

SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 12 April 2018

PRESENT: Councillors Josie Paszek (Chair), Dianne Hurst, Pat Midgley and Peter Price.

Co-Opted Member

Liz Stanley

Representative from KPMG

Matt Ackroyd

Councils Officers

John Mothersole, Chief Executive

Gillian Duckworth, Director of Legal and Governance

Dave Philips, Head of Strategic Finance

Helen Molteno, Finance Manager (Internal Audit)

Stephen Bower, Finance Manager

Michele Hassen, HR Service Manager

Sarah Cottam, Principal Committee Secretary

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Alan Law and Adam Hanrahan and Linda Hinxman (Co-Opted Member).

2. EXCLUSION OF THE PRESS AND PUBLIC

2.1 No items were identified where it was proposed to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 There were no interests declared at this meeting.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the previous meeting of the Committee, held on 11 January 2018, were approved as a correct record.

5. WHISTLEBLOWING

5.1 The Director of Legal and Governance (Monitoring Officer) submitted a report to the Committee. Michele Hassen, HR Service Manager introduced the report which provided information on activity under the Whistleblowing Policy from December 2014 to the present date in accordance with the requirements of the Constitution.

- 5.2 The report also recommended an amendment to the Policy and Procedure following feedback on its operation and relationship to the Redeployment Policy and informed the Committee of the ongoing support, training and development provided to the Contact Advisors by HR Senior Management Team.
- 5.3 Members of the Committee discussed the Policy at length and the HR Service Manager responded to questions from the Committee. It was advised that the policy was aimed at Sheffield City Council employees and not employees from other companies carrying work out on the Council's behalf.
- 5.4 Members of the Committee sought clarification around whether employees external to the Council, such as 'Capita' or 'Amey' would report any concerns direct to Sheffield City Council or to their respective employer. The HR Service Manager advised that it would be expected that they would report any concerns direct to their line manager at the Council, however this could depend on the type of appointment. The HR Service Manager would look into the points raised and clarify this to the Committee as soon as possible.
- 5.5 There had been very few reports of 'Whistleblowing' since 2014; however some of the cases coming forward were dealt with through different processes. The trade unions had been consulted with regarding the amendments to the Policy.
- 5.6 The Committee were advised that the aim was to re-promote the Policy to ensure that people were aware that a mechanism was in place to report any concerns. New posters would be printed and distributed around the council buildings which included up to date contact details.
- 5.7 **RESOLVED:** That the Audit and Standards Committee:-
- 1) Notes the information on the activity under the Whistleblowing Policy since December 2014;
 - 2) accepts the recommended changes to the Whistleblowing Policy and Procedure and its communication, pending clarification around who external employees working on behalf of the Council reported their concerns to; and
 - 3) notes the ongoing support, training and development offered to the Contact Advisors.

6. INTERNAL AUDIT PLAN 2018/19

- 6.1 The Finance Manager introduced a report presenting the Internal Audit planning methodology and programme of work for 2018/19.
- 6.2 The strategy for Internal Audit work was to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems were being properly managed by Directors in service areas.

- 6.3 The plan had been developed to ensure sufficient coverage across the council to inform the overall internal audit opinion, required as part of the accounts and audit regulations.
- 6.4 The Committee were advised that given the current and forecast volume of change for services across the Council, an allocation of internal audit resource had been re-assigned from assurance work to offer advice and guidance as the change projects occur. By reassigning some of the available resource, the service was aiming to take a pro-active, supportive role to assist services in embedding change.
- 6.5 A comment was made around the substantial drop in the plan days since 2013. The Finance Manager advised that the service was still providing a high level service and was ensuring the service was directing internal audit resources at the main risks facing the authority.
- 6.6 Members of the Committee needed to be confident that the Annual Governance Statement (AGS) was robust and as thorough as it should be. The Finance Manager assured the Committee that it was important that Internal Audit were involved in change management from the start. It was advised that Internal Audit worked with the Director of Legal and Governance and performed a review of the AGS process to provide assurance that it operated effectively.
- 6.7 **RESOLVED:** That the Committee endorses the programme of internal audit work, attached to the report, for 2018/19, subject to the assurance that the Annual Governance Statement was robust and as thorough as it should be.

7. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

- 7.1 The Head of Strategic Finance introduced a report which had been drafted so that the Committee could demonstrate to the External Auditors and the wider audience that they had exercised the required oversight to meet the requirements of the International Standards on Auditing. The report drew together much of the work that had been undertaken by the Committee in the past year.
- 7.2 **RESOLVED:** That the Committee:-
- 1) confirms that the report gives an accurate reflection of the reports that they had received and considered throughout the year; and
 - 2) confirms that it now had an overview of the Council's systems of internal control so that it was now assured that it was fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

8. ANNUAL REPORT ON GRANTS AND RETURNS 2016/17

- 8.1 Matt Ackroyd, Manager, KPMG, introduced the annual report on grants and returns 2016/17 which summarised the results of work KPMG had carried out on the Council's 2016/17 grant claims and returns.

- 8.2 Mr Ackroyd reported that there had only been one claim certified as part of the PSAA regime in relation to Housing Benefit Subsidy which had a value of £190.8 million.
- 8.3 Following completion of the work, the claim was subject to a qualification letter and in summary it was qualified on four issues and raised five observations. It was advised that the Housing Subsidy claim was large and complex; therefore it was not unusual for issues to be identified.
- 8.4 Under separate assurance engagements three returns had been certified for Pooling Capital Receipts, Teachers' Pension Return and SFA subcontracting arrangements.
- 8.5 **RESOLVED:** that the Committee notes the annual report on grants and returns 2016/17.

9. EXTERNAL AUDIT PLAN 2017/18

- 9.1 Matt Ackroyd, Manager, KPMG, introduced a report outlining the External Audit Plan for 2017/18.
- 9.2 Mr Ackroyd reported that KPMG had identified a number of significant audit risks in relation to the financial statement. As a result of reductions in central government funding and other pressures, the authority was continuing to have to make significant savings. The authority also continued to experience overspends and cost pressures within its Adult and Children's Services.
- 9.3 Mr Ackroyd also outlined that the timetable for the production of the financial statements had been significantly advanced to 31 July. KPMG would work with the authority to understand the steps being taken to meet the deadlines and of the impact on their work.
- 9.4 Members of the Committee stated that it would be a concern if the accounts were rushed to meet the advanced deadline and that accuracy was more important over speed.
- 9.5 The Committee were also advised that two objections had been received in relation to the Council's 2016/17 accounts. KPMG had formulated their draft view on the first objection and were awaiting comments from the objector. KPMG were also waiting for national legal advice to be released by the NAO on the second objection.
- 9.6 **RESOLVED:** That the Committee notes the External Audit Plan 2017/18.

10. ANNUAL AUDIT FEE LETTER 2018/19

- 10.1 The Head of Strategic Finance advised the Committee of the recent procurement exercise to appoint the Council's External Auditors for 2018/19.

- 10.2 Ernst and Young were selected as the incoming External Auditors for 2018/19 creating a saving of 20%.
- 10.3 It was advised that Ernst and Young were due to have a meeting with the Council shortly and would hopefully be providing a copy of the Annual Audit Fee Letter.
- 10.4 KPMG would remain with the council until the final accounts had been completed.
- 10.5 **RESOLVED:** that the Committee notes the appointment of Ernst and Young as the Council's External Auditors for 2018/19 and that the Annual Audit fee letter be submitted to a future meeting.

11. WORK PROGRAMME

- 11.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for the period June – July 2018.
- 11.2 The Principal Committee Secretary outlined the programme and asked the Committee to identify any further items for inclusion.
- 11.3 **RESOLVED:**
- 1) That the Annual Audit Fee Letter 2018/19 be included at a future meeting of the Committee; and
 - 2) That the Committee's work programme for the period June – July 2018 be approved.

12. DATES OF FUTURE MEETINGS

- 12.1 It was noted that meetings of the Committee would be held at 5.00pm on:-
- 14 June 2018
 - 26 July 2018