

# **Audit and Standards Committee**

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**Thursday 12 April 2018 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**

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

## **Independent Co-opted Members**

Liz Stanley and Linda Hinxman.

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## **PUBLIC ACCESS TO THE MEETING**

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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 Sarah Cottam in Democratic Services on 0114 273 5033 or email [sarah.cottam@sheffield.gov.uk](mailto:sarah.cottam@sheffield.gov.uk).

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## **FACILITIES**

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

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

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**AUDIT AND STANDARDS COMMITTEE AGENDA  
12 APRIL 2018**

**Order of Business**

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- 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 - 10)  
To approve the minutes of the meeting of the Committee held on 11 January 2018.
- 6. Whistleblowing** (Pages 11 - 30)  
Report of the Director of Legal and Governance.
- 7. Internal Audit Plan 2018/19** (Pages 31 - 38)  
Report of the Senior Finance Manager.
- 8. Compliance with International Auditing Standards** (Pages 39 - 46)  
Report of the Head of Strategic Finance.
- 9. Annual Report on Grants and Returns 2016/17** (Pages 47 - 58)  
Report of KPMG.
- 10. External Audit Plan 2017/18** (Pages 59 - 86)  
Report of KPMG.
- 11. Annual Audit Fee Letter 2018/19**
- 12. Work Programme** (Pages 87 - 90)  
Report of the Director of Legal and Governance.
- 13. Dates of Future Meetings**  
To note that meetings of the Committee will be held at 5.00 p.m. on:- 14 June 2018 and 26 July 2018.

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## ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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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](mailto:gillian.duckworth@sheffield.gov.uk).

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## SHEFFIELD CITY COUNCIL

### Audit and Standards Committee

#### Meeting held 11 January 2018

**PRESENT:** Councillors Josie Paszek (Chair), Adam Hanrahan (Deputy Chair),  
Dianne Hurst and Peter Price

Co-Opted Member  
Liz Stanley

Representative of KPMG  
Matt Ackroyd

Council Officers  
Eugene Walker, Executive Director, Resources  
Gillian Duckworth, Director of Legal and Governance  
Dave Phillips, Head of Strategic Finance  
Kayleigh Inman, Senior Finance Manager, Internal Audit  
John Curtis, Head of Information Management  
Richard Garrad, Corporate Risk Manager

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#### **1. APOLOGIES FOR ABSENCE**

1.1 An apology for absence was received from Councillor Pat Midgley.

#### **2. DECLARATIONS OF INTEREST**

2.1 There were no declarations of interest.

#### **3. MINUTES OF PREVIOUS MEETING**

3.1 The minutes of the previous meeting of the Committee, held on 16 November 2017, were approved as a correct record, subject to an amendment to paragraph 10.2 to replace the word 'many' with the word 'some' to read: 'Kayleigh Inman, Senior Finance Manager, Internal Audit, introduced the report and commented that the service had not been able to deliver some of the planned audits due to changes within the services that were to be audited.'

3.2 Arising from the item considered at the previous meeting in relation to a revised procedure for dealing with Standards Complaints, the Chair requested that any future reports to be submitted to Full Council should be circulated to all political groups in advance of the agenda dispatch to facilitate cross party input on those issues.

#### **4. UPDATE ON THE GENERAL DATA PROTECTION REGULATION/DATA BILL**

4.1 The Executive Director, Resources, submitted a report providing an update on work undertaken and future work planned to address the requirements of the Data Protection Act 2018.

4.2 John Curtis, Head of Information Management, introduced the report and commented that, although legislation in relation to this had not yet been passed, it was expected that this would soon take place and a great deal of work had been undertaken, and was still ongoing, to ensure compliance.

4.3 Mr Curtis responded to questions from Members of the Committee as follows:-

- The Council was constantly reviewing whether it had sufficient resources to implement the changes and any further changes which may be required once the legislation was passed. It was important to maintain an evidence base and further work needed to be documented.
- The Council had written to all contractors that it was aware of to make them aware of changes to the legislation and the requirement to comply. The Council was the Data Controller with responsibility for oversight for all contractors and, if the main processor commissioned another body, the Council would expect to be informed about that.
- Work was ongoing with staff and managers to ensure that they were confident in what they needed to do to ensure compliance with the new legislation.

4.4 **RESOLVED:** That the Committee notes the report, now submitted, and supports the ongoing work to ensure compliance with the new legislation.

## 5. **PROGRESS ON HIGH OPINION AUDIT REPORTS**

5.1 The Senior Finance Manager, Internal Audit submitted a report providing an updated position on implementation of recommendations contained in audit reports issued with a high opinion.

5.2 Kayleigh Inman, Senior Finance Manager, Internal Audit responded to questions from Members of the Committee as follows:-

- A lot of the items were being subsumed into bigger programmes. For example, within the People Services portfolio, a strategic review within Lifelong Learning may impact on the implementation of recommendations related to Training Centres.
- Although some services such as Markets and Parking Services had remained on the list for a long time, this was because a number of reviews had been undertaken rather than recommendations not being implemented. The Internal Audit team change the scope of reviews rather than continually repeating the same reviews. The change in the management structure and recruitment of more staff within Parking Services had given the Internal Audit team confidence that progress was being made.

5.3 **RESOLVED:** That the Committee:-

- (a) notes the report;
- (b) agrees to the removal of the following reports from the tracker:-
  - External Funding (Corporate Review)
  - Immediate Care Assessment Team (ICAT) to Short Term Intervention Team (STIT)
  - Delivery of Capital Schemes and Capital Gateway Approvals (Place)
  - Strong Economy Projects (Place)
  - Deprivation of Liberties Safeguards (DOLS) (People); and
- (c) an additional appendix be included with future reports outlining potential risks arising from any delays in implementing recommendations from Internal Audit and responses from the Executive Management Team to those risks.

## **6. STANDARDS ANNUAL REPORT**

- 6.1 The Director of Legal and Governance submitted a report highlighting the activities of the Committee and providing details of the outcome of the Standards complaints received from June 2015 through to December 2017.
- 6.2 In presenting the report, Gillian Duckworth, Director of Legal and Governance, informed the Committee that future reports would be a joint report of the Committee's Audit and Standards activities. In response to questions from Members of the Committee, she acknowledged that the rise in popularity of social media had caused certain issues and she had delivered training to a Parish Council in this respect. There may be a need for more support and training for all Members in respect of the use of social media. She would provide the Committee with comparative figures in terms of number of standards complaints from other Core Cities.

### **RESOLVED:** That:-

- (a) the report, now submitted, be noted;
- (b) the report be forwarded to Full Council for consideration at its meeting to be held on 7 February 2017; and
- (c) the Director of Legal and Governance be requested to circulate figures in respect of the numbers of standards complaints at other Core Cities.

## **7. REGULATION OF INVESTIGATORY POWERS ACT**

- 7.1 The Director of Legal and Governance submitted a report in relation to the Council's use of surveillance powers under the Regulation of Investigatory Powers Act.
- 7.2 In relation to a question from a Member as to whether the report had been shared with the Trade Unions, Eugene Walker, Executive Director, Resources stated that he would clarify this and let the Committee know but no covert intelligence activity

was used on staff.

- 7.3 **RESOLVED:** That the Committee notes the report and the attached Social Networking Guidance: Covert Social Networking Checks and Surveillance Policy.

## **8. EXCLUSION OF THE PRESS AND PUBLIC**

- 8.1 **RESOLVED:** That the public and press be excluded from the meeting before discussion takes place on the following item of business on Strategic Risk Management on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

## **9. STRATEGIC RISK MANAGEMENT**

- 9.1 The Corporate Risk Manager introduced a report and gave a presentation providing an assessment of the Council's current Risk Management arrangements and the measures implemented to further strengthen and improve them and the current and emerging risks, their impact on service delivery and the controls in place to manage them.
- 9.2 The report and presentation covered the period from March to December 2017. The Corporate Risk Manager and Director of Legal and Governance responded to questions from Members of the Committee in relation to Learning Disabilities, Subject Access Requests and Cricket Inn Road.
- 9.3 **RESOLVED:** That the Committee:-
- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
  - (b) notes the improving trends in management of risks; and
  - (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks.

(At this point in the proceedings, the meeting was reopened to the public and press.)

## **10. WORK PROGRAMME**

- 10.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for the period February – July 2018.
- 10.2 **RESOLVED:** That:-
- (a) the Committee's work programme for the period February – July 2018 be approved: and

(b) the provisional meeting, scheduled for 8 February 2018, be cancelled.

## **11. DATES OF FUTURE MEETINGS**

11.1 It was noted that meetings of the Committee would be held at 5.00 p.m. on:-

- 8 March 2018 (additional meeting if required)
- 12 April 2018
- 14 June 2018
- 26 July 2018

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## Audit and Standards Committee Report

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**Report of:** Gillian Duckworth, Monitoring Officer

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**Date:** 12 April 2018

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**Subject:** Whistleblowing

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**Author of Report:** Michele Hassen, HR Service Manager

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### Summary:

This report

- Provides the Audit and Standards Committee with information on activity under the Whistleblowing Policy from December 2014 to the present date in accordance with the requirements of the Constitution (Appendix A)
  - Recommends an amendment to the Policy and Procedure following feedback on its operation and relationship to the Redeployment Policy
  - Informs the Committee on the ongoing support, training and development provided to the Contact Advisors by HR Senior Management Team
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### Recommendations:

It is recommended that the Audit and Standards Committee:

- Note the information on the activity under the Whistleblowing Policy since December 2014
  - Accept the recommended changes to the Whistleblowing Policy and Procedure and its communication
  - Note the ongoing support, training and development offered to the Contact Advisors
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**Background Papers:** Attached

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**Category of Report:** OPEN

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\* Delete as appropriate



## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES/NO - Cleared by:
<b>Legal Implications</b>
YES/NO - Cleared by:
<b>Equality of Opportunity Implications</b>
YES/NO - Cleared by:
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
None
<b>Relevant Cabinet Portfolio Member</b>
Councillor Olivia Blake, Cabinet Member for Finance
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

# **WHISTLEBLOWING POLICY**

## **1. Introduction**

Sheffield City Council is committed to the highest standards of ethics, transparency, integrity and accountability. It seeks to conduct its affairs in a responsible manner taking into account the requirements of the proper use of public funds and the standards required in public life. If employees feel that this is not happening then the Council encourages them to tell us. This is called Whistleblowing.

The Council has a Whistleblowing Policy to enable employees to raise matters of concern that are in the public interest so that they may be investigated and where appropriate acted upon.

## **2. Background**

The Sections of the Policy and Procedure cover the following:

- How to raise a concern and who with, for example a Supervisor, Manager or more Senior Manager in their Service; directly with a Whistleblowing Co-ordinator; a Contact Advisor or with an external organisation.
- What will happen when an employee has raised a Whistleblowing concern, for example, process of verification, investigation and outcome.
- Responding to a Whistleblowing concern; guidance for managers and whistleblowing co-ordinators for example verification, investigation and outcome.
- Flowcharts, which was a recommendation from the Committee at the point the new policy was implemented, to ensure clarity of understanding of the procedure.

## **3. Findings and Governance**

The Council's record in relation to the receipt of allegations under the Whistleblowing procedure is referenced in Appendix 1.

It is noted that there are a number of allegations which are initially raised as 'Whistleblowing' concerns and which often become managed through different procedures – this is due to ensuring the outcome can be

pursued in the most transparent manner in the event that the 'public interest test' is not met. All allegations recorded through the process are referenced for transparency.

Monitoring and communication arrangements have been put in place to ensure promotion of the new policy. It is noted that few allegations are received under the Whistleblowing Policy and HR will continue will communications activity to ensure further promotion of the policy and procedure.

The Head of HR, Director of Legal and Governance (Monitoring Officer) and Finance Manager (Internal Audit) meet on a quarterly basis to review both the Whistleblowing and Financial Irregularities monitoring report as part of the Councils governance mechanisms.

#### **4. Reasons for Policy/Procedure and Recommendations for Improvement to the Policy/Procedure**

If employees bring information about an alleged wrongdoing to the attention of their employer or a relevant organisation, they are protected in certain circumstances under the Public Interest Disclosure Act 1998. This is commonly referred to as 'blowing the whistle'.

The law that protects whistle-blowers is for the public interest – so people can speak out if they find malpractice in an organisation. Blowing the whistle is more formally known as 'making a disclosure in the public interest'. A qualifying disclosure is where an employee reasonably believes (and it is in the public interest) that one or more of the following is either happening, has taken place, or is likely to happen in the future:

A criminal offence

A failure to comply with any legal obligation

Fraud, theft or corruption

A danger to the health and safety of any individual (including risks to the general public as well as other employees)

Damage to the environment

'Public interest' means that whistleblowing cannot be used to challenge financial and business decisions properly taken by Sheffield City Council or to seek re-consideration of any matter already addressed under other internal procedures, e.g. grievance, disciplinary, dignity and respect. If an employee is going to make a disclosure it should be made to the employer first, or if they feel unable to use the Council's procedure the disclosure

should be made to a prescribed person, so that employment rights are protected. In the case of the Council the prescribed person is the external auditor.

Employees who 'blow the whistle' on wrongdoing in the workplace can claim unfair dismissal if they are dismissed or victimised for doing so. An employee's dismissal (or selection for redundancy) is automatically considered 'unfair' if it is wholly or mainly for making a protected disclosure. If a case goes to a tribunal and the tribunal thinks the disclosure was made in bad faith, it will have the power to reduce compensation by up to 25%.

An employee will have to show three things to claim Public Interest Disclosure Act protection:

- that he or she made a disclosure
- that they followed the correct disclosure procedure
- that they were dismissed or suffered a detriment as a result of making the disclosure

Whilst there is no legal requirement for the Council to have such a policy a robust whistleblowing regime is now an integral part of governance best practice and should help to avoid expensive claims by picking up on disclosures at an early stage and dealing with them properly and appropriately. It also helps to ensure that all employees – particularly managers – understand the rights of those who blow the whistle.

A Whistleblowing policy demonstrates that the Council understands the importance of being aware of any wrongdoing or malpractice and of putting it right and makes it more likely that concerns will be raised internally. This reduces the risk of involvement by external Bodies (such as the Tribunal and the external auditor) or the risk of reputational damage.

Having adopted the new policy since November 2016 it is proposed that further clarity is required for employees who have raised a legitimate complaint under the Whistleblowing Procedure and how redeployment may be considered if they feel unable to remain. This is referenced in Appendix B. It is further recommended that repromotion of the policy takes place across the organisation further to this amendment.

## **5. The Contact Advisor Scheme**

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

Previous feedback on the Whistleblowing Policy has identified a need to have similar support for people using this procedure or people who are subject to Whistleblowing investigations. The role of the Contact Advisor was broadened to include support in these circumstances.

The Contact Advisors receive direct support and guidance from a HR Service Manager including quarterly meetings to discuss the application of relevant policies and procedures; lessons learned from cases and an opportunity for the Service Manager to provide an update on relevant employment and case law and how this may have an impact on policy updates and enquiries they may receive.

## **6. Recommendations**

It is recommended that the Audit and Standards Committee:

Note the information on activity under the Whistleblowing Policy since December 2014

Agree the proposed changes to the Whistleblowing Policy and Procedure  
Support the recommendation of re-promoting the Policy and Procedure

Note the support provided to the Contact Advisors

Offer any further recommendations as appropriate to improving organisational processes.

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Case Reference No	Portfolio	Date of complaint/ whistleblowing case	Substantive issues	Findings	Outcomes	Status of Case
1651	Communities	12/12/14	Allegations of accounting irregularities	No evidence to pursue case	No evidence to pursue case	Closed
5211	Place	01/06/15	Possible Defamation via Face book complaint against employee.	Allegations proven	Level 3 disciplinary	Closed
5872	Children, Young People and Families (CYPF)	08/07/15	Allegations of fraud	Investigation complete, no case of fraudulent activity found.	Advice given to managers on systems to strengthen processes	Closed
8192	Communities	14/12/15	A complex funding issue needs to be investigated to determine whether or not a worker has dealt with the funding and raising of charges appropriated.	Spoke to manager, advised to assess if issues are conduct or error. As subject experts they are best placed to do that verification and then if the decision is that is it a conduct issue then he will contact HR advisory for advise.	HR case closed with no further involvement	Closed
8793	Children, Young People and Families (CYPF)	02/02/16	Staff have raised concerns about the conduct of one of their colleagues bullying and harassing another member of staff. They are unlikely to feel comfortable making their concerns public.	Advised manager to use the Dignity and Respect policy and Managing Performance Procedure	HR case closed with no further involvement	Closed
10807	Communities	04/07/16	Anonymous claim of witnessing sexual harrassment in the workplace	Consultant contacted the Service. They were already aware of the issue and are dealing with it. Advised to contact HR again if required	HR case closed with no further involvement	Closed
11073	Place	25/07/16	A manager has received calls regarding an employee off sick who has been seen working in secondary employment outside the council with no apparent health issues	HR Advisor advised manager how to deal with the subject in their next sickness meeting and offered further support if necessary	HR case closed with no further involvement	Closed
16086	People	18/10/17	Concerns raised in relation to management conduct on social media	Escalated to service	Agency contract terminated	Closed

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Sheffield City Council

# Whistleblowing Policy

## See it – Say it

Author: Human Resources

Publication Date: January 2017 [\(updated January 2018\)](#)





## **Whistleblowing – Public Interest Disclosure**

### **1 Introduction**

Sheffield City Council is committed to the highest standards of ethics, transparency, integrity and accountability. It seeks to conduct its affairs in a responsible manner taking into account the requirements of the proper use of public funds and the standards required in public life. If you feel that this is not happening then you need to tell us, we call this Whistleblowing.

We have a Whistleblowing policy to enable employees to raise matters of concern that are in the public interest so that they may be investigated and where appropriate acted upon.

Whistleblowing is legally known as qualifying disclosures. This is where an employee reasonably believes (and it is in the public interest) that one or more of the following is either happening, has taken place, or is likely to happen in the future:

- A criminal offence.
- A failure to comply with any legal obligation.
- Fraud, theft or corruption.
- A danger to the health and safety of any individual ( including risks to the general public as well as other employees).
- Damage to the environment.

‘Public interest’ means that whistleblowing cannot be used to challenge financial and business decisions properly taken by Sheffield City Council or to seek reconsideration of any matter already addressed under other internal procedures e.g. grievance, disciplinary, dignity and respect.

Sheffield City Council has a designated Monitoring Officer, this is the Director of Legal and Governance and Monitoring Officer, who has a statutory duty to consider issues, which have or may result in Sheffield City Council being in contravention of the law or code of practice. As the Monitoring Officer has overall responsibility for the maintenance and operation of this policy they will receive an updated log of whistleblowing complaints on a quarterly basis including details of complaints received, action taken and analysis of trends. The Monitoring Officer will also provide information relating to whistleblowing issues and trends to the Council as appropriate.

## **2. Your Protection**

Where an employee raises a concern that they reasonably believe, and is in the public interest, then they are protected under the Public Interest Disclosure Act 1998 even if the belief is later found to be mistaken. This is regarded as a protected disclosure and as such the individual will not suffer any form of punishment as a result of this disclosure for example losing their job or victimisation.

## **3. How to raise a concern.**

There are a number of ways to raise a Whistleblowing concern and you can choose the one that suits you however please ensure that you state you are raising your concern under Whistleblowing. You can do this verbally, in writing by a letter or email. However if you choose to use email, please take extra care to make sure that your message is sent to the correct person and be aware that, due to the nature of email it may be read by other people. To make sure that your concerns are handled quickly, mark the subject box:

Whistleblowing – confidential – recipient only.

### **a) Raise it with your Supervisor, Manager or a more Senior Manager in your Service.**

It is expected that many concerns will be raised openly with supervisors or managers as part of day to day practice. You can do this verbally or in writing by a letter or email. If your concern relates to your line manager then you should raise your concern with another manager within your service or choose another route to do so.

### **b) Raise it directly with a Whistleblowing Co-ordinator.**

You can raise your concern directly with a Whistleblowing Co-ordinator whose role is to receive complaints relating to their specific professional area.

#### **Human Resources**

Lynsey Linton                      Head of Human Resources    07816181838

#### **Legal**

Steve Eccleston                      Assistant Director of Legal & Governance    273 5012

## Finance

Dave Phillips      Head of Strategic Finance      273 5872

## Health, Safety and Well-being

Gary Lund      HR Service Manager      27 34082

## Safeguarding

Simon Richards      Head of Quality and Safeguarding      07790805029

Victoria Horsefield      Assistant Director      27 34450

### **c) Raise it with a Contact Advisors.**

Sheffield City Council has trained and prepared Contact Advisors, who are also employees, and can be a point of contact for you as an alternative to your supervisor or manager. Contact Advisors are not a point of long term support for employees and will not be involved in the investigation process. They will give advice and signpost you to the appropriate route for raising your concern.

Contact Advisors can be contacted by telephone

<http://intranet/employment/behaviour-and-relationships-at-work/dignity-and-respect/contact-advisers>

### **d) Raise it with external organisations.**

If you feel unable to raise your concern internally or if you are not happy with the outcome of the internal investigation you can raise this with the appropriate agency:

- Your local Council member (if you live in Sheffield)
- Relevant professional bodies or regulatory organisations
- A Solicitor
- South Yorkshire Police
- Other bodies prescribed under the Public Interest Disclosure Act, e.g. Information Commissioner's Office

Serious Fraud Office  
The Environment Agency  
The Health and Safety Executive

If you do take the matter outside Sheffield City Council you need to ensure that you do not disclose confidential information and you should contact the HRAdvisoryService for advice.

You are also able to raise any whistleblowing concerns with your trade union representative.

### **Anonymous Whistleblowing Concerns**

All disclosures within Whistleblowing will be treated in a confidential and sensitive manner. If required, the identity of the employee raising the concern will be kept confidential for as long as possible provided that this allows for an effective investigation and we will not disclose your identity until we have discussed this with you. However should your concern result in your evidence being needed in any external process for example in court or an employment tribunal then we will be unable to keep your identity confidential and we will discuss this with you.

If you do not tell us who you are when raising a Whistleblowing concern it will be much more difficult for us to look into the matter, protect your position or give feedback on the disclosure.

### **4. What will happen when you raise a Whistleblowing Concern.**

Concerns raised under this procedure may be resolved by the person that you raise them with.

#### **Step 1 Verification.**

The Manager/Whistleblowing Co-ordinator will meet with you to clarify the facts of your concern. This is known as a verification meeting this will be held within 5 working days of you raising your concern. As with all City council procedures you have the right of representation at all meetings, which can either be a Trade Union representative or another employee of Sheffield City Council who is not involved in the area of work to which the concern relates and who also could not be called as a witness.

There are three possible outcomes to the verification stage:

- There are no grounds for proceeding further. You will be informed of this in writing with the reasons for no further action needed.

- The matter falls within another procedure. You will be advised of the relevant procedure and this will be referred to the relevant Manager for action.
- An investigation will be commissioned into your concerns.

## **Step 2 Investigation.**

The Manager/Whistleblowing Co-ordinator will appoint an Investigating Manager and Investigation Team who are not from the same service in which the concerns are about. The Investigation Team will have access to an HR Consultant who will provide professional advice on the conduct of the investigation and procedural issues. The investigation will be carried out as quickly as possible whilst being mindful of the nature and complexity of your concern.

The Investigating Manager may ask you to put your concerns in writing and provide as much evidence as possible. It may also be necessary to interview you and provide a witness statement which you will be asked to confirm that it is accurate and complete.

If you would like more information on how and investigation are conducted follow this link <https://myteam.sheffield.gov.uk/HRPoint/PublicLibrary/Forms/Conduct.aspx>

## **Step 3 Outcome.**

As the employee raising the concern you will be kept informed as to the handling of the matter throughout the investigation and informed of the outcome, as long as it does not break the duty of confidence owed to someone else. If no action is to be taken the reason for this will be explained to you.

If no action is taken as a result of the investigation it does not mean that action will be taken against the employee raising the concern. However should false allegations knowingly be made then Sheffield City Council may consider taking action within its procedures which may include disciplinary action.

## **5. Responding to a Whistleblowing Concern**

### **Managers and Whistleblowing Co-ordinators guidance (see Manager and Whistleblowing Co-ordinator Whistleblowing Flowchart).**

#### **Step 1 Verification.**

As the Manager/Whistleblowing Co-ordinator you will complete an initial verification of the whistleblowing concern by meeting with the employee within 5 working days of the concern being raised and decide whether there are grounds for an investigation or not by checking and confirming the facts. You need to contact HR for support through this process. Where the whistleblowing concern arises out of potential fraudulent activity this should be reported to Internal Audit.

As with all Sheffield City Council procedures the employee has the right of representation at all meetings, which can either be a Trade Union representative or another employee of the City Council who is not involved in the area of work to which the concern relates and who also could not be called as a witness.

There are three possible outcomes to the verification stage:

- There are no grounds for proceeding further. You will need to write to the employee and inform them of this with the reasons for no further action needed.
- The matter falls within another procedure. You will need to advise the employee of the procedure that you think is appropriate and refer this to the relevant Manager for action.
- An investigation is required. You will need to commission an investigation.

#### **Step 2 Investigation.**

You will commission an Investigation and appoint an Investigating Manager and an Investigation Team from another Service Area or Portfolio. The Investigation Team will have access to an HR Consultant who will provide professional advice on the conduct of the investigation and procedural issues. The investigation will be carried out as quickly possible, whilst being mindful of the nature and complexity of the concern disclosed. Follow this link for a more detailed description of how an investigation should be conducted [Investigation Guidance](#)



### Step 3 Outcome.

On completion of the investigation, the Investigating Manager will produce a short written report that will outline the nature of the Whistleblowing concern, the process of the investigation, a summary of the findings of the team and recommendations for action.

Upon receipt of the report you will make a decision as to what action, if any, should be taken based upon the recommendations of the report. This may include using formal action within the City Council's procedures or reference to an appropriate government department or regulatory agency depending upon the circumstances of the case.

You will keep the employee who has raised the Whistleblowing concern informed as to the handling of the matter throughout the investigation and give them as much feedback as appropriate in respect of the outcome, as long as it does not break the duty of confidence owed to someone else. If no action is to be taken the reason for this will also be explained to the employee.

In exceptional circumstances, where the complainant feels unable to continue within their role as a result of their complaint, redeployment may be considered at the complainant's request. Redeployment should be considered as an option not a right, and will not be considered where an employee has made false allegations. The request for redeployment will be dealt with via the Redeployment policy and procedure under "other circumstances" within the Eligibility Criteria. The possible outcomes, timescales and arrangements must be discussed and understood by all parties before proceeding. If the request for redeployment is accepted and the employee enters the Talent Pool, they should not face dismissal for a reason associated with this situation.

A written record should be kept of each stage of the procedure including copies of any written feedback provided on the form attached.

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## Audit and Standards Committee Report

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

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**Date:** 12<sup>th</sup> April 2018

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**Subject:** Internal Audit Tactical Plan 2018/19

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**Author of Report:** Kayleigh Inman

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### Summary:

The report presents the Internal Audit planning methodology and programme of work for 2018/19.

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### 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 2018/19.

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### Background Papers:

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**Category of Report:** Open

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\* Delete as appropriate

## Statutory and Council Policy Checklist

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

# REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE 12<sup>th</sup> April 2018

## Senior Finance Manager Report – 2018/19 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 2018/19.

### Background

2. The strategy for Internal Audit is to focus on areas of high-risk activity in order to provide independent assurance that risk and internal control systems are being properly managed by Directors in service areas.
3. The plan has 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. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
4. Given the current and forecast volume of change for services across the Council, an allocation of internal audit resource has been re-assigned from assurance work to offer advice and guidance as change projects occur – we have entitled this **Internal Audit Business Partnering**. By reassigning some of the available resource, we are aiming to take a pro-active, supportive role to assist services in embedding change. It is vital that portfolios engage with Internal Audit to maximise the use of this resource.
5. The balance of assurance and business partnering work to be undertaken will be reviewed during the year and prior to each annual audit plan. Once major changes are embedded, it is expected that the levels of assurance work will increase, whilst the business partnering reduces.

### Planning Methodology

6. 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.

- Liaison with and learning from other Core Cities and more general best professional practice.
- The outcomes from the internal audit risk-scoring methodology.

### **Utilisation of the Corporate Risk Management Arrangements**

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

### **Utilisation of the Annual Governance Statement**

8. The process for collating information for the production of the AGS is managed by Legal and Governance. The AGS returns to which Directors submit and sign up to provide 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.

### **Structure of the Plan**

9. The format of the tactical plan remains the same as last year, with sections for each portfolio (which includes the business partnering allocation), a section for corporate reviews and BCIS (ICT) audits and then resources dedicated to fraud work and statutory main financial system reviews.
10. Each planned auditable area has been reviewed to determine which governance themes from the AGS will be covered within the scope. More than one theme may be included within the scope of a single audit. 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.

## **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.

## **Pro-active Counter Fraud Work**

12. The National Fraud Initiative (NFI), under the remit of the Cabinet Office, 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.
13. Internal Audit continues to administer the system and oversee the submission of data for the NFI. 2018/19 is primarily a data submission year, and so Internal Audit will be ensuring all relevant services receive and understand the data specifications and submit the required data by the given deadlines. This involves ensuring compliance with Fair Processing arrangements. Data matches will be provided by the Cabinet Office in February 2019, and so preliminary work will begin on the matched data in quarter 4.
14. In addition to the above 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.
15. In 2017/18 work began to refresh the fraud awareness e-learning course and this will be launched and added to the Sheffield Development Hub in the early part of 2018/19.

## **Main Financial Systems (MFS)**

16. Internal Audit reviews the key financial systems of the Council every year, and this aspect of the work of Internal Audit is crucial in supporting the S151 officer responsibilities. External Audit place reliance on the soundness of the MFS and will take a level assurance from the work undertaken by Internal Audit.
17. From April 2018, Internal Audit are introducing a cyclical testing regime for the MFS reviews, which will involve a full system review in year 1 followed by transaction testing, which meets External Audit requirements, in year 2.

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

18. The resource not utilised on the above elements is devoted to undertaking reviews of the areas of most perceived risk as identified by Internal Audit in consultation with key officers i.e. principally the Executive Director - Resources/Director of Finance and Commercial/Executive Directors and Directors.
19. 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.

## **Internal Audit Business Partnering**

20. Given the current and forecast volume of change for services across the Council, an allocation of internal audit resource has been re-assigned from assurance work to offer advice and guidance as change projects occur – we have entitled this **Internal Audit Business Partnering**. By reassigning some of the available resource, we are aiming to take a pro-active, supportive role to assist services in embedding change. It is vital that portfolios engage early with Internal Audit to maximise the use of this resource.
21. Internal Audit will liaise with the Business Change Team to obtain a wider view of what is occurring across the Council and where Internal Audit can add value to key change activity. The Executive Management Team have endorsed the level of resource in the Business Partner allocation, and committed to make use of this resource pro-actively.
22. It is proposed that the allocation of resource dedicated to Internal Audit Business Partnering will be reviewed at the mid-year point to establish if this resource is being used effectively. If there is a significant remaining



allocation at mid-year, consideration will be given to re-directing this back to the assurance audits from the first call list.

### **Summary of the Audit Plan**

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

<b>Auditable Area</b>		<b>Days</b>	<b>% of the total</b>
Corporate Reviews (incl AGS, Risk Man't)		38	2%
Place	Assurance	219	15%
	Business Partnering	43	3%
People	Assurance	280	19%
	Business Partnering	37	3%
Resources	Assurance	393	27%
	Business Partnering	40	3%
Main Financial Systems		146	10%
Investigations (*exc reactive allocation)	Reactive, Proactive Fraud and Benefits	245	17%
	Business Partnering	15	1%
<b>Total</b>		<b>1456</b>	<b>100%</b>

<b>Assessed Priority</b>	<b>Outputs</b>
High Priority	65
Medium Priority	24
Low Priority	1*
Statutory	10
<b>Total</b>	<b>100</b>

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

24. Attention is also drawn to the first call list (last page of the plan), which highlights the reviews identified during the planning process which will not be completed in 2018/19. 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 3 high priority reviews on first call however, for all of these there are service-based reasons why an audit review cannot be undertaken in 19/20.

25. 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 19/20, assuming they are still relevant.
26. The 2018/19 annual plan is attached at Appendix 1.

### **Future Considerations**

27. 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.
28. 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 2018 meeting, and in the event of this level of change, will report to the November Committee.
29. Any reduction or redirection of the Internal Audit Business Partnering resource will also be reported to the Audit and Standards Committee.

### **FINANCIAL IMPLICATIONS**

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

### **EQUAL OPPORTUNITIES IMPLICATIONS**

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

### **CONCLUSION**

32. 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**

33. 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 2018/19.

### Overall Summary By Portfolio and Audit Type

	Corporate*	Place	People	Resources**	Investigations	MFS	Total Days
Compliance Audits	20	18	10			146	194
Risk Based Audit	18	166	202	345	42		773
Business Partnering		43	37	40	15		135
Control Risk Self Assessment			10				10
School Visits			25				25
Application Reviews				48			48
Follow Up Audits		6	12		6		24
Project Management Reviews		18					18
Advisory			5		50		55
Investigations					84		84
Pro-active Fraud Reviews					63		63
Grant certification/account sign-off		11	16				27
<b>Total Days</b>	<b>38</b>	<b>262</b>	<b>317</b>	<b>433</b>	<b>260</b>	<b>146</b>	<b>1456</b>
No of audits	3	13	14	21	11	9	71
No of follow-up reviews		3	6		2		11
Grant certification/account sign-off		4	6				
School visits/reports			8				8
<b>Productive Outputs***</b>	<b>3</b>	<b>20</b>	<b>34</b>	<b>21</b>	<b>13</b>	<b>9</b>	<b>100</b>

exc reactive

High Priority	1	13	13	21	8	9	65
Medium Priority	2	6	14		2		24
Low Priority			1				1
Statutory		1	6		3		10
<b>Total Outputs</b>	<b>3</b>	<b>20</b>	<b>34</b>	<b>21</b>	<b>13</b>	<b>9</b>	<b>100</b>

\* Cross cutting reviews covering multiple Portfolios

\*\* Includes Sheffield One and Policy, Performance and Communications

\*\*\* excludes Business Partnering

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	AGS	Portfolio RMP	CRR
<b>Business Continuity Planning</b>							
	Corporate BCP arrangements	RBA	High	To provide assurance on the effectiveness of corporate business continuity processes in place	AGS	Place 198 & 218 & 303	
<b>Annual Governance System (AGS)</b>							
	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			

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	AGS	Portfolio RMP	CRR
<b>Place Portfolio</b>							
Portfolio-wide	Resource allocation to enable the provision of support and advice during the change processes.	Business Partnering	High	Allocation to be called upon by Place management on an ad hoc basis			
	Effectiveness of Client Monitoring	Business Partnering	High	A review of the various client monitoring teams in place across the portfolio to ensure they are working effectively and efficiently. Review to establish possible areas of duplication.			
Business Strategy and Regulation	Local Authority Bus Subsidy Grant	Grant certification / account 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 30.9.18.			
	Lower Don Valley (LDV) Business Improvement District - Year 3 Levy	Grant certification / account 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.			
	Place Change Programme	RBA	High	Following on from the 2016/17 audit this review will provide assurance that phase 1 of the programme was effectively managed and controlled, with specific focus on lessons learned and the impact on the remainder of the programme.		374, 400, 401, 402	

	Place Change Programme	RBA	High	Following on from the 2016/17 audit this review will provide assurance that the controls in place for phase 2 of the programme are robust.		374, 400, 401, 402	
City Growth	External Funding - corporate compliance	Compliance	High	To provide assurance that the service is complying with the corporate External Funding Team processes.			
Repairs & Maintenance Service	Corporate Repairs - use of purchasing cards	RBA	High	Assurance that the service, insourced from Kier KAPS has robust controls in place for the use of purchasing cards when carrying out corporate repairs			
	Housing Repairs - use of purchasing cards	RBA	High	Assurance that the service, insourced from Kier Services has robust controls in place for the use of purchasing cards when carrying out corporate repairs			
Major Projects	Heart of The City - Phase 2	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. do this in 3rd qtr.		368, 369, 371	370
	Crystal Peaks Market Service Charge	Grant certification / account sign off	Medium	To provide assurance that the service charge has been calculated methodically and all costs included are legitimate and eligible for the Crystal Peaks Market.			

	Moor Market Service Charge	Grant certification / account sign off	Medium	To provide assurance that the service charge has been calculated methodically and all costs included are legitimate and eligible for the Moor Market.			
Housing and Neighbourhood Services	Allocation of Council housing	RBA	high	To provide assurance that the system in place for the allocation of council housing is working effectively			
	Fire cladding controls in Residential Tower Blocks	RBA	High	To provide assurance that appropriate action has been taken in light of the Grenfell Tower fire		333, 334	
	Housing Benefit direct payments - impact on HRA	RBA	High	To review what actions are being taken to mitigate the impact of housing benefits payments being made direct to tenants		51,269	
	SLAs in Housing	RBA	High	A review of the SLA's in place with housing to ensure that they are working effectively and efficiently			
	Housing grants bidding	RBA	High	To review the processes in place around the criteria and process for the bidding for housing funds			
Culture and Environment	Parks and Countryside - management of health and safety risks	RBA	High	A review of how the health and safety risks in Sheffield City Council maintained parks are being managed			
	Medico Legal Centre (MLC)	RBA	High	A review of management controls within the MLC, to include HR, finance and stakeholder engagement.			

Follow-ups	Licensing	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was H.			
	Homelessness prevention	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.			
	Housing Integration - TARA governance	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was M-H.			



Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	AGS	Portfolio RMP	CRR
<b>People Portfolio</b>							
Portfolio-wide	Resource allocation to enable the provision of support and advice during the change processes.	Business Partnering	High	Allocation to be called upon by People management on an ad hoc basis			
	Adults Social Care records	Business Partnering	High	Support to management in developing the process for the completion of Adult Social Care records			
Business Strategy	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			257
Care and Support	Adult placements in LD	RBA	high	Assurance on the system in place for the placement of adults with Learning Disabilities			
	Continuing Health Care (CHC) in Adults	RBA	high	Assurance on the controls in place for the CHC in adults.			
	Carers Assessment	RBA	High	Assurance that the carers assessments schemes as per the Care Act, outsourced to the voluntary sector are working in practice.		277	

	Short Term Intervention Team (STIT) - entry to scheme	RBA	High	Assurance that the controls in place for client assignment and access to STIT are robust		314	
	Short Term Intervention Team (STIT) - leaving the scheme	RBA	High	Assurance that the controls in place for client 'sign off' from STIT are robust		314	
	Care package assessments	RBA	High	A review of the controls and process in place for the assessment of care packages.		5	
Commissioning Inclusion & Learning	Transition from Children's to Adults social care	RBA	High	Assurance that there are robust controls in place for the transfer of children to adults social care.		313	
	Frontline prevention & early intervention service offer	RBA	High	To provide assurance that the service offer - notably the key worker principal approach for families - is being applied and is effective and efficient.		5	
Children & Families	Youth Justice	RBA	High	To provide assurance on compliance with the new inspection framework that is due to come into force in April 2018			
	Aldine House	RBA	High	To provide assurance to management that the centres controls are adequate and operating in an effective manner; including management controls, financial and HR controls, performance monitoring and reporting arrangements.			

	Childrens Homes	RBA	High	To provide assurance to management that the centres controls are adequate and operating in an effective manner; including management controls, financial and HR controls, performance monitoring and reporting arrangements.			
	Employability Programme - care leavers	RBA	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. Links to social care ie: is there a connection of strategies			
	Building Successful Families - April 2018 Claim	Grant certification / account 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.		313	
	Building Successful Families - July 2018 Claim	Grant certification / account 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.		313	

	Building Successful Families - Sept 2018 Claim	Grant certification / account 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.		313	
	Building Successful Families - December 2018 Claim	Grant certification / account 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.		313	
	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.			
	Routine school visits - 1 school	School Visit	Medium	Financial health check of schools in light of the compulsory academisation programme.			

	Routine school visits - 1 school	School Visit	Medium	Financial health check of schools in light of the compulsory academisation programme.			
	Routine school visits - 1 school	School Visit	Medium	Financial health check of schools in light of the compulsory academisation programme.			
	Routine school visits - 1 school		Medium	Financial health check of schools in light of the compulsory academisation programme.			
	Routine school visits - 1 school	School Visit	Medium	Financial health check of schools in light of the compulsory academisation programme.			
	Disclosure and Barring Service (DBS) process in schools	Control risk self assessment	Medium	CRSA exercise to ascertain whether the controls in place around the DBS process in schools is effective			
	IR35 process in schools	Control risk self assessment	Medium	CRSA exercise to ascertain whether the controls in place around the IR35 process in schools is effective			
	Schools Annual Report	Advisory	Low	Report outlining and summarising all the findings and recommendations for the 2016/17 school themed audits.			
	Disabled facilities grant sign off	Grant certification / account sign off	Statutory	Statutory responsibility - an audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with.			
Chargeable work	Talbot Specialist school - collaborative fund expenditure	Grant certification / account sign off	Statutory	Statutory responsibility - an audit opinion on the grant usage and assurance that the grant terms and conditions have been complied with.			

Follow-ups	Executor Services	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High.			
	CHC in LD	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High.			
	Looked After Children Fostering	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was Medium-High.			
	SCAS - Payments Team	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was Medium-High.			
	SCAS - Debt Management	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was Medium-High.			
	Independent Sector provision - Home Care	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was Medium-High.			

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	AGS	Portfolio RMP	CRR
<b>Resources</b>							
Portfolio-wide	Resource allocation to enable the provision of support and advice during the change processes.	Business Partnering	High	Allocation to be called upon by Resources management on an ad hoc basis			
Human Resources	HR payroll processes *2	RBA	High	To provide assurance to management that the controls in place for elements of the payroll system are adequately controlled and are effectively operated. The elements for review will be determined with management when a current overview audit of the payroll system is complete.		238	
Human Resources	Capability procedures	RBA	High	To provide assurance to management, that the capability procedures are operating effectively in line with the new council policy.		238/45	
Human Resources	Cashiers	RBA	High	To provide assurance to management that the cashiers service is operating efficiently and that overall the service is economic.		161	
Human Resources	Registry office	RBA	High	To provide assurance to management that the registry office service has adequate processes in place to manage income in an efficient and effective manner.			

Finance and commercial Services	Review of the Corporate Discretionary grants processes	RBA	High	To provide assurance to management that the controls surrounding the operation of the discretionary grants processes are consistent and are operating efficiently and effectively.		280/142	
Finance and commercial Services	Commercial Sourcing Desk	RBA	High	To provide assurance to management, that the new commercial sourcing desk is operating efficiently and had adequate control arrangements in place.		230	
Finance and commercial Services	Sign -off of Financial decisions	RBA	High	To provide assurance to management that all Financial decisions are identified and are signed off appropriately.		238	
Finance and commercial Services	Integra Processes	RBA	High	To provide assurance to management that the controls in place within the new finance system are adequate, and are operating effectively.		146	
Finance and commercial Services	BACs arrangements	RBA	High	To provide assurance to management that the controls in place surrounding the operation of BACS processes are adequate, and are operating effectively.		161/134	
Finance and commercial Services	Apprenticeship Levy	RBA	High	To provide assurance to management that the apprentice levy is being operated correctly and to maximise the benefits available to the Council.		146	
Finance and commercial Services	Operation of IR 35 - Off payroll working through an intermediary (contractors)	RBA	High	To provide assurance to management that the management of the IR35 processes are being managed effectively.		146/138	



Policy, Performance and communications	Sign - off of Equality Impact assessment	RBA	High	To provide assurance to management that all legal decision are identified and are signed off appropriately.			ppc8
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.		ppc1	
Policy, Performance and communications	Policies and use of systems for Council operated Social Media Sites	RBA	High	To provide assurance to management, that the social media accounts operated by the Council have been identified and that there are processes in place to ensure that they give a consistent message.			
BCIS	Assurance on IT processes	RBA	High	To provide assurance to management that there is an effective process in place to ensure that all elements of the IT processes have adequate controls assurance arrangements in place.			
BCIS/ Commercial Services	GDPR	RBA	High	To provide assurance that contracts/ third party arrangements are adequate in the context of GDPR.			r352
BCIS	Asset Management	RBA	High	To provide assurance to management that the IT assets of the Council are adequately controlled			
BCIS	Software Licence Management	RBA	High	To provide assurance to management that the Council has an efficient and effective process to manage its requirements for software licences.			

Application reviews	Liquid Logic (Care first replacement)	Application Review	High	To provide assurance to management that the Liquid Logic application is adequately controlled.		c214	
	Liquid Logic (Care first replacement) - Data quality review.	Application Review	High	To provide assurance to management that the data transferred from the care first system to liquid logic has been adequately controlled, and that there are arrangement in place to monitoring and management the data going forward.		c214	
	Academy	Application Review	High	To provide assurance to management that the Academy application is adequately controlled.			

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	AGS	Portfolio RMP	CRR
Portfolio wide	Development of Fraud e-learning package	Business Partnering	High	To develop, in conjunction with HR, a new fraud e-learning package.			
<b>Investigations</b>							
Re-active Investigations	Time for investigations	Investigation	High	Undertake investigations and support service managers where there are allegations of potential fraud.	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.	AGS	R158	
Re-active Investigations	Report to Members on the outcome of the fraud Investigation work	Investigation	High	To coordinate the submission of data for the annual protecting the public purse exercise and for reporting this through to Members of the Audit Committee.	AGS	R158	
National Fraud Initiative (NFI)	Fair Processing	Advisory	Statutory	<b>Legal requirement</b> - This is to coordinate the Councils data extraction processes for the mandatory NFI process.	AGS	R158	
National Fraud Initiative (NFI)	Data Submission	Advisory	Statutory	<b>Legal requirement</b> - This is to coordinate the Councils data extraction processes for the mandatory NFI process.	AGS	R159	
National Fraud Initiative (NFI)	Facilitating Data Match Release	Advisory	Statutory	<b>Legal requirement</b> - This is to coordinate the Councils data extraction processes for the mandatory NFI process.	AGS	R160	
National Fraud Initiative (NFI) - Supplementary Work	Student Claims	RBA	High	NFI report HB to Student claims - £75k worth of fraud and error identified in 2016/17 NFI exercise			

National Fraud Initiative (NFI) - Supplementary Work	Council Tax Reduction Scheme	RBA	High	NFI report CTRS to various data sets in excess of £72k worth of recovery identified in 2016/17 NFI exercise			
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.	AGS	R133 & R135	CR120
Governance Arrangements./ Pro-Active Fraud prevention	Fraud Risks in Commercial Services	Pro-Active Fraud	High	To provide assurance to management that the fraud risks associated with commercial services are identified and adequately controlled.			
Governance Arrangements./ Pro-Active Fraud prevention	Members Interest and member's Allowances	Pro-Active Fraud	High	To provide assurance to management that there are adequate processes in place to ensure that the declaration of member's Interests and any gifts declared are adequate. The payment processes for Member's Allowance are adequate to minimise the risk of fraud.	AGS	R313	
Governance Arrangements./ Pro-Active Fraud prevention	Staff Expenses Claims	Pro-Active Fraud	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.	AGS	R313	

Governance Arrangements./ Pro-Active Fraud prevention	Vetting of Agency Staff and consultants in line with the officers code of conduct.	Pro-Active Fraud	High	To provide assurance to management that there are adequate processes in place to ensure that all agency and consultants have been adequately vetted to minimise the potential of fraud.	AGS	R312	
Pro-active follow up	Appointeeships	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High.			
Pro-active follow up	Revenues and Benefits Contact Centre	Follow up	Medium	Progress made and updated position against the original recommendations made and actions agreed by management. Original audit opinion was High.			

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed Assurance to be obtained	AGS	CRR	PRR
<b>Main Financial Systems</b>							
	Creditors (P2P) 2017/18	Compliance	High	The system in place for managing and controlling creditors is working effectively and efficiently. Provides assurance to External Audit.			
	Payroll 2017/18	Compliance	High	The system in place for managing and controlling payroll is working effectively and efficiently. Provides assurance to External Audit.			
	Debtors	Compliance	High	The system in place for managing and controlling debtors is working effectively and efficiently. Provides assurance to External Audit.			
	Creditors (P2P)	Compliance	High	The system in place for managing and controlling creditors is working effectively and efficiently. Provides assurance to External Audit.			
	Payroll	Compliance	High	The system in place for managing and controlling payroll is working effectively and efficiently. Provides assurance to External Audit.			
	Council Tax	Compliance	High	The system in place for managing and controlling council tax is working effectively and efficiently. Provides assurance to External Audit.			

NNDR	Compliance	High	The system in place for managing and controlling NNDR is working effectively and efficiently. Provides assurance to External Audit.			
Portfolio financial controls - Resources	Compliance	High	Following reviews in other portfolios, that the arrangements for financial controls in Resources are robust and effective. Provides assurance to External Audit.			
Rent income controls	Compliance	High	Assurance that the process and controls in place for the receipt and accounting for rent income due to the Council are are robust			

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

**First Call List**

Area	Audit Title	Audit Type	IA Assessed Risk	Proposed assurance to be obtained	Reason for inclusion on First Call
<b>Place</b>					
Housing Services	Homemaker Team controls	RBA	Medium	To provide assurance on the processes and procedures in place for the team. This will include the disposal of stock/furniture.	Assessed as medium risk.
Housing Services	HRA - governance and decision making	RBA	High	To provide assurance on the governance and decision making processes in place for the HRA boards.	this is being considered as part of the Place Change Programme, timing is therefore an issue so the audit will be deferred until 19/20.
Culture and Environment	Monitoring arrangements of Sheffield International Venues Ltd (SIV) and Places for	RBA	Medium	To provide assurance that monitoring arrangements for both contracts/performance are robust and effective.	Assessed as medium risk.
<b>People</b>					
Commissioning Inclusion & Learning	Better Care Fund (BCF)	RBA	High	A joint piece of audit work delivered with the Clinical Commissioning Groups (CCG) auditors. Audit scope has yet to be determined.	Work undertaken late in 2017/18 established that there is significant strategic change in this area which needs to be defined and embedded. Defer work for 18/19, as agreed with CCG auditors.
Children and Families	Early years - early support and childrens centres funding	RBA	Medium	To provide assurance that robust funding for early support is in place, following the changes to funding streams in 2016/17.	Assessed as medium risk.
<b>Resources</b>					



Legal Services	Directors Assurance mapping	RBA	High	To provide assurance to management that the process for Directors Assurance Mapping processes are operating effectively.	Advice and guidance was provided to Legal Services and Risk and Insurance throughout 17/18 as a process for assurance mapping was developed. This is due to be rolled out in 18/19 and so will be reviewed for effectiveness in 19/20.
Finance and commercial Services	Treasury Management	RBA	Medium	To provide assurance to management that the controls in place for the treasury management are adequate and are operated effectively.	Elements of the Treasury Management function were reviewed as part of a Combined Authority audit in 16/17. Deferred until 19/20.

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## Audit and Standards Committee Report

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**Report of:** Dave Phillips, Head of Strategic Finance

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**Date:** 12<sup>th</sup> April 2018

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**Subject:** Compliance with International Auditing Standards

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

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### 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.

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### 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:

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**Category of Report:** Open

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\* Delete as appropriate

## Statutory and Council Policy Checklist

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

## **Report to the Audit and Standards Committee April 2018**

### **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 and Standards 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 2017/18, and covers the : -
- Annual Accounts (2016/17)
  - 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 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 attend the meetings of the Committee when there is a Standards focus.
- 10) 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**

- 11) 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.
- 12) In July 2017, the Senior Finance Manager (Strategic Finance) reported upon the arrangements for the production of the 2016/17 annual accounts and provided members of the Audit and Standards 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.

- 13) The Head of Strategic Finance presented the audited annual accounts at the September 2017. 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.
- 14) The external auditors presented a report of the findings from their audit of the accounts to the September 2017 Audit and Standards Committee. A Certificate of Completion of the Audit could not be issued until work had been concluded on the outstanding objections received from local electors. These objections related to the Council's Lender Option Borrower Option (LOBO) loans, and the Council's Private Finance Initiative Schemes. Due to the formal process necessary to deal with the objections, it was noted that the statutory deadline of 30<sup>th</sup> September for the completion of the audit would not be achieved.
- 15) The ISA 260 report outlined the work undertaken on the 2016/17 accounts to support KPMG's conclusions. KPMG's report did not identify any material misstatements in the accounts. A small number of minor errors and presentational adjustments were required. The Council addressed these where significant.
- 16) The accounts for 2016/17 were prepared to meet the required timescales for the shorter closedown being introduced from 2017/18. The accounts were given an unqualified opinion together with an unqualified Value for Money conclusion by the External Auditor.

### **System of Internal Control**

- 17) 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.
- 18) The 2016/17 Annual Governance Statement (AGS) was presented to the Audit and Standards Committee in July 2017 following sign off by the Chief Executive and Council Leader. No significant control weaknesses were identified through the annual governance process.
- 19) 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 2017/18 was presented to the Committee in April, along with a report describing the process for

compiling the plan. The new plan for 2018/19 is on the same agenda as this report.

- 20) In line with the Public Sector Internal Audit Standards, a report was presented to the Audit and Standards Committee in November 17, to outline the mid-year review process undertaken by Internal Audit. This resulted in revisions to the work programme for internal audit. The revised plan was ratified by members at the November meeting.
- 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 2016/17 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 2016/17 AGS highlighted no significant control weaknesses.
- 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. No material non-compliances with law and regulations have been identified through the audit work performed.

- 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 2017.
- 30) Internal Audit conducted three pro-active counter fraud exercises in 2017/18. 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 July 2017, a report was produced for the Audit and Standards Committee to summarise the reactive and pro-active fraud activity undertaken by Internal Audit in 2016/17.
- 32) Any 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 the issues raised. Internal Audit has detected no material frauds during the year (to date).
- 33) The Cabinet Office is responsible for the National Fraud Initiative and the exercise for 2016/17 is being concluded. The required data sets were submitted in October 2016, which resulted in a significant number of data matches being received in early 2017.
- 34) The matches were distributed to the relevant sections across the Council and Capita who were 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. Internal Audit has provided support throughout the year to services to ensure the strong data matches were investigated and the outcomes appropriately recorded.
- 35) Regular meetings now take place with Human Resources and representatives of Internal Audit where issues pertaining to fraud are raised and discussed. Much of the fraud investigation work is undertaken by management supported by Internal Audit and HR.

## **Risk Management**

- 36) 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 January 2018 to present to members a report on the current risk management reporting arrangements within the Council and measures being implemented to further strengthen and improve those arrangements. 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.
- 37) The focus of attention is now on developing risk management practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes.
- 38) 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**

- 39) Reports were submitted to the Committee in September 2017 and November 2017 providing an update on complaints made and actions taken, along with a review of procedures and amendments to the members Code of Conduct.

## **Requested actions**

- 40) Members are asked to confirm that this report gives an accurate reflection of the items that they have received and considered throughout the year.
- 41) 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.

## **AUDIT AND STANDARDS COMMITTEE REPORT – 12 APRIL 2018**

### **ANNUAL REPORT ON GRANTS AND RETURNS 2016/17**

Report from KPMG.

#### **Summary**

The Annual Report summarises the results of work we have carried out on the Council's 2016/17 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 2016/17

**Sheffield City Council**

February 2018



# Contents

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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](http://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 ([andrew.sayers@kpmg.co.uk](mailto: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](mailto: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.

### Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 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 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £190.8 million.
- Under separate assurance engagements we certified two returns and one arrangement as listed below.

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- 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 4 issues and raised 5 observations. Detail can be found on page 5. We note that the Housing Benefit Subsidy claim is large and complex, therefore it is not unusual for us to identify issues. We understand from management that the Department has accepted the claim without need for follow up or amendment to the grant payable.

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 £25,017 as a result of expenditure misclassification.

One adjustment was required to the Teachers' Pensions Agency return totalling £2,067 as a result of short term pension payments having been mistakenly overstated.

No further adjustments were necessary to the Council's grants and returns as a result of our certification work this year.

### Recommendations (Pages 7 – 8)

We have made 2 recommendations to the Council from our work this year and agreed an action plan with officers.

In addition there were 4 recommendations outstanding from previous years' work on grants and returns.

### Fees (Page 5)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £19,840, which is in line with the indicative fee set by PSAA. A further fee of £3,422 has been agreed with the Council due to additional work required to be undertaken. This has yet to be approved by PSAA.

Our fees for the other grant/return engagements were subject to agreement directly with the Council and totalled £12,000, which was in line with the prior year.

# Summary of reporting outcomes

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

- 3 were unqualified with no amendment; and
- 1 required a qualification to our audit certificate.

Detailed comments are provided overleaf.

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Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 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 possible that the relevant grant paying body might require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate. However, we understand that the Department has confirmed to the Council that the claim has been accepted with no loss of grant.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
<b>Public Sector Audit Appointments regime</b>					
— Housing Benefit Subsidy	1	●		●	
<b>Other grant/return engagements</b>					
— Teacher’s Pensions Agency Return	2			●	●
— Pooling Capital Receipt Return	3				●
— SFA Subcontracting	4				●



# 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.

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Ref	Summary observations	Amendment
1	<p><b>Housing Benefits Subsidy Claim</b></p> <p><b>Qualifications</b></p> <p>We reported a total of 4 qualifications in our letter dated 29<sup>th</sup> November 2017.</p> <ol style="list-style-type: none"> <li>1. NHRA – during our testing of ineligible charges, based on our prior year findings, a further error was discovered. This error was the incorrect gross rent total being used as the basis for a period of housing benefit expenditure. In our initial letter dated 29 November 2017, the total extrapolated error was reported at £10. However, on 03 January the DWP issued communications with the Council that resulted in a revised extrapolation table. The revised total extrapolated error reported in our supplementary qualification letter was £109. This is the first year we have reported this error.</li> <li>2. Rent Rebates – we reported two issues as follows:             <ol style="list-style-type: none"> <li>1. The earned income had been calculated incorrectly in the benefit calculation resulting in both under and overpayment of benefit. This is the third year we have reported this issue and the total extrapolated error was £11,745.</li> </ol> </li> <li>3. Rent Allowances – we reported two issues as follows:             <ol style="list-style-type: none"> <li>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 second year we have reported this issue and the total extrapolated impact reported was £271.</li> <li>2. The earned income had been calculated incorrectly in the benefit calculation resulting in the overpayment of benefit. This is the third year we have reported this issue and the total extrapolated error was £67,481.</li> </ol> </li> </ol> <p><b>Observations</b></p> <p>We reported a total of 5 observations in our letter dated 29<sup>th</sup> November 2017.</p> <ol style="list-style-type: none"> <li>1. There was an unreconciled difference of £5.83 between the Capita benefit software and the completed claim form.</li> <li>2. One case where the incorrect ineligible charges had been applied resulted in an underpayment of benefit.</li> <li>3. One case where the incorrect deduction of Tax and NI information resulted in an underpayment of benefit</li> <li>4. One case where tax credits had been calculated manually. These were incorrectly calculated, and resulted in no change to the benefit payment.</li> <li>5. One case where an overpayment was incorrectly netted off which resulted in an under-claiming of subsidy.</li> </ol>	<p><b>£25,017 expenditure misclassification</b></p>

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

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

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**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 2016/17 of £19,840. Our actual fee is higher than the indicative fee at £23,262, and this compares to the 2015/16 fee for this claim of £30,025. Following PSAA reassessment the indicative fee for the current year was reduced. As a result of audit findings and additional testing that was required to be carried out we have agreed an additional fee of £3,422 with the Council. This additional fee is still subject to determination by PSAA.

**Grants subject to other engagements**

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were in line with those in 2015/16.

**Breakdown of fees for grants and returns work**

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	23,262	30,025
Teacher’s Pensions Agency Return	3,250	3,250
Pooling Capital Receipt Return	2,750	2,750
SFA subcontracting arrangements	6,000	6,000
<b>Total fee</b>	<b>35,262</b>	<b>42,025</b>

# Recommendations

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

Priority rating for recommendations						
<p>1 Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>2 Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>				
Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date	
Theme heading						
<p><b>NHRA Incorrect Rent</b> This is the first year we have reported the error of incorrect gross rent being used for NHRA cases.</p>	<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.</p>	<p>1 The Council should ensure that all gross rent figures included in benefit calculations are based on timely information.</p>	3	<p>The Benefits contractor is to be instructed to carry out appropriate quality checks in 2017/18.</p>	Jon West – 31 March 2018	
<p><b>Tax and NI Application</b> This is the first year we have identified the error of incorrect application of tax and NI figures in the benefit calculation which has caused an underpayment of benefit.</p>	<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.</p>	<p>2 <b>Suggestions for improvement include:</b></p> <ul style="list-style-type: none"> <li>• <b>Conduct refresher training for assessors in the treatment of tax and National Insurance</b></li> </ul>	3	<p>Refresher training undertaken in March/April 2017 was too late to impact on 2016-17 assessments however it is expected to have a positive impact on 2017-18 assessments. Benefits contractor to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>	Jon West – 31 March 2018	

# Prior year recommendations

We made 5 recommendations in our 2015/16 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at February 2018	Management comments
<b>Theme heading</b>			
<p><b>1 Taxable income</b></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 19 claimants that were paid incorrect housing benefits due to incorrect calculations of their weekly income.</p> <p><b>The Council should remind assessors to use standard templates when calculating taxable income.</b></p>	<p>2</p>	<p>We found further errors in the 2016/17 certification in both the rent rebate and rent allowance testing.</p> <p><b>Suggestions for improvement include:</b></p> <ul style="list-style-type: none"> <li><b>The review of assessors' work should focus on the treatment of earned income identified during the certification process; and</b></li> <li><b>Conduct refresher training for assessors in the calculation of earned income</b></li> </ul>	<p>Guidance issued and refresher training undertaken in March/April 2017 was too late to impact on 2016-17 assessments however it is expected to have a positive impact on 2017-18 assessments. Benefits contractor to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>
<p><b>2 NHRA Ineligible charges</b></p> <p>We have reported for a number of years on the miscalculation of ineligible charges in benefit calculations.</p>	<p>3</p>	<p>We found one further error in the 2016/17 certification in the NHRA testing.</p> <p><b>Suggestions for improvement include:</b></p> <ul style="list-style-type: none"> <li><b>Conduct refresher training for assessors in the calculation of ineligible charges</b></li> </ul>	<p>Only one error was identified resulting in an underpayment of one pence. This shows an improvement on the 9 errors found in the previous year. Benefits contractor to take appropriate steps to ensure staff follow guidance on calculating these charges including training as required.</p>

# Prior year recommendations (cont.)

Prior year recommendation	Priority	Status as at February 2018	Management comments
<p><b>3 Additional Earnings disregard</b></p> <p>This is a complex area of the benefit calculation and we identified 2 cases where the disregard had been incorrectly applied to the benefit calculation.</p>	<p>2</p>	<p>We found an additional two further errors in the 2016/17 certification in the rent allowance testing.</p> <p><b>Suggestions for improvement include:</b></p> <ul style="list-style-type: none"> <li>• <b>The review of assessors' work should focus on the treatment of additional earnings disregard; and</b></li> <li>• <b>Conduct refresher training for assessors in the application of disregards</b></li> </ul>	<p>Guidance issued in March/April 2017 was too late to impact on 2016-17 assessments however it is expected to have a positive impact on 2017-18 assessments. Benefits contractor to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>
<p><b>Working Tax Credit/ child Tax credit</b></p> <p>We identified 1 case where the WTC/CTC had been manually input into the benefit calculation incorrectly.</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>The case identified had no impact on subsidy and shows an improvement on the 4 cases identified in the previous year. However, the benefits contractor is to be instructed to review 2017/18 assessments and conduct further training / issue further guidance as required.</p>

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## **AUDIT AND STANDARDS COMMITTEE REPORT – 12 APRIL 2018**

### **EXTERNAL AUDIT PLAN 2017/18**

Report from KPMG.

#### **Recommendation**

That the Committee notes the External Audit Plan 2017/18.

Category of Report - Open

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# External Audit Plan 2017/2018

**Sheffield City Council**

March 2018

# Summary for Audit & Standards Committee

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## Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. This represents a significant change for the Authority and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter.

The Authority has produced a plan to meet the revised deadline and has practised faster close for the previous three year.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

## Materiality

Materiality for planning purposes has been set at **£20 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:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Valuation of Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

# Summary for Audit and Standards Committee (cont.)

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## Value for Money Arrangements work

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

- **Financial Resilience** – As a result of reductions in central government funding, and other pressures, the Authority is continuing to have to make significant savings. We will consider the way in which the Authority identifies, approves, and monitors both savings plans and how budgets are monitored throughout the year; and
- **Adults and Children’s Services** – The Authority continues to experience overspends and cost pressures within its Adult and Children’s Services. At quarter 2 the Authority had identified that a large majority of its overspend (£17.5m overspend at quarter 2) was attributable to Adult and Children’s Services. We shall consider the methods in place for the Authority to monitor, manage and report performance in this area.

**See pages 11 to 16 for more details**

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## Logistics

Our team is:

- Tim Cutler – Partner
- Matthew Ackroyd – Manager
- Sarah Bafarea – Assistant manager

More details are in **Appendix 2**.

Our work will be completed in four phases from November 2017 to July 2018 and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit is £186,998 (£186,998 plus additional fee of £18,564 in 2016/2017, £9,564 of this additional fee is still subject to final PSAA approval) see **page 18**. These fees are in line with the scale fees published by PSAA.

We anticipate additional fees of £4,000 in year as a result of additional IT work required over phases 2 and 3 of the Authority’s new ledger system. These, and any other changes to fees, are subject to approval by PSAA.

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## Acknowledgements

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

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# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

## Our audit has two key objectives, requiring us to audit/review and report on your:

- 01 | Financial statements :**  
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | 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. Any change to our identified risks will be reporting to the Audit and Standards Committee.

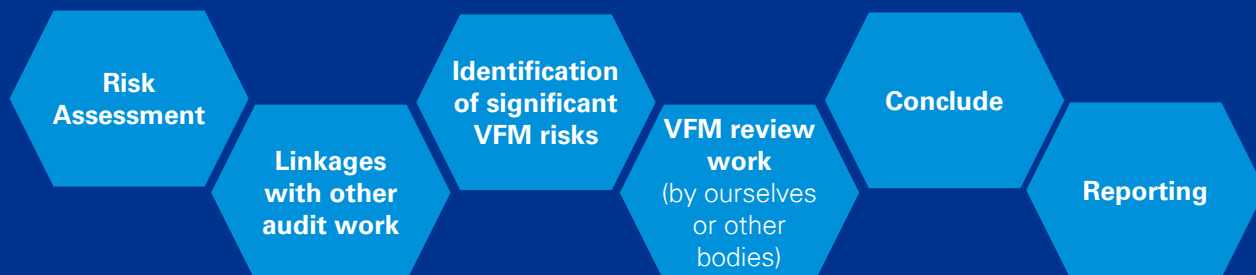
## Financial Statements Audit

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 six stage process which is identified below. Page 11 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our initial VFM risk assessment.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during October 2017 to February 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Auditing 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.

# 01

## 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.

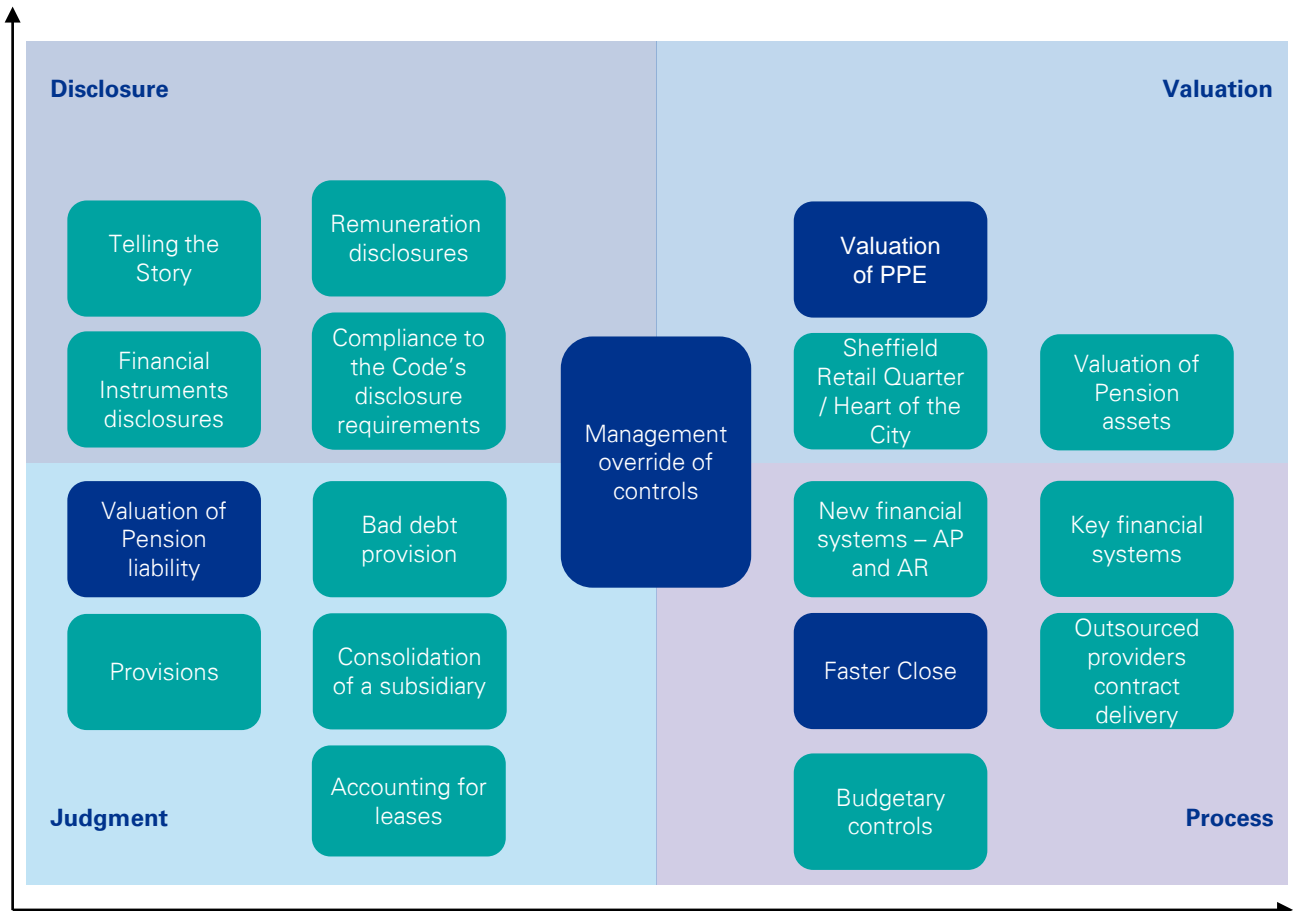
# 02

## 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.

# Financial statements audit planning (cont.)

The diagram below 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 areas considered by our approach

# Financial statements audit planning (cont.)

## Significant Audit Risks

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

<b>Risk:</b>	<b>Valuation of PPE</b> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. In accordance with guidance from CIPFA and accepted general practice The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. An audit adjustment of £27.7m was required in the prior period in order to recognise changes in value across those assets not revalued in year.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p> <p>We also note that the Council continues to develop plans for the redevelopment of the city centre, including the Heart of the City project. We shall consider to what extent this planned development might impact upon asset lives, valuations and possible impairments of assets held by the Council at year end.</p>
<b>Approach:</b>	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year where valuations have been carried out significantly prior to the year end.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing of the underlying data and assumptions).</p>

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<b>Valuation of Pension Liabilities</b> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of South Yorkshire Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<b>Approach:</b>	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Mercer, the Scheme Actuary.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Mercer.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>



# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<b>Faster Close</b> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>During 2015/16, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by 31<sup>st</sup> May. In 2016/17, having also introduced a new general ledger draft accounts were signed on 9<sup>th</sup> June. Discussions over the valuation and impairment of fixed assets, and notable the receipt of two objections, which had to be assessed for their impact on the audit opinion, meant that the final accounts were not signed until late November. Whilst the production of draft accounts was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"><li>— Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, contractors) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li><li>— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li><li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li><li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li></ul> <p>In the event that the above areas are not effectively managed then it is highly likely that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
<b>Approach:</b>	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

# 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.

For the Authority, materiality for planning purposes has been set at £20 million which equates to 1.53% percent of gross expenditure.

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

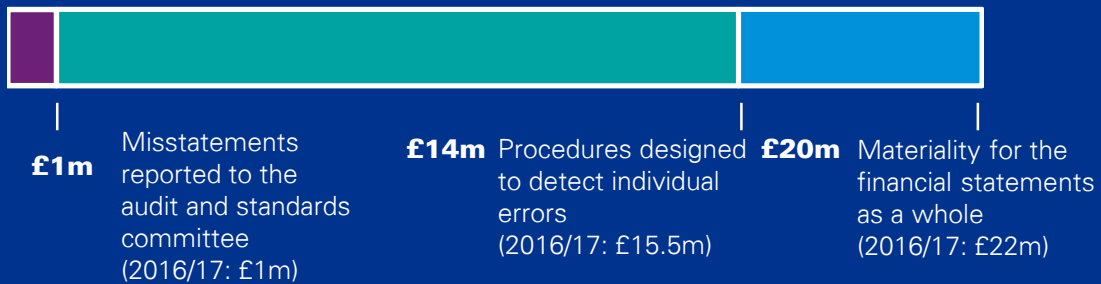
**Authority Forecast Gross Expenditure : £1,353m (2016/17: £1,378m)**

**Materiality**

**£20m**

**1.53% of Expenditure**

(2016/17: £22m, 1.60%)



# Financial statements audit planning (cont.)

## 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.

If management has 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.

### We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure  
(Corrected and uncorrected)

# Value for money arrangements work

## VFM audit approach

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.'

## 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.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



# Value for money arrangements work (cont.)

## Value for Money sub-criterion

### 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



### VFM audit risk assessment

#### Audit approach

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 *Code of Audit Practice*.

In doing so we consider:

- 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

#### Audit approach

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.

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.



### Identification of significant risks

#### Audit approach

The Code identifies a matter as significant '*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.*'

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:

- 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.)

## VFM audit stage



### Assessment of work by other review agencies, and Delivery of local risk based work

#### Audit approach

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.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



### Concluding on VFM arrangements

#### Audit approach

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.

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.



### Reporting

#### Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

# Value for money arrangements work (cont.)

## 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.

<b>Risk:</b>	<b>Identification and Delivery of Savings</b> <p>The Authority identified the need to make significant savings of £40m in 2017/18. The Quarter 3 position showed a forecast overspend of approximately £5.3 million. There is therefore a risk that the Authority does not find required budget savings in the final quarter to meet the approved balanced budget. We note that to date, a significant proportion of the saving made has been due to the underspend and reallocation of Corporate resources.</p> <p>Moving forward, in the 2018/19 budget (approved in February 2018) it was recognised that circa £31m of additional savings were required, with these predominantly occurring with regards to Social Care delivered by the People portfolio (£22.2m) (see separate risk identified below). The approved budget includes individual proposals to support the delivery of the overall savings requirement. It is anticipated that further savings will be required beyond 2018/19 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p>
<b>Approach:</b>	<p>As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p>
<b>VFM Sub-criterion:</b>	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none"><li>— Informed decision making;</li><li>— Sustainable resource deployment; and</li><li>— Working with partners and third parties</li></ul>



# Value for money arrangements work (cont.)

## 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.

<b>Risk:</b>	<p><b>Delivery and Management of Social Care</b></p> <p>As noted in the risk identified around financial resilience, much of the cost pressures on the Council are occurring within Social Care (both Adults and Children's) both as a result of demand pressures and some delays in delivering planned savings. We note that at Quarter 3 the People portfolio was forecasting an overspend of £16.2m. In the 2018/19 budget £22.2m of the £31m of savings identified are related to the People portfolio.</p> <p>We recognise that pressures around social care, including significant demand pressures, are an issue nationally. However, the combination of a pressured service, forecast overspend to budget, delays in implementing some planned savings and the large number of interactions with other organisations, that delivery of successful social care arrangements is reliant upon, means we have identified this as a significant risk in the year.</p>
<b>Approach:</b>	<p>As part of our additional risk based work, 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. We shall also review how the Authority is working with partners and third parties to deliver social care.</p>
<b>VFM Sub-criterion:</b>	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none"><li>— Informed decision making;</li><li>— Sustainable resource deployment; and</li><li>— Working with partners and third parties</li></ul>

# 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 2017/18 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.



# Other matters

## 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, other relevant officers 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 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have previously agreed with management an additional fee of £4,000 related to additional work required over phases 2 and 3 of the new Integra General Ledger system. This additional fee remains subject to PSAA approval.

Should there be a need to charge further additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £190,998 (including the aforementioned £4,000), compared to 2016/2017 of £195,998 (including £9,000 of additional IT work required. Note that a further additional fee of £9,642 also remains subject to PSAA approval).

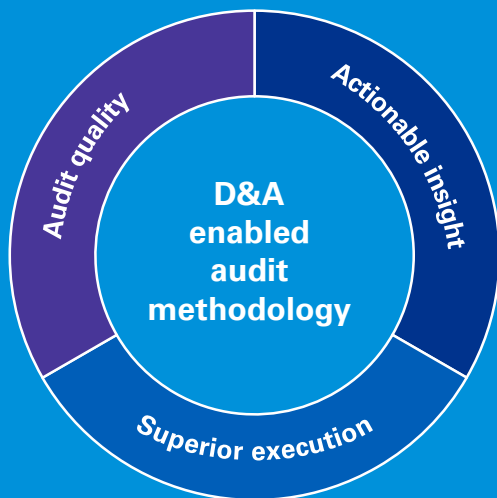
## Appendix 1:

# Key elements of our financial statements audit approach

### Driving more value from the audit through data and analytics

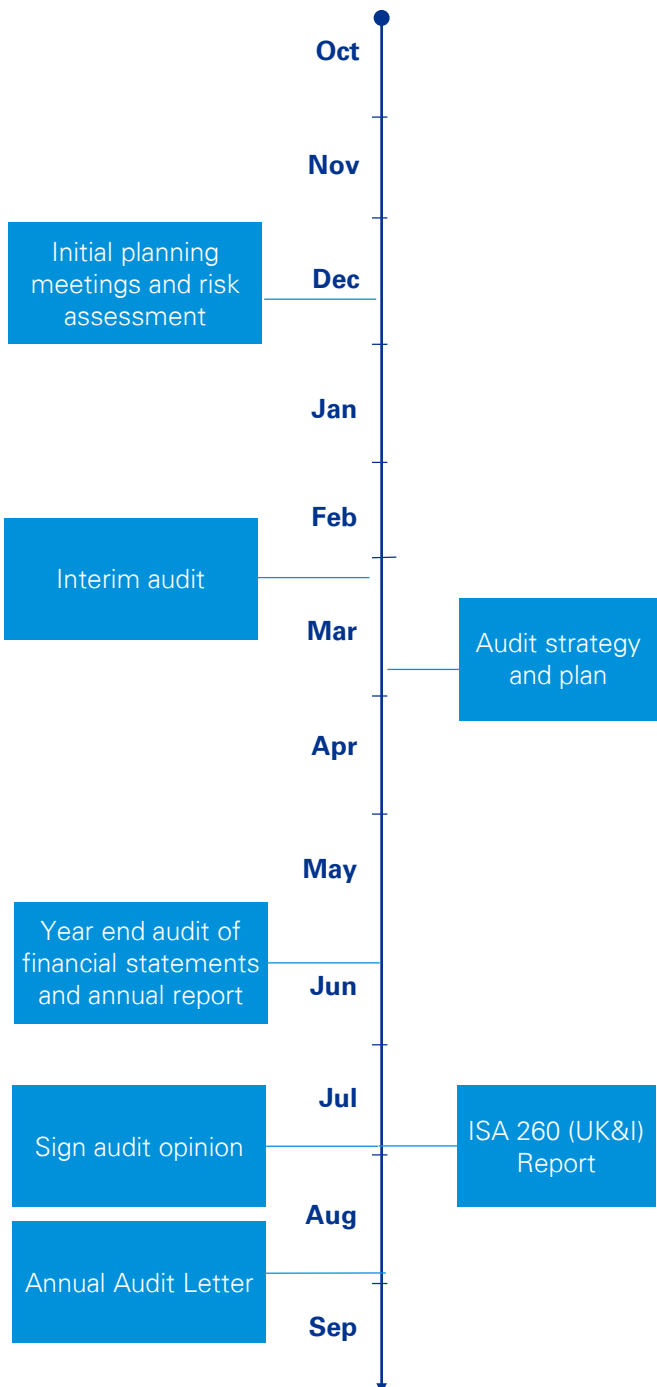
Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

- 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.



### Communication

Continuous communication involving regular meetings between Audit and Standards Committee, Senior Management and audit team.



## Appendix 1:

# Key elements of our financial statements audit approach (cont.)

### Audit workflow

#### Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

#### Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

#### Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

#### Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit and Standards Committee reporting



## Appendix 2:

# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Your audit Partner and audit manager were both part of the Sheffield City Council audit last year. Sarah has been brought into the team this year as your new audit assistant manager.



**Tim Cutler**  
Partner

T: +44 (0) 161 246 4774  
E: tim.cutler@kpmg.co.uk

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'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit and Standards Committee, S151 officer and Chief Executive.'



**Matt Ackroyd**  
Manager

T: +44 (0) 113 254 2996  
E: matthew.ackroyd@kpmg.co.uk

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'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Tim to ensure we add value. I will liaise with the Head of Strategic Finance and other Senior Officers.'



**Sarah Bafarea**  
Assistant Manager

T: +44 (0) 7775 817 861  
E: sarah.bafarea@kpmg.co.uk

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

## Appendix 3:

# Independence and objectivity requirements

## ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF SHEFFIELD CITY COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

## Appendix 3:

# Independence and objectivity requirements (cont.)

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table

#### Analysis of Non-audit services (Non PSAA appointed or approved) for the year ended 31 March 2018

Description of scope of services	Principal threats to independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2018	Value of Services Committed but not yet delivered
				£	£
Pooling Capital Receipt Return	Self-review	Work performed following main financial statements audit work.  Work is of small value compared to main audit work (<2% of total audit fee).	Fixed Fee	2,750 (2016/17 period)	2,750 (2017/18 period)
Teacher's Pensions Agency Return	Self-review	Work performed following main financial statements audit work.  Work is of small value compared to main audit work (<2% of total audit fee).	Fixed Fee	3,250 (2016/17 period)	3,250 (2017/18 period)
SFA Subcontractor Controls Assurance	Self-review	Work performed following main financial statements audit work.  Work is of small value compared to main audit work (<4% of total audit fee).	Fixed Fee	6,000 (2016/17 period)	6,000 (2017/18 period)

We monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.



## Appendix 3:

# Independence and objectivity requirements (cont.)

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



**KPMG LLP**



[kpmg.com/uk](https://kpmg.com/uk)



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](http://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](mailto: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](mailto: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.

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## Audit and Standards Committee Report

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**Report of:** Director of Legal and Governance

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**Date:** 12 April 2018

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**Subject:** Work Programme

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**Author of Report:** Sarah Cottam, Democratic Services  
(Tel - 0114 273 5033)

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**Summary:**

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

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**Recommendations:**

That the Committee:-

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

(b) approves the work programme.

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**Background Papers:** None

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO Cleared by:
<b>Legal Implications</b>
NO Cleared by:
<b>Equality of Opportunity Implications</b>
NO Cleared by:
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
NONE
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

## **WORK PROGRAMME**

### **1. Purpose of Report**

1.1 To consider 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, including an annual review of the Members' Code of Conduct and Complaints Procedure and an Annual Report on the complaints received.

2.2 An outline programme is attached and Members are asked to identify any further items for inclusion.

### **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**

<b>Date</b>	<b>Item</b>	<b>Author</b>
14 June 2018	Summary of the Statement of Accounts	Dave Phillips (Head of Finance)
	Strategic Risk Management	Richard Garrad (Corporate Risk Manager)
	Internal Audit Annual Fraud Report	Kayleigh Inman (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
26 July 2018	Report to Those Charged with Governance (ISA 260)	External Auditor
	Statement of Accounts	Dave Phillips (Head of Finance)
	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
	Information Management Annual Report	John Curtis (Head of Information Management)
	Progress on High Opinion Audit Reports	Kayleigh Inman (Senior Finance Manager)
	Update on Standards Complaints	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)