager. With immediate effect |
| 2400 Communicating the results | | | | |
| SA 184 | Audit reporting at Sheffield City Council is by exception. The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications. Interviews with key officers confirmed the audit reports focused on the 'right things' and are clearly written. | Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising. | Partial conformance | Agreed. As outlined we have trialled various approaches to reporting and feel we have currently achieved the right balance between reporting issues and use of resource involved in producing reports. We will keep this under review if any of the feedback we |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---------------------|--|--|--|--|
| SA 187 g | The self assessment has identified an area of partial conformance surrounding the timeliness of the audit communications. This is due to the three month time (reporting target) not being achieved. | Identified by the SFM as part of the self assessment. SFM and Audit Committee to determine any actions arising. | Partial conformance | <p>received suggests that an alternative approach is required.</p> <p>Agreed</p> <p>Introduction of agile working will help with engagement and thus reduce delays.</p> <p>To be monitored via the performance management process.</p> |
| SA 196 | The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The annual report does contain an opinion, however this could be strengthened to incorporate the wider coverage undertaken in the year, rather than a specific focus on the 'core systems'. | The audit opinion should conclude on the overall framework of governance, risk management and control. | Partial conformance | <p>Agreed</p> <p>To be included in the Annual Report for 16/17</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>September 2017</p> |
| SA 199 b & c | The annual report does not specifically mention any limitations in scope or the consideration of related projects, including the reliance placed on other assurance providers. | The annual report should reference any limitations in scope or provide a proactive opinion to the contrary. The reliance placed on other assurance providers for example external ICT providers should be referred to. | Partial conformance | <p>Agreed</p> <p>To be included in the Annual Report for 16/17</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>September 2017</p> |

| Self Assessment Ref | Observations | Recommendations | Conformance with standard or service improvement | Responsibility, Target Date and Management Comments |
|---------------------|--|--|--|---|
| SA 202g | <p>The annual report does not make reference to conformance with the PSIAS.</p> <p><i>This has not been reported to the Audit Committee as a non conformance previously.</i></p> | <p>A statement regarding conformance with PSIAS should be made in the annual report.</p> | <p>Non conformance</p> | <p>Now that we have been subject to an external assessment I will include that we 'generally conform' to the PSIAS standard. Up until now, this has been deliberately excluded as we have had no independent validation of our self-assessment.</p> <p>This statement will be included in the Annual Report for 16/17.</p> <p>To be actioned by Kayleigh Inman, Senior Finance Manager.</p> <p>September 2017</p> |

SHEFFIELD CITY COUNCIL
INTERNAL AUDIT CHARTER

APRIL 2017

Definition and Objectives

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit Standards

The Public Sector Internal Auditing Standards (PSIAS) govern the operation of the internal audit function and adherence to the standards, which include the definition of Internal Auditing and the Code of Ethics, as well as the attribute and performance standards are mandatory.

Sheffield City Council's Internal Audit team has been externally assessed (January 2017) and the conclusion reached was that the service **generally conforms** to the requirements of the Standards.

Any non-compliance identified will be reported to the Audit and Standards Committee in the Annual Report.

Purpose, Authority and Responsibility

Internal Audit forms part of Finance and Commercial Services in the Resources Portfolio. The Senior Finance Manager (Internal Audit) reports to the Head of Strategic Finance (Deputy S151 Officer), who in turn reports to the Interim Director of Finance and Commercial Services, who in turn reports to the Executive Director of Resources (Section 151 Officer).

The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit and Standards Committee and 'Senior Management' is defined as the Executive Management Team.

There are defined Terms of Reference for the Audit and Standards Committee to outline their responsibilities in relation to Internal Audit. These can be found on the SCC Website.

The Head of Strategic Finance and Senior Finance Manager report to the Audit and Standards Committee on at least a quarterly basis. There are a number of standard items reported including the annual audit plan, an annual opinion on the standard of

internal control within the authority and regular updates on the implementation of high opinion audit report recommendations.

Internal Audit has the right to access all records, personnel and physical properties, including those of partner organisations as deemed necessary. This includes the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Independence and Objectivity

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations. The finance managers (Internal Audit) and internal auditors have no operational responsibilities.

The PSIAS standards do recognise that given the reducing resources available to local authorities, some cross-management will occur and in these cases arrangements for avoiding conflicts of interest need to be established.

In November 2016, the Senior Finance Manager (Internal Audit) was given management responsibility for the External Funding Team. The External Funding team are a compliance team responsible for the Council wide co-ordination, challenge and control of all revenue and capital grant funding. It is therefore possible to see the synergies between the roles and responsibilities of the two teams. A working protocol has been established to outline the safeguards that have been implemented to prevent any perceived or actual conflicts of interest in the role of the Senior Finance Manager. This is attached at appendix 2.

Should the need arise the SFM can report directly to the Executive Director Resources, or the Chief Executive. Reports can also be made to the Chair of the Audit and Standards Committee, or any Audit and Standards Committee member if required.

The SFM will confirm to the Audit and Standards Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

The scope for Internal Audit is the control environment comprising risk management, control and governance. This effectively includes all of the council's operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit. In order to turn this generic description into actual subjects for audit, a risk assessment methodology is applied that allows all high-risk subjects to be identified. The council's fundamental financial systems are subject to a degree of inspection on an annual basis, whilst Internal Audit also identifies other financial and non-financial systems and functions as important areas for review. Internal Audit does not undertake Consultancy work

however the team will provide advice and guidance to management as required about new systems and processes.

Management are asked to contribute to the planning process, however the tactical work plan and its contents are entirely the responsibility of Internal Audit. The plan is ratified by the Audit and Standards Committee annually each April.

In September each year, the work plan is further reviewed to ensure Internal Audit resources continue to be targeted at areas of highest perceived risk. This can result in changes to the agreed work plan. Internal Audit will report back to the September or November Audit and Standards Committee meeting if these changes amount to 15% of the total audits in the plan.

Internal auditors will maintain an impartial, unbiased attitude and avoid any conflicts of interest in the performance of audit assignments.

Accountability for the implementation of recommendations made by Internal Audit lies with management, who either accept and implement the advice or formally reject it. A report is made to the Audit and Standards Committee of any 'high priority' recommendations that have been rejected by management.

Code of Ethics

All our internal auditors must conform to the mandatory Code of Ethics (see Appendix 1). The code promotes an ethical culture in a profession founded on the trust placed in its objective assurance about risk management, control and governance.

The Code of Ethics includes 2 essential components – The Principles and Rules of Conduct (which are an aid to interpreting the principles into practical applications).

Statutory Role

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which states:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and
- (b) supply such information and explanations;

As are considered necessary by those conducting the internal audit.

The statutory role is recognised and endorsed within the Council's Financial Regulations, which provides the authority for Internal Audit to access officers,

members, documents and records and to require information and explanation as necessary.

Further the regulations state that:

A relevant authority must, each financial year—

- (a) conduct a review of the effectiveness of the system of internal control; and
- (b) prepare an annual governance statement;

On an annual basis, the Chief Audit Executive will report to the Audit and Standards Committee giving an overall opinion on the effectiveness of the control environment.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards.

The Senior Finance Manager and Head of Strategic Finance are responsible for appointing the staff of the Internal Audit section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The Head of Strategic Finance is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report to the Section 151 Officer.

Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme. An annual Performance Development Review is undertaken for all internal audit staff, and any training and developments needs are identified and recorded.

Engagement Planning

For each audit assignment, internal auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model.

Reporting Accountabilities

A written report will be prepared by the appropriate auditor for every internal audit review. The report includes an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and a response obtained for each recommendation stating their agreement/ non agreement to each recommendation and timeframe for implementation. The draft final report will include these management responses and acceptance to the audit recommendations and will be issued to the auditee and relevant Director/Head of Service for final agreement. The auditee and Director/Head of Service have 7 days to reply to the draft final report before it is issued as final.

Internal Audit reports, assigned a high or medium-high opinion are subject to a follow-up, arranged in order to ascertain whether the action stated by management and their response to the report has been implemented.

Internal Audit reports assigned a high opinion are circulated in full to all members of the Audit and Standards Committee.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Arrangements are in place for Internal Audit to be informed of all suspected or detected fraud, corruption or improprieties. Internal Audit may be requested by management to assist with fraud related work.

Updated April 2017.

Code of Ethics

Appendix 1

1) Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility;
- 1.2 Shall observe the law and make disclosure expected by the law and the profession;
- 1.3 Shall not knowingly be a part to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2) Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balance assessment of all the relevant circumstances and are not unduly influence by their own interest or by others in forming judgements.

Rules of Conduct

Internal Auditors;

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement;
- 2.3 Shall disclose all material facts know to then that, if not disclosed, may distort the reporting of activities under review.

3) Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors;

3.1 shall be prudent in the use and protection of information acquired in the course of their duties;

3.2 shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation;

4) Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors;

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience;

4.2 Shall perform internal auditing services in accordance with the International Auditing Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their service.

Internal Audit and External Funding – Working Protocol**Appendix 2**

As of the 14th November 2016, the SFM, Internal Audit was given responsibility to oversee the management of the External Funding team.

Internal Audit is an independent appraisal function designed to add value and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The External Funding team are a compliance team responsible for the Council wide co-ordination, challenge and control of all revenue and capital grant funding. The objective of the team is to maximise appropriate grant funding for the City whilst minimising any associated financial or reputational risks.

Given the functions of the two teams it is possible to see synergies in the work undertaken. It is hoped that by combining the teams, some resilience would be created to assist in managing peaks in workload. This is particularly relevant for the year-end period.

Independence

The PSIAS stipulates that Internal Audit should remain organisationally independent from the delivery of services. The standards do recognise that given the reducing resources available to local authorities, some cross-management will occur and in these cases arrangements for avoiding conflicts of interest need to be established.

The safeguards introduced are as follows:

The audit review of the external funding processes/procedures will be undertaken by the Resources Team within Internal Audit. To avoid any possible conflicts, and to maintain transparency, the outcome from this review will be reported directly by the Audit Manager to the Head of Strategic Finance, thus bypassing the Senior Finance Manager with responsibility for managing External Funding.

With reference to grants that need Internal Audit sign-off, historically, these grants have come from CYPF and Place or Communities, therefore these grants would be reviewed by the respective Internal Audit teams to ensure compliance with the terms and conditions. Given that the External Funding team is also checking compliance, the SFM will review the work performed by external funding officers and then sign off the grants as usual. This will reduce some of the planned time used by Internal Audit reviewing grant claims.

Reporting requirements

The Finance Manager, EFT will report functionally to the SFM, Internal Audit. The FM does however liaise regularly with the Head of Strategic Finance, the Heads of Finance Business Partner Teams and the Head of Business Development who has responsibility for the Capital Programme. Should any concerns arise regarding the performance of the SFM, Internal Audit, the FM can report these directly to one of the Heads of Service within Finance.

If the EFT Finance Manager has any concerns re the inappropriate or fraudulent use of a grant, these can be report directly to the SFM, Internal Audit or the Fraud Team Manager, Stephen Bower.

As stated above the outcomes of any Internal Audit reviews undertaken on the EFT team will be reported directly to the Head of Strategic Finance.

Management responsibilities

The budgets for the External Funding Team and the Internal Audit team will remain as separate business units. The Senior Finance Manager will however be responsible for monitoring and forecasting both.

Similarly, performance targets for both teams will be reported upwards to the Head of Strategic Finance and then the Director of Finance and Commercial Services.

The Senior Finance Manager will be responsible for undertaking the PDR's for the Finance Managers in both the Internal Audit and External Funding teams.

Possible sharing of Staffing Resources

The skills required to conduct internal audits are similar to those required to check compliance with the terms and conditions of grant funding, and as a result there is the potential for internal auditors and finance officers within EFT to work across the 2 teams. This will need to be managed carefully to ensure that transparency is maintained and there are no conflicts to the independence of internal auditors.

Time recording systems have been in operation in Internal Audit for 18+ years and do provide a wealth of management information about productivity and resource requirements. Time recording processes will be introduced for 2017/18 with the aim of tracking and monitoring peaks in workflow in the EFT team.

Version 1. Nov 16.

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Audit and Standards Committee Report

Report of: Dave Phillips, Head of Strategic Finance

Date: 27th April 2017

Subject: Compliance with International Auditing Standards

Author of Report: Kayleigh Inman, Senior Finance Manager (Internal Audit)

Summary:

This report has been drafted so that the Audit and Standards Committee can demonstrate to the External Auditors and the 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 and Standards 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.
-

Background Papers:

Category of Report: Open

* Delete as appropriate

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 |
| Relevant Scrutiny Board if decision called in |
| |
| Is the item a matter which is reserved for approval by the City Council? YES /NO |
| |
| Press release |
| YES /NO |

Report to the Audit and Standards Committee April 2017

Compliance with International Auditing Standards (IASs)

Introduction

- 1) As part of International Auditing Standards (IAS) there is a requirement for those charged with governance (for Sheffield City Council this is the Audit and Standards Committee) to demonstrate formally 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 International Auditing Standard (*UK&I*) (IAS) are noted below:
- 4) Under ISA 240 the Council's appointed external auditors (in the case of Sheffield City Council KPMG LLP) are required to understand how those charged with governance exercise oversight of management processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. Explicit to this is gaining confirmation of the following:-
 - (i) how the Audit and Standards Committee oversees management processes to identify and respond to such risks (both counter-fraud arrangements, and more general oversight of internal control arrangements), and
 - (ii) whether they have knowledge of any actual, suspected or alleged frauds affecting the Council.
- 5) ISA 250 requires that external auditors understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with.
- 6) Additionally those charged with governance must approve the financial statements, so an understanding as to how the Audit and Standards Committee obtains the necessary assurances to discharge this responsibility is also required.

Areas Covered in the Report

- 7) The following summarises how the members of the Audit and Standards 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 presented to the Audit and Standards Committee throughout 2016/17, and covers the : -
- Annual Accounts (2015/16)
 - System of Internal Control
 - Governance Arrangements (and compliance with laws and regulations)
 - Counter Fraud Arrangements
 - Risk Management
 - Standards Issues
- 8) The Audit and Standards Committee was established on 1 September 2016 and merged the functions of the former Audit and Standards Committees. The committee comprises 7 non-executive members of the Council with proportionality applied and a maximum of 3 non-voting co-optees. The Cabinet Member for Finance and Resources is invited to attend meetings as an observer.
- 9) There are also currently three Independent Persons that assist the Monitoring Officer in dealing with standards complaints against Councillors. They also attend the meetings of the new Committee when there is a Standards focus.
- 10) In May 2016, the term of one of the independent non-voting Members, Rick Plews, ended and presently this post is vacant. The other is held by Liz Stanley, who brings considerable skills and external experience to the committee.
- 11) It is noted that the Audit and Standards Committee have taken a number of steps to help them undertake their roles and responsibilities. This has included taking independent advice and training. Officers of the Council and KPMG also attend the Committee to present reports and to answer questions raised.

Annual Accounts

- 12) Those charged with governance (the Audit and Standards Committee) are required to approve the financial statements. In order to do this effectively, the Audit and Standards Committee obtains the necessary assurances to discharge this responsibility via a number of submissions/reports.

- 13) In July 2016, the Senior Finance Manager (Strategic Finance) reported upon the arrangements for the production of the 2015/16 annual accounts and provided members of the Audit Committee with a summary of the Statement of Accounts. An explanation of the core statements and a number of the key notes to the accounts was provided. External Audit expressed satisfaction with the arrangements.
- 14) The Head of Strategic Finance presented the audited annual accounts at the September 2016 meeting for sign off. The Audit and Standards Committee reviewed the accounts and questioned the officers on items contained therein. Where additional information was requested, this was provided to the Committee promptly in a suitable form for discussion.
- 15) The external auditors presented a report of the findings from their audit of the accounts to the September 2016 Audit and Standards Committee prior to the accounts being finalised.
- 16) The ISA 260 report outlined the work undertaken on the 2015/16 accounts to support KPMG's conclusions. KPMG's report did not identify any material misstatements in the accounts but identified one significant audit difference which related to the NNDR debtor balance. This was adjusted in the final version of the statements. In addition, a small number of minor errors and presentational adjustments were required. The Council addressed these where significant.
- 17) The accounts for 2015/16 were prepared 1 month ahead of the required timescales in preparation for the shorter closedown being introduced from 2017/18, and were given an unqualified opinion by the External Auditor.

System of Internal Control

- 18) 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 (AGS), 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.
- 19) The 2015/16 Annual Governance Statement (AGS) was presented to the Audit Committee in July 2016 following sign off by the Chief Executive and Council Leader. No significant control weaknesses were identified through the annual governance process.
- 20) Internal Audit planning arrangements are designed to cover the significant risks of the Council and the plans are endorsed by the Audit and Standards Committee. The plan for 2016/17 was presented to the

Committee in April, along with a report describing the process for compiling the plan. The new plan for 2017/18 is on the same agenda as this report.

- 21) 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.
- 22) Bi-annual update reports are provided to the Committee to outline progress on the implementation of recommendations contained within the high opinion reports. The tracker report is used to monitor all recommendations until they are satisfactorily implemented. 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.
- 23) The Senior Finance Manager (Internal Audit) produces an independent annual report which was presented to the September Audit and Standards Committee which highlights the work undertaken on the Council’s control environment and her opinion on the Council’s control arrangements. For 2015/16 the Senior Finance Manager (Internal Audit), was satisfied that the core systems include control arrangements which were adequate to allow the Council to conduct its business appropriately.

Governance Arrangements (and compliance with laws and regulations)

- 24) The Council constantly reviews key governance documents, such as the Constitution and the Leader’s Scheme of Delegation, supported by the Standing Orders and Financial Regulations to ensure that they are fit for purpose.
- 25) Directors confirm compliance with the governance arrangements as part of their sign off for the Annual Governance Statement (AGS). The 2015/16 AGS highlighted no significant control weaknesses. A similar process has been followed for the 2016/17 statement.
- 26) Every executive report must include financial and legal implications and equal opportunities implications as a minimum. The financial and legal implications are signed-off following submission to the relevant professional services.
- 27) The Senior Finance Manager (Internal Audit) presented her independent annual report to the September meeting of the Audit and Standards Committee, which 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.

- 28) The Senior Finance Manager for Internal Audit retains the independent access rights to the Chief Executive of the Council, along with the Chair and other members of the Audit and Standards Committee. This has worked well in the year.

Counter Fraud Arrangements

- 29) Counter fraud resources are allocated in the annual Internal Audit plan as presented to the Audit and Standards Committee in April 2016.
- 30) Internal Audit conducted four pro-active counter fraud exercises in 2016/17. 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.
- 31) In April 2016, a report was produced for the Audit Committee to summarise the reactive and pro-active fraud activity undertaken by Internal Audit. The Chief Audit Executive's annual report presented in September 2016 also contained a summary of counter fraud activity during 2015/16.
- 32) Individual incidents of a material scale will continue to be reported to the Audit and Standards Committee by Internal Audit, and the Audit and Standards Committee can call in officers to respond to issues raised by the Audit Commission and/or Internal Audit.
- 33) The Cabinet Office has now taken responsibility for the National Fraud Initiative and the exercise for 2016/17 is in progress. The required data sets were submitted in October 2016, which resulted in a significant number of data matches being received in early 2017. Internal Audit has provided support throughout the year to services to ensure the required data was submitted to Cabinet Office.
- 34) The matches will now be distributed to the relevant sections across the Council and Capita who are responsible for checking these matches, taking the appropriate actions (recovery and sanctions) and for recording the outcomes onto the central NFI database. There are a number of different categories of matches dependent upon the strength of the data. The Council concentrates effort in those areas where the most significant results are found.
- 35) Regular meetings now take place with Human Resources and representatives of Internal Audit where issues pertaining to fraud are raised and discussed.
- 36) 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 was undertaken during 2016/17 and a number of recommendations were made to help improve the consistent application of current practices. Implementation of the recommendations will be monitored by Internal Audit.

Risk Management

- 37) The Council has a risk management framework in place that has been agreed by Cabinet. The Corporate Risk Manager attended the Audit and Standards Committee in November 2016 to present to members reports on the current risk management reporting arrangements within the Council and measures being implemented to further strengthen and improve those arrangements. The report included the risk trend analysis 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. Audit and Standards Committee members are given the opportunity to question any issues raised.
- 38) 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. Reporting of risk is now fully integrated with the reporting of service delivery and financial issues.
- 39) 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, and 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.

Standards Issues

- 40) In September 2016, the remit of the Standards Committee was merged with the Audit Committee to form the Audit and Standards Committee. The Committee is now responsible for overseeing compliance with the Members' Code of Conduct and procedures for dealing with complaints under the code.
- 41) Reports were submitted to the Committee in September 2016 and January 2017 providing an update on complaints made and action taken, along with a review of procedures and amendments to the members Code of Conduct.

Requested actions

- 42) Members are asked to confirm that this report gives an accurate reflection of the items that they have received and considered throughout the year.
- 43) Members are also asked to confirm that they 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.

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AUDIT AND STANDARDS COMMITTEE REPORT – 27 APRIL 2017

ANNUAL REPORT ON GRANTS AND RETURNS 2015/16

Report from KPMG.

Summary

The Annual Report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

Recommendation

That the Committee notes the Annual Report.

Category of Report - Open

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Annual Report on grants and returns 2015/16

Sheffield City Council

February 2017



Contents

The contacts at KPMG in connection with this report are:

Tim Cutler
Partner

Tel: 0161 246 4774

Alison Ormston
Senior Manager

Tel: 0113 231 3444

Jerri Lewis
Manager

Tel: 0161 6187 359

Matthew Ackroyd
Manager

Tel: 0113 254 2996

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

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.

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 Timothy Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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 3HZ.



Annual report on grants and returns 2015/16

Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £195.8 million.
- Under separate assurance engagements we certified two returns and one arrangement as listed below.
 - Pooling Capital Receipts (value £11,901,046);
 - Teachers' Pension Return (value £10,537,476); and
 - SFA subcontracting arrangements.

Certification and assurance results (Pages 3-4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter. In summary we qualified on five issues and reported five observations. Further detail can be found on page 5. This compares to a total of 7 issues that were reported in the 2014/15 qualification letter. On the 10th January 2017 the DWP wrote to us requesting



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further information on two issues reported in our Qualification Letter dated 29th November 2016. A Supplementary Qualification Letter was issued to the DWP on 27th January 2017.

Our work on the Teachers Pension Return, the Pooling Capital Receipts Return and the SFA subcontracting arrangements were unqualified.

Adjustments were necessary to the Housing Benefit Subsidy Claim. A total of one amendment was made to the claim of value £0.12 and related to an issue that carried forward from the 2014/15 certification regarding an incorrect LHA rate that had been used in prior years. This compares to three adjustments made to the claim in 2014/15 with a total value of £403. Please note audit requirements mean we are obligated to report all adjustments regardless of value.

No amendments were required to the Teachers' Pensions Return or the Pooling Capital Receipts Return. A number of recommendations were made regarding the SFA subcontracting arrangements.

Recommendations (Pages 7 – 8)

We have made 5 recommendations to the Council from our work this year on HB and agreed an action plan with officers.

In addition there were two recommendations outstanding from previous years' work on grants and returns.

Fees (Page 5)

The indicative fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was set at £25,500 by the PSAA, on the 10th January 2017 the DWP wrote to us requesting further information on two issues reported in our Qualification Letter dated 29th November 2016. Following the clearing of these additional queries, an additional fee of £4,525 was agreed with the Council, with this fee to be ratified by the PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were:

- Pooling Capital Receipts; £2,750 plus VAT;
- Teachers' Pension Return; £3,250 plus VAT; and
- SFA subcontracting arrangements; £6,000 plus VAT.

Annual report on grants and returns 2015/16

Summary of reporting outcomes

Overall, we carried out work on 4 grants and returns:

- 3 were unqualified with no amendment;
- 1 was unqualified but required some amendment to the final figures; and
- 1 required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

| | Comments overleaf | Qualified | Significant adjustment | Minor adjustment | Unqualified |
|--|-------------------|-----------|------------------------|------------------|-------------|
| Public Sector Audit Appointments regime | | | | | |
| — Housing Benefit Subsidy | 1 | ● | | ● | |
| Other assurance engagements | | | | | |
| — Teachers Pensions | | | | | ● |
| — Pooling of Capital Receipts | | | | | ● |
| — SFA subcontracting arrangements *1 | | | | | ● |
| | | 1 | 0 | 1 | 3 |

*1 – During this review, of the six applicable areas we tested, we gave partial compliance to them all, indicating there were some areas of non-compliance however we did not assess these as significant or reason for qualification. In addition we raised 19 recommendations for which the Council provided management responses.

Summary of certification work outcomes

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

| Ref | Summary observations |
|-----|---|
| 1 | <p>Housing Benefit Subsidy Claim</p> <p>Qualifications</p> <p>We reported a total of 5 qualifications in our letter dated 29th November 2016.</p> <ol style="list-style-type: none"> 1. NHRA – one issue was reported in the qualification letter relating to ineligible charges that had been miscalculated in the rent calculation resulting in both under and overpayment of benefit. The total extrapolated error reported was £101; this error has been reported in prior years. 2. Rent Rebates – we reported two issues as follows: <ol style="list-style-type: none"> 1. Working tax credit and child tax credit figures had been incorrectly manually input into the benefit calculation resulting in both over and under payments of benefit. The total reported extrapolated impact of this error was £3,963 and this year is the first year we have reported this issue. 2. The earned income had been calculated incorrectly in the benefit calculation resulting in both under and overpayment of benefit. This is the second year we have reported this issue and the total extrapolated error was £305. 3. Rent Allowances – we reported two issues as follows: <ol style="list-style-type: none"> 1. The additional earnings disregard had been incorrectly applied to the benefit calculation, which resulted in overpayment of benefit in some cases. This is the first year we have reported this issue and the total extrapolated impact reported was £1,763. 2. The earned income had been calculated incorrectly in the benefit calculation resulting in the overpayment of benefit. This is the second year we have reported this issue and the total extrapolated error was £7,766. <p>Observations</p> <p>We reported a total of 5 qualifications in our letter dated 29th November 2016. On the 10th January 2017 the DWP wrote to us requesting further information on two of the issues (highlighted below) and as a result they have now been included as qualifications in the Supplementary Qualification Letter dated 27 January 2017.</p> <ol style="list-style-type: none"> 1. One case where benefit had been overpaid as a result of the Authority not having suspended a claim following a FERIS review of the case. The claimant had not supplied the Council with all the information they required to be able to process the change in income of the claimant and therefore the Council should have suspended the claim. As we were unable to quantify the value of the error no further testing was possible at the time of the audit. <i>Following the request from the DWP for further information the Council confirmed that the claimant had now provided the additional information and the overpayment was quantified to £24. As a result this issue was reclassified as a qualification in the supplementary qualification letter.</i> |

Summary of certification work outcomes

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

| Ref | Summary observations |
|-----|---|
| 1 | <p>Observations continued.</p> <ol style="list-style-type: none"> 2. One case where an increase in rent had not been processed in a timely manner resulting in an underpayment of benefit. 3. One case where an increase in rent from a housing association had not been processed in a timely manner resulting in an underpayment of benefit. 4. One case in which the Authority had incorrectly used the 2014/15 LHA rate for 2015/16 resulting in an underpayment of benefit. 5. The benefit type for a particular Housing Charity provider had been miscoded by the Authority. The result of this was that a rent officer decision was required on the two cases impacted by this error. As this was not available at the time of the audit the error could not be fully quantified and the claim form could not be amended. <i>Following the request from the DWP for further information the Council confirmed that the rent officer decisions had now been provided and the errors were quantified. As a result this issue was reclassified as a qualification in the supplementary qualification letter.</i> |

Annual report on grants and returns 2015/16

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on returns are agreed directly with the Council.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council’s Housing Benefit Subsidy claim in 2015/16 of £25,500. Additional fee of £4,525 was agreed with the Council as a result of additional work required and the answering of further queries from DWP. The fee variation agreed will also have to be ratified by the PSAA.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2015/16 were in line with those in 2014/15 where the return had been completed in the prior year.

Breakdown of fees for grants and returns work

| Breakdown of fee by grant/return | | |
|----------------------------------|----------------|---------------|
| | 2015/16 (£) | 2014/15 (£) |
| Housing Benefit Subsidy claim | 25,500* | 26,450 |
| Teachers’ Pensions | 3,250 | 3,250 |
| Pooling Capital Receipts | 2,750 | 2,750 |
| SFA subcontracting | 6,000 | - |
| Total fee | 37,500* | 32,450 |

* See comment above re additional fee agreement of £4,525 making the total fee for the Housing Benefit Subsidy Claim £30,025

Annual report on grants and returns 2015/16

Recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

| Priority rating for recommendations | | | | | | |
|--|--|----------------|---|----------|---|--|
| 1 | Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk. | 2 | Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. | 3 | Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. | |
| Issue | Implication | Recommendation | Priority | Comment | Responsible officer and target date | |
| Housing Benefit Subsidy Claim | | | | | | |
| <p>NHRA Ineligible charges</p> <p>We have reported for a number of years on the miscalculation of ineligible charges in benefit calculations.</p> | Errors found in our testing can lead to further testing and additional work on behalf of the Council and ourselves as well as potential increases in fees. Overpayments of benefit can also lead to a reduction in subsidy for the Council. | 1 | <p>Suggestions for improvement include:</p> <ul style="list-style-type: none"> The review of assessors' work should focus on the treatment of ineligible charges; and Conduct refresher training for assessors in the calculation of ineligible charges. | 2 | Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training. | Head of Commercial Business Development – 31.03.2017 |
| <p>Processing of rent changes</p> <p>We identified cases where increases in rent had not been processed in a timely manner resulting in underpayments of benefit.</p> | Underpayments increase the risk to the Council of loss of income on the Council's rental properties due to non paid rents. In addition it may lead to distress and hardship to the claimants. | 2 | The Council should ensure that all rent changes (increases and decreases) are implemented in a timely manner to reduce the risk of under and overpayment of benefit to claimants. | 2 | Agreed. Benefits contractor to be instructed to issue staff with refresher guidance to ensure the procedures in place to deal with rent changes are adhered to. | Head of Commercial Business Development – 31.03.2017 |



Recommendations cont.

| Issue | Implication | Recommendation | Priority | Comment | Responsible officer and target date |
|---|---|---|-----------------|--|---|
| Housing Benefit Subsidy Claim | | | | | |
| <p>Working Tax Credit/ child Tax credit</p> <p>We identified 5 cases where the WTC/CTC had been manually input into the benefit calculation incorrectly.</p> | <p>Additional audit work leads to increases in fee and delays in the audit process</p> | <p>3</p> <p>The Council should undertake a process of review of assessors' work to focus on the manual input of WTC/CTC.</p> | <p>2</p> | <p>Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.</p> | <p>Head of Commercial Business Development – 31.03.2017</p> |
| <p>Additional Earnings disregard</p> <p>This is a complex area of the benefit calculation and we identified 6 cases where the disregard had been incorrectly applied to the benefit calculation.</p> | <p>As above, additional audit work leads to increases in fee and delays in the audit process.</p> | <p>4</p> <p>Suggestions for improvement include:</p> <ul style="list-style-type: none"> The review of assessors' work should focus on the treatment of additional earnings disregard; and Conduct refresher training for assessors in the application of disregards | <p>2</p> | <p>Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.</p> | <p>Head of Commercial Business Development – 31.03.2017</p> |
| <p>FERIS reviews</p> <p>As a result of a FERIS review a claimant was asked to provide further information to support their income. Whilst some information was provided the Council did not have enough information to determine an effective start date and should have suspended the claim to avoid an overpayment of benefit.</p> | <p>Overpayments of benefit can lead to a reduction in subsidy for the Council and result in additional work and processing required by assessors.</p> | <p>5</p> <p>The Council should ensure that all assessors are aware of the processes involved in a FERIS review and the information required as a result of it and what action to take should not all information be provided.</p> <p>A process of review of wider cases where income has been updated in year should be undertaken to ensure that all information has been provided to cases that are not suspended.</p> | <p>2</p> | <p>Agreed. Benefits contractor to be instructed to remind staff of correct process to follow and to carry out quality checks in 2017/18.</p> | <p>Head of Commercial Business Development – 31.03.2017</p> |

Annual report on grants and returns 2015/16

Prior year recommendations

We made 5 recommendations in our 2014/15 Certification of Grants and Returns Annual Report. Two recommendations have not yet been implemented fully and we have detailed their current status below.

| Prior year recommendation | Priority | Status as at February 2017 | Management comments |
|--|----------|--|---|
| Housing Benefit Subsidy Claim | | | |
| <p>1 Taxable income</p> <p>Calculating the claimants' appropriate taxable income is a complex area, and our testing continues to find errors in these calculations. This year we found five claimants who were underpaid due to incorrect calculations of their weekly income.</p> <p>The Council should remind assessors to use standard templates when calculating taxable income.</p> | 2 | <p>We found further errors in the 2015/16 certification in both the rent rebate and rent allowance testing.</p> <p>Suggestions for improvement include:</p> <ul style="list-style-type: none"> The review of assessors' work should focus on the treatment of earned income identified during the certification process; and Conduct refresher training for assessors in the calculation of earned income | <p>Agreed. Benefits contractor to be instructed to carry out quality checks in 2017/18 and to conduct refresher training.</p> |
| <p>2 LHA reduction adjustment</p> <p>Some claimants may still have claims that include the overstated LHA rate from 2012/13 in the 2015/16 subsidy grant benefit calculations.</p> <p>The 2015/16 overstated subsidy value in respect of this issue is expected to be lower than in previous years. But if cases are left unchanged this will result in an amendment to the 2015/16 claim.</p> <p>The Council should consider reviewing and resolving this issue before the 2015/16 claim is submitted to avoid audit adjustments.</p> | 3 | <p>The one amendment made to the claim in 2015/16 was a carry forward of this issue. Although the adjustment was small it could have been avoided if reviewed and addressed before the subsidy claim had been submitted.</p> <p>This issue should now be resolved and should not impact in further years,</p> | <p>Agreed.</p> |



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AUDIT AND STANDARDS COMMITTEE REPORT – 27 APRIL 2017

EXTERNAL AUDIT PLAN 2016/17

Report from KPMG.

Recommendation

That the Committee notes the External Audit Plan 2016/17.

Category of Report - Open

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External Audit Plan 2016/2017

Sheffield City Council

April 2017

The Local Government Landscape



Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£22 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£1 million**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- Prepayment of the pension;
- The Valuation of PPE; and
- The new core financial system.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MiRS) and Expenditure and Funding Analysis (EFA) note from 1 April 2016.

See pages 3 to 7 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Resilience with a particular focus on the performance of the Children, Young People and Families portfolio

See pages 8 to 12 for more details.

Logistics



Our team is:

- Tim Cutler – Partner
- Alison Ormston – Senior Manager
- Matt Ackroyd – Manager
- Olivia Camm – Assistant manager

More details are on **page 15**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 14**.

Our planned fee for the audit is £186,998 (£186,998 2015/2016). This will be subject to review as a result of additional IT audit work required, see **page 13**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key 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 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.

Acknowledgements

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

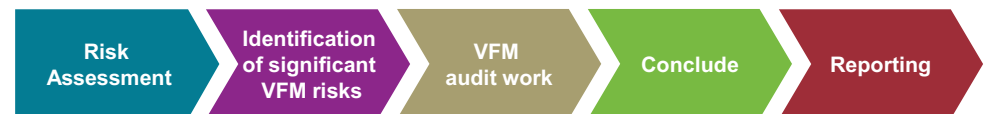
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 audit and the findings of our VFM risk assessment.



Financial statements audit planning



Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

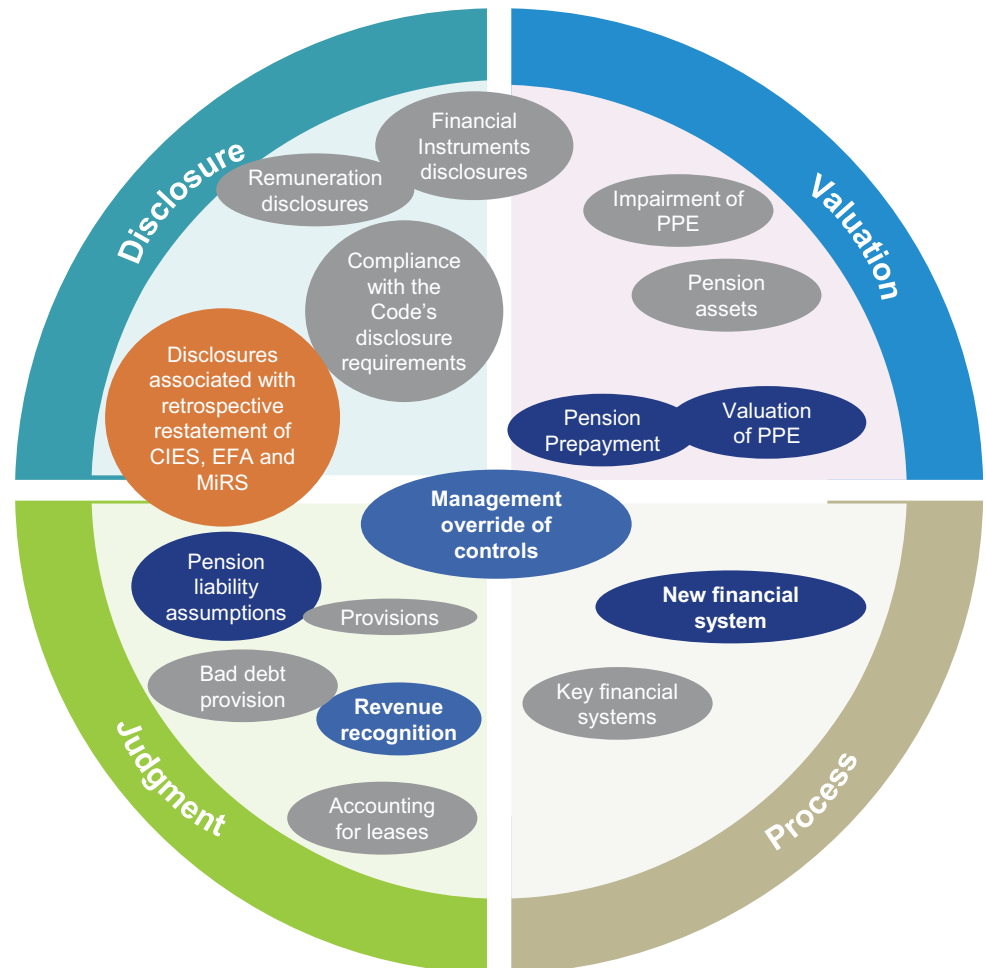
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

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.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for South Yorkshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by South Yorkshire Pensions Authority, who administer the Pension Fund.

Approach : As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk: Valuation of Property, Plant & Equipment

At 31 March 2016 the Authority was reporting Property, Plant and Equipment with a value of £2,484m, representing the large majority of assets held on the Balance Sheet. It is the Authority's policy to revalue assets at a minimum every 5 years on a rolling basis, ensuring that the value assets are held on the balance sheet is not materially different to the current value at year end.

There is an element of judgement exercised by the authority in determining whether assets require a valuation in year and also with regards to the assumptions made by the valuer in determining a value for the assets.

Given the materiality in value and the judgement involved in determining the carrying amount we have determined a significant risk with regards to this account.

Approach:

- We shall assess the qualifications and approach of the valuer used by the Authority;
- Test the accuracy and completeness of the Authority's asset register through review of the Authority's asset verification exercise and the physical inspection of any significant new additions;
- Review the instructions provided to the valuer;
- Consider the appropriateness of the valuation basis adopted e.g. should fair value have been used;
- Understand the basis of any impairments that might occur and whether they comply with the Code; and
- Review the capitalisation of major expenditure in the year.



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Prepayment of Pension

The council has made a significant pension prepayment during the year (£65m). This prepayment is intended to be made towards the revised liability for the three years from April 2017 to March 2020 as a result of the triennial valuation exercise. This transaction is unusual in nature, and involves large values and potentially complex accounting.

Approach : We will review the legal advice obtained and the accounting transactions to ensure the treatment is materially accurate.

Risk: New core financial system

The general ledger used by the Council has changed in year. There has been a phased implementation of the new Integra system with the existing OEO system still being used for a number of feeder systems e.g. Accounts Payable and Receivable Ledgers.

There is a risk that account balances are incorrectly transferred from the old ledger to the new ledger incorrectly leading to a misstatement. There is also a risk that account balances are inaccurately coded due to an unfamiliarity with the new coding structure.

Approach: We will reconcile the closing balance on the old ledger to the opening balance on the new ledger to ensure no transactions were lost or duplicated in the transfer. Testing of activity in the year will verify that the correct codes have been used both for the transfer and subsequent activity. KPMG specialists will review the controls around the new system to ensure users are appropriately recognised. We shall also review the 'link' between the old OEO and other feeder systems to the new ledger to ensure data is transferred as required.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Disclosures associated with retrospective restatement of CIES, EFA and MiRS

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Councils are funded and how they use their funding to serve the local population. The outcome of this project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note

As a result of these changes, retrospective restatement of CIES (cost of services) , EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards .

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, worthy of audit understanding.

Approach :

As part of our audit ;

- We will assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- We will check the restated numbers and associated disclosures for accuracy ,correct presentation and compliance with applicable Accounting Standards and Code guidance.

Financial statements audit planning (cont.)



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £22 million (£27 million in 2015/16) for the Authority's accounts, which equates to 1.53 percent of gross expenditure.

Gross expenditure is the most suitable benchmark to use for setting the materiality figure as the Council's aim is not to maximise profits as there are no shareholders. The services the Council provide to the local communities are mainly driven by a mix of government funding/grants and local income such as Council Tax/NNDR. The measure of services provided by the Council are reflected by its expenditure which is a key benchmark for the local people and the readers of Sheffield City Council's accounts to assess its performance and services to the public.

We have also considered other benchmarks, such as gross income, which is not considered relevant, as income is partly funded through central government grants, which is not as relevant to the local population and readers of the financial statements. Other metrics considered include net assets. Due to the nature of the entity, which is service delivery to the local community, the net assets benchmark is not the most reflective of the core purpose of the Authority. Therefore, the most appropriate benchmark for Sheffield City Council is judged as being gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

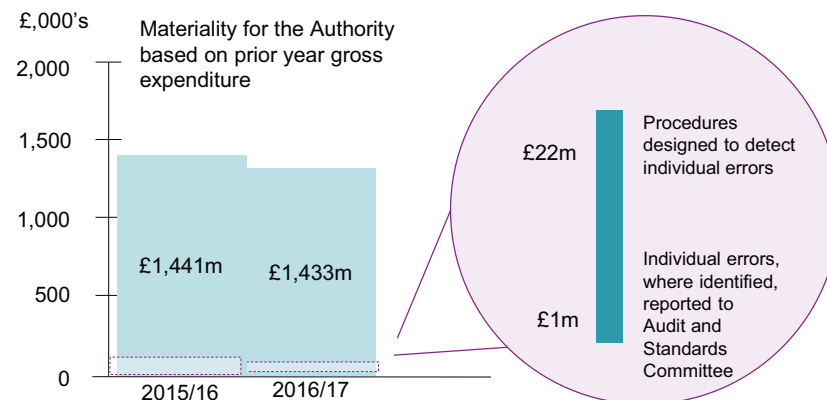
Reporting to the Audit and Standards Committee

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 and Standards Committee any unadjusted 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.

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 million (£1.35m).

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 and Standards Committee to assist it in fulfilling its governance responsibilities.



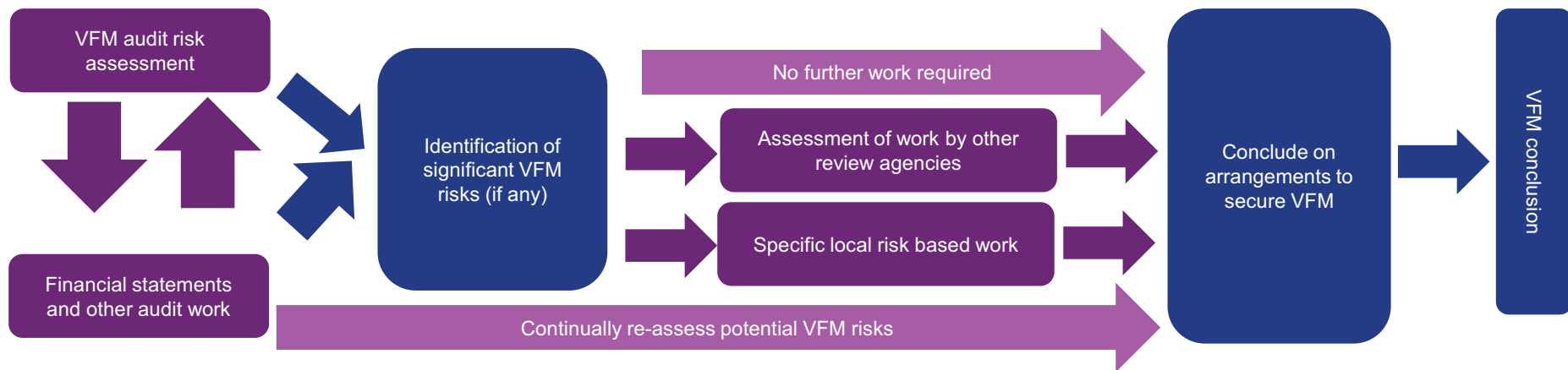


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



| VFM audit stage | Audit approach |
|--|---|
| VFM audit risk assessment | <p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies. |
| Linkages with financial statements and other audit work | <p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p> |
| Identification of significant risks | <p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. |

Value for money arrangements work (cont.)



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| VFM audit stage | Audit approach |
|--|---|
| <p>Assessment of work by other review agencies and</p> <p>Delivery of local risk based work</p> | <p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; and ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector. |
| <p>Concluding on VFM arrangements</p> | <p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p> |
| <p>Reporting</p> | <p>On the following page, we report the results of our initial risk assessment. We will update our assessment throughout the year should any further issues present themselves and report against these in our ISA260.</p> <p>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.</p> <p>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.</p> |



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Financial Resilience with a particular focus on the performance of Social Care.

■ Risk

There is a general risk around the financial resilience of the Council. In particular focusing around social care and arrangements of financial management.

During the financial year Internal audit have done various reviews on Social Care and opinions have stated that the risk of the activity not achieving its objectives is medium – high. We will consider whether these recommendations relate to front line services or financial resilience.

We note also that as at month 10, the Children, Young People and Families portfolio was forecast to overspend on budget by circa £6.5m and the Communities portfolio by circa £6m. This is due to a number of service pressures, including an increase in the number of looked after children, Special Education Needs referrals and Learning Disability Services.

The combination of a pressured service, a forecast overspend and control issues highlighted by internal audit has meant we have assessed an increased risk that value for money is not achieved.

This is relevant to the informed decision making and sustainable resource deployment sub-criteria of the VFM conclusion.

■ Approach

We shall review reports and monitoring of budgets and cost controls. In particular we shall review the financial performance and contract management in relation to Social Care. We shall assess the Council's processes for reviewing the performance of these services and whether there were appropriate methods for managing and monitoring performance in year, including the relevant reporting of this to management and members.

Other matters

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 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 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 PSAA's fee scales.

Our audit team

Our audit team will be led by Tim Cutler whom will add a fresh perspective to the council. Appendix 2 provides more details on specific roles and contact details of the team.

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 and Standards Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions.

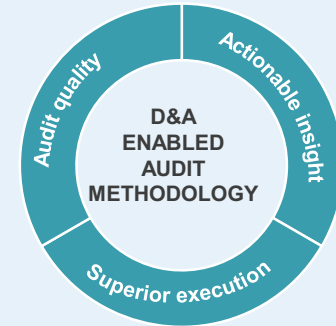
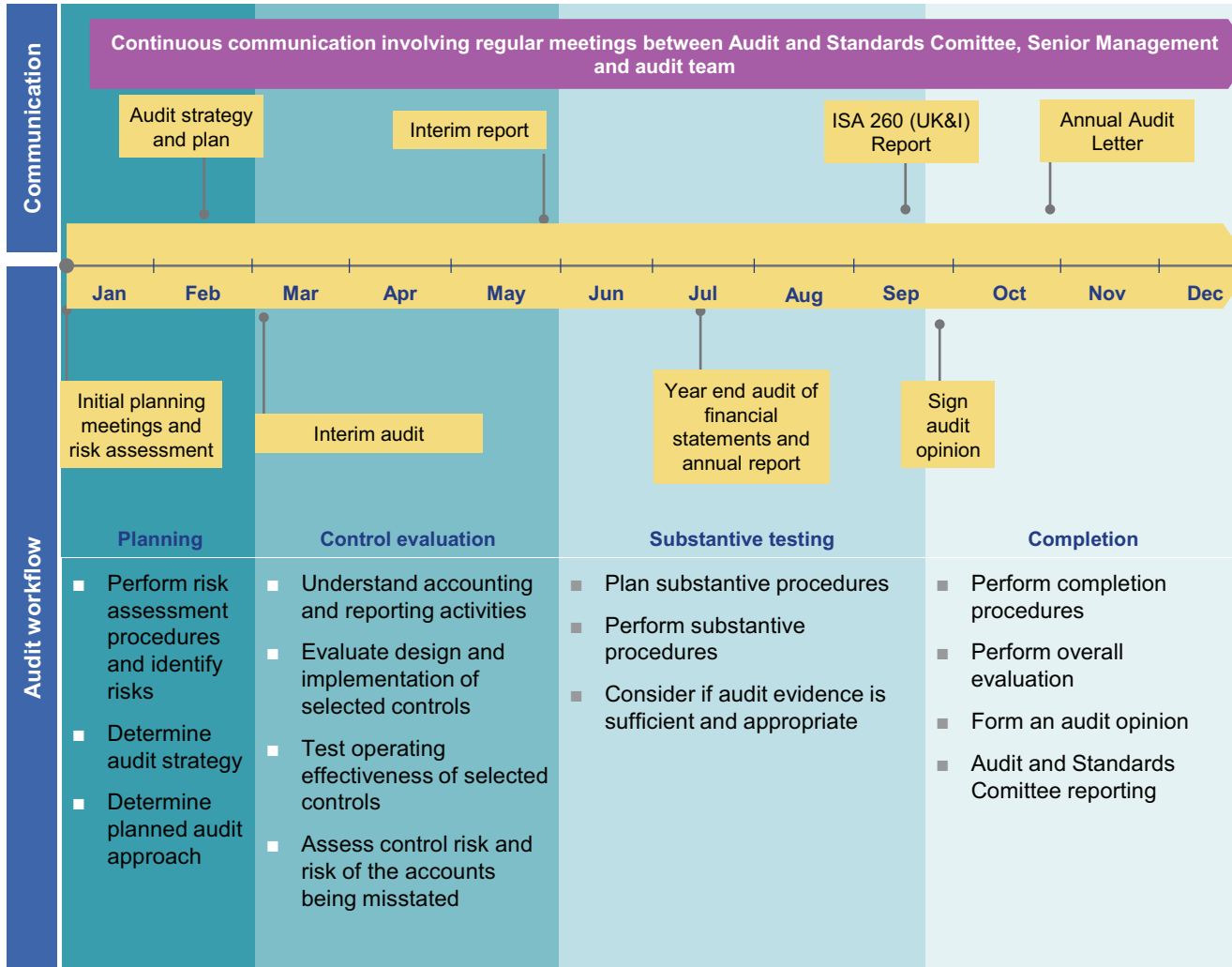
We have verbally agreed with officers an additional fee that will fall due in the year due to additional IT controls work required around the implementation of the new Integra finance system. The total fee agreed is £10,000, with the amount charged in 2016/17 dependant upon the timing of the implementation of the final stage of Integra. As in the previous period, due to the absence of service auditor reports from some outsourced providers a small additional fee for IT work around individual feeder systems (e.g. Housing Benefits) will also be incurred. An indicative fee for this work is £1,000 per system.

Our audit fee may be varied later, subject to agreement with PSAA, for changes in the Code, specifically this year the changes in relation to the disclosure associated with retrospective restatement of CIES, EFA and MiRS. If such a variation is agreed with PSAA, we will report that to you in the due course

The planned audit fee for 2016/17 is £186,998. This is the same fee as 2015/2016.

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

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves our collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Tim, Alison and Matt were both part of the Sheffield City Council audit last year and will provide continuity. Olivia Camm will add a fresh perspective to the audit.

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| | |
|-----------------|---|
| Name | Tim Cutler |
| Position | Partner |
| | <p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit and Standards Committee and S151 Officer.'</p> |

Tim Cutler

Partner

Tel: 0116 246 4281

Email: tim.cutler@kpmg.co.uk



| | |
|-----------------|--|
| Name | Alison Ormston |
| Position | Senior Manager |
| | <p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Tim to ensure we add value.</p> <p>I will liaise with the Head of Strategic Finance and other Executive Directors.'</p> |

Alison Ormston

Senior Manager

Tel: 0113 231 3444

Email: alison.ormston@kpmg.co.uk



| | |
|-----------------|---|
| Name | Matt Ackroyd |
| Position | Manager |
| | <p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with the Tim and Alison to ensure we add value.</p> <p>I will liaise with the Head of Strategic Finance and other Executive Directors.'</p> |

Matt Ackroyd

Manager

Tel: 0113 231 3625

Email: matthew.ackroyd@kpmg.co.uk



| | |
|-----------------|--|
| Name | Olivia Camm |
| Position | Assistant Manager |
| | <p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p> |

Olivia Camm

Assistant Manager

Tel: 0113 231 3017

Email: olivia.camm@kpmg.co.uk



Appendix 3: Independence and objectivity requirements

Independence and objectivity

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 and Standards Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require 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.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work; and
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment 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 PSAA audit work 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.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA'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 Terms of Appointment.

Confirmation statement

We confirm that as of 27 April 2017 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.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.uk).

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.

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 Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@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 3HZ.



Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 27 April 2017

Subject: Work Programme

Author of Report: Dave Ross, Democratic Services

Summary:

The report provides details of an outline work programme for the Committee

Recommendations:

That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion;
and

(b) approves the work programme.

Background Papers: None

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 |
| 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.

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 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. In addition, it also now includes standards' related matters such as a regular report providing an update on the outcome of Standards complaints.

2.2 An outline programme is attached and Members are asked to identify any further items for inclusion. Details of the work programme for 2017/18 will be submitted to the next meeting of the Committee.

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.

**Gillian Duckworth
Director of Legal and Governance**

| Date | Item | Author |
|--------------|---|--|
| 13 July 2017 | Summary of the Statement of Accounts | Dave Phillips (Head of Strategic Finance) |
| | Annual Governance Statement | Gillian Duckworth (Director of Legal and Governance) |
| | Progress on Audit Reports with a High Opinion | Kayleigh Inman (Senior Finance Manager) |
| | Internal Audit Annual Fraud Report | Kayleigh Inman (Senior Finance Manager) |
| | Update on Outcome Planning | John Mothersole (Chief Executive) |
| | Annual Audit Fee Letter 2017/18 | Alison Ormston (KPMG) |
| | Audit and Standards Committee Annual Report | Dave Ross (Legal and Governance) |
| | Standards Complaints Update | Dave Ross (Legal and Governance) |
| | Work Programme | Dave Ross (Legal and Governance) |
| | | |

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

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