

Audit and Standards Committee

Thursday 24 October 2019 at 5.00 pm

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

The Press and Public are Welcome to Attend

Membership

Councillors Sioned-Mair Richards (Chair), Simon Clement-Jones (Deputy Chair), Angela Argenzio, Adam Hurst, Mohammed Mahroof, Pat Midgley and Josie Paszek.

Independent Co-opted Members

Liz Stanley.

PUBLIC ACCESS TO THE MEETING

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

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

A copy of the agenda and reports is available on the Council's website at <http://democracy.sheffield.gov.uk>. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday. You may not be allowed to see some reports because they contain confidential information.

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

If you require any further information please contact Sarah Cottam in Democratic Services on 0114 273 5033 or email sarah.cottam@sheffield.gov.uk.

FACILITIES

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

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

**AUDIT AND STANDARDS COMMITTEE AGENDA
24 OCTOBER 2019**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of the Press and Public**
To identify items where resolutions may be moved to exclude the press and public.
- 4. Declarations of Interest** (Pages 1 - 4)
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meeting** (Pages 5 - 10)
To approve the minutes of the meeting of the Committee held on 25th July 2019.
- 6. Final Accounts Audit Process** (Pages 11 - 64)
Report of the Council's External Auditors (Ernst and Young).
- 7. Annual Ombudsman Report** (Pages 65 - 84)
Report of the Director of HR & Customer Services and the Director of Legal & Governance.
- 8. Feedback from the Ethical Standards Workshop** (Pages 85 - 92)
Report of the Director of Legal & Governance.
- 9. Work Programme** (Pages 93 - 100)
Report of the Director of Legal & Governance.
- 10. Dates of Future Meetings**
To note that meetings of the Committee will be held at 5.00 p.m. on:-

Thursday 19th December 2019
Thursday 23rd January 2020
Thursday 20th February 2020
Thursday 19th March 2020
Thursday 16th April 2020
Thursday 11th June 2020
Thursday 23rd July 2020

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ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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

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

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

You **must**:

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

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

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

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

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –
 - under which goods or services are to be provided or works are to be executed; and
 - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) –
 - the landlord is your council or authority; and
 - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.
- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
 - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
 - (b) either -
 - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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

You have a personal interest where –

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

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

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

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

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

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 25 July 2019

PRESENT:

Councillors

Mark Jones (Chair), Simon Clement-Jones (Deputy Chair),
Angela Argenzio and Mohammed Mahroof

Co-Opted Member

Liz Stanley

Ernst and Young (External Auditors)

Stephen Clark and Hayley Clark

Council Officers

Gillian Duckworth – Director of Legal and Governance

Dave Phillips – Assistant Director of Finance

Kayleigh Inman – Senior Finance Manager, Internal Audit

Ruth Matheson – Finance Manager

Helen Molteno – Finance Manager

Tim Sharp – Risk Advisor

Abby Brownsword – Principal Committee Secretary

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1. APOLOGIES FOR ABSENCE

- 1.1 Apologies for absence were received from Councillors Adam Hurst and Alan Law and Eugene Walker (Executive Director of Resources).

2. EXCLUSION OF THE PRESS AND PUBLIC

- 2.1 The Chair (Councillor Mark Jones) stated that the report at that agenda item 12 (Strategic Risk Management) (See minute no. 12 below) were not available to the public and press because they contained exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person. Accordingly, the public and press would be excluded from the meeting during consideration of that item of business.

3. DECLARATIONS OF INTEREST

- 3.1 No declarations of interest were made.

4. MINUTES OF PREVIOUS MEETING

- 4.1 Further to minute no. 5 – Annual Standards Report 2018-19, the Chair informed

the Committee that an Ethical Standards Workshop had been arranged and would take place on 25th September 2019.

- 4.2 **RESOLVED:** That subject to Liz Stanley being removed from the list of Councillors present at the meeting, the minutes of the meeting of the Committee held on 13th June 2019 were approved as a correct record.

5. ANNUAL GOVERNANCE STATEMENT

- 5.1 The Director of Legal and Governance submitted a report providing the Annual Governance Statement for 2018/19 which formed part of the Council's Statutory Accounts.
- 5.2 Three significant governance issues had been identified which were: performance of the Special Educational Needs and/or Disabilities Service; managers' compliance with Human Resources requirements; and early payment of suppliers in Adult Social Care without adhering to the Financial Regulations. Actions taken with regard to the issues were outlined in the report.
- 5.3 **RESOLVED:** That the Committee notes the contents of the Annual Governance Statement and that this had been signed by the Council Leader, Chief Executive and the Executive Director, Resources and that the Statement formed part of the Annual Accounts.

6. INTERNAL AUDIT ANNUAL REPORT 2018/19

- 6.1 The Assistant Director of Finance submitted a report to the Committee. Kayleigh Inman, Senior Finance Manager (Internal Audit) informed the Committee that the report provided an overview of the performance of Internal Audit for the year 2018/19 and gave an opinion on the adequacy of the Council's systems of internal control and supported the Council's Annual Governance Statement.
- 6.2 It was noted that the Assistant Director of ICT Service Delivery would attend the January meeting of the Committee to give an update on the insourcing of ICT.
- 6.3 Councillor Simon Clement-Jones queried whether the Council had adequate resources to carry out the number of audits required and the Senior Finance Manager explained that there was no standard minimum number of audits, so there was a need to balance risk and profile areas to ensure adequate coverage across the Portfolios.
- 6.4 **RESOLVED:** That the Committee notes the content of the report and the opinion of the Senior Finance Manager.

7. REPORT OF THOSE CHARGED WITH GOVERNANCE (ISA 260)

- 7.1 Stephen Clark, Ernst and Young, submitted a report from the external auditors

summarising the key findings in relation to Ernst and Young's 2018-19 external audit at Sheffield City Council. As it was the first year that Ernst and Young had audited the Council, it had been a large audit that had gone smoothly and he thanked the Council's officers for their help and support.

- 7.2 Hayley Clark, Ernst and Young, reported on a number of significant risks including mis-statements due to fraud or error, inappropriate capitalisation of expenditure and completeness of liabilities and valuation provisions, valuation of investment properties and property plant and equipment and accounting for the valuation of the Local Government Pension Scheme. However, the external auditors were satisfied with the City Council's responses to these risks and therefore Ernst and Young had concluded that they would be able to sign an unqualified financial statements opinion before the deadline of 31st July 2019. Ernst and Young also anticipated issuing an unqualified value for money opinion.
- 7.3 The report also included the Management Representation Letter.
- 7.4 Councillor Simon Clement-Jones expressed concerns regarding the level of the Council's reserves and the Council's reserves strategy and appropriateness for the next four years. Stephen Clark explained that the Council had good Value for Money arrangements and a good Medium Term Financial Strategy, however there were significant pressures on reserves, particularly in relation to Adult and Children's Services. The challenge was to manage the demand but the arrangements that the Council had put in place were appropriate. The Head of Strategic Finance stated that the Council had taken tough decisions to maintain services and that there was still uncertainty around the level of funding to be expected from Government in future.
- 7.5 **RESOLVED:** That the Committee notes the report, now submitted.

8. STATEMENT OF ACCOUNTS

- 8.1 The Assistant Director of Finance submitted a report communicating to Members any relevant matters arising from the external audit of the 2018/19 Statement of Accounts.
- 8.2 Ruth Matheson, Finance Manager, reported that the Council had met the statutory deadline for submitting its draft statement of accounts. Training had been provided for Members in considering the Statement of Accounts. The accounts had been audited and the external auditor's report highlighted three adjusted audit differences and some more minor changes as a result. It was therefore requested that the Chair of the Committee and the Executive Director of Resources (as the Section 151 Officer) sign off the accounts. If the accounts were signed off they would be published on the Council's website by 31st July 2019.
- 8.3 In response to a question regarding Investment Properties, it was explained that these were the advertising hoardings and were assets the Council held as they may go up in value.

8.4 Councillor Mohammed Mahroof raised concerns regarding the affordability of termination benefits paid to staff and it was explained that although redundancies had the potential to have an impact on the Council's financial position, the budget was usually underspent. Redundancies were carefully assessed against strict criteria to ensure affordability and savings. The Council was coping with increases in demand with the same amount of staff. It was also the case that larger amounts paid out to staff were to those with longer service and/or higher up the pay scale which also resulted in larger savings for the Council.

8.5 **RESOLVED:** That the Committee:-

(a) accepts the report to those charged with Governance (ISA 260) 2018/19; and

(b) approves the Statement of Accounts for 2018/19 and authorises the Chair of the Committee to conclude the audit by signing the Letter of Management Representations and the Statement of Accounts for 2018/19.

9. **PROGRESS REPORT ON IMPLEMENTATION OF AGREED INTERNAL AUDIT RECOMMENDATIONS**

9.1 The Senior Finance Manager (Internal Audit) submitted a report which informed Members of the Committee of progress made against recommendations in audit reports that had been given a high opinion.

9.2 Four new reports had been added to the tracker which would be followed up in the usual manner. These were: Software Licensing, Hardware Asset Management, Controcc Early Payment to Care Providers and Enforcement Agent Review. Four items were now complete and could be removed from the tracker.

9.3 Updates had been provided on all 28 recommendations due for implementation. Of these, 16 had been implemented, 12 were ongoing. None were considered to be outstanding.

9.4 The Chair asked a question regarding Clean Air Zones and it was explained that a review was to take place on air quality which would be brought before the Committee, if necessary.

9.5 **RESOLVED:** That the Committee:-

(a) notes the contents of the report; and

(b) agrees to the removal of the following items from the tracker:

- Housing Responsive Maintenance Van Stock Controls (Place)
- Housing Benefits Accuracy Rectification Plan (Corporate)
- IT Resilience/Recovery (Corporate)
- Pro-Active Fraud Work – Appointeeships (People)

10. CHILDCARE DISQUALIFICATION

- 10.1 The Director of Legal and Governance submitted a report which provided the Committee with information on changes to the Childcare Disqualification Regulations and recommended an amendment to the Officer Code of Conduct. A revised Appendix A showing the proposed changes to the Officer Code of Conduct was circulated at the meeting.
- 10.2 The proposed changes were as a result of the introduction of the Childcare (Disqualification) and Childcare (Early Years Provision Free of Charge) (Extended Entitlement) (Amendment) Regulations 2018, which removed the disqualification by association where childcare was provided in non-domestic settings.
- 10.3 **RESOLVED:** That the Committee:-
- (a) notes the information on legislative changes; and
 - (b) agrees the proposed changes to the Officer Code of Conduct as defined in the revised Appendix A circulated at the meeting.

11. EXCLUSION OF THE PRESS AND PUBLIC

- 11.1 **RESOLVED:** That the public and press be excluded from the meeting before discussion takes place on the following item of business (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.

12. STRATEGIC RISK MANAGEMENT

- 12.1 The Corporate Risk Manager and the Risk Advisor 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.
- 12.2 The report and presentation covered the period from January to March 2019. The Corporate Risk Manager, Assistant Director of Finance and the Director of Legal and Governance responded to questions from Members of the Committee in relation to blue badges and invisible disabilities, Brexit and Terrorism and employee morale.
- 12.3 **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; and

- (b) notes the current and emerging risks and endorses the actions being taken to mitigate those risks.

13. WORK PROGRAMME

- 13.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for the period September 2019 – July 2020.
- 13.2 The Assistant Director of Finance commented that the final reports of the Council's previous external auditors, KPMG, would be added to the agenda for the meeting to be held on 17th October 2019 if they had been received by the Council.
- 13.3 An Ethical Standards Workshop had been arranged and would take place on 25th September 2019.
- 13.4 An update on the insourcing of ICT would be added to the meeting to be held on 23rd January 2020.
- 13.5 The Internal Audit Annual Report needed to be added to the meeting to be held on 23rd July 2020.
- 13.6 **RESOLVED:** That the Committee's work programme for the period September 2019 – July 2020 be approved subject to the inclusion of an additional item on the insourcing of ICT at the meeting to be held in January 2020 and the inclusion of the Internal Audit Annual Report in July 2020.

14. DATES OF FUTURE MEETINGS

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

Thursday 17th October 2019
Thursday 19th December 2019 (additional meeting, if required)
Thursday 23rd January 2020
Thursday 20th February 2020 (additional meeting, if required)
Thursday 19th March 2020 (additional meeting, if required)
Thursday 16th April 2020
Thursday 11th June 2020
Thursday 23rd July 2020

Sheffield City Council Audit results report

Year ended 31 March 2019

September 2019

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

Agenda Item 6



Private and Confidential

September 2019

Sheffield City Council
Town Hall
Pinstone Street
Sheffield

Dear Audit & Standards Committee Members

We are pleased to attach our updated audit results report. This report summarises our audit conclusion in relation to the audit of Sheffield City Council for 2018/19. We have completed our audit and confirm that we expect to issue an unqualified audit opinion following the signing of the financial statements by the Chair of the Audit & Standards Committee and Executive Director of Resources. This report updates the one presented to the Audit & Standards Committee on 25 July 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

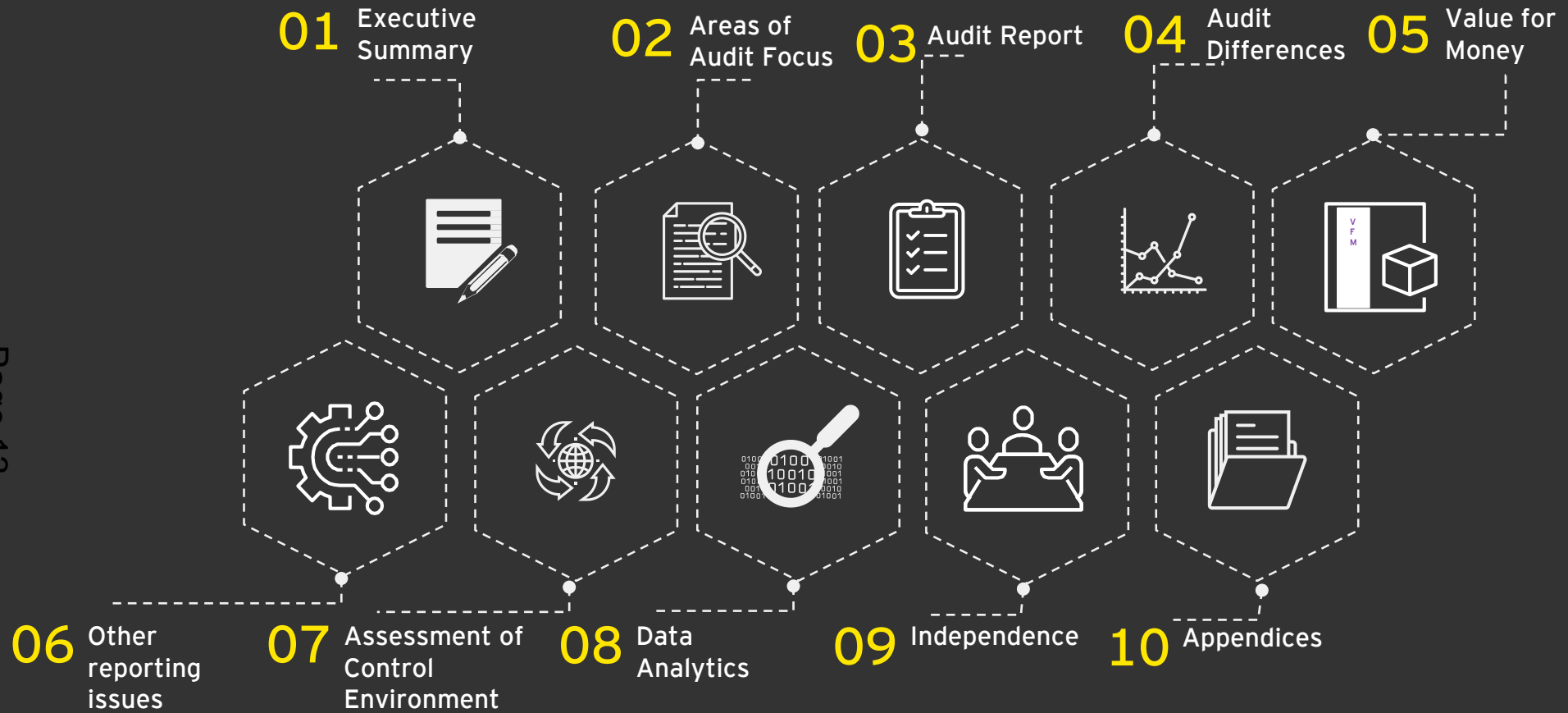
This report is intended solely for the use of the Audit & Standards Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

Partner
For and on behalf of Ernst & Young LLP
Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature. This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Scope update

In our Audit Planning Report presented at the 18 April 2019 Audit & Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

▶ **Changes in materiality:**

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £24.5m (Audit Planning Report – £24.9m). This results in updated performance materiality, at 50% of overall materiality, of £12.2m (Audit Planning Report – £12.4m), and a threshold for reporting misstatements of £1.2m. The basis of our assessment has remained consistent with that reported in our Audit Planning Report.

▶ **Change in scope:**

At planning we also reported consideration of the existence and cut off of income/debtor balances for any management bias when considering our perceived fraud risks. We reviewed our risk assessment on receipt of the draft financial statements and concluded that this was no longer a perceived risk given the nature of the Council's income streams and its historical performance and medium term financial strategy.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

Page 15. We have completed our audit procedures, and subject to satisfactory completion of the following key outstanding items below we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

- Receipts of the signed financial statements.
- Completion of subsequent events review.
- ▶ Receipt of the signed management representation letter.

Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission will be completed following the signing of the financial statements.

Executive Summary

Audit differences

We have identified 7 unadjusted audit differences in the financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit & Standards Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £10.3 million. We agree with management's assessment that the impact is not material.

We have also identified material audit differences which have been adjusted by management. Details can be found in Section 4 Audit Differences.

Objections

We have received no objections to the 2018/19 accounts from members of the public.

However, objections raised in 2016/17 under the previous auditor are still outstanding. Until these are resolved and the audit certificates for 2016/17 and 2017/18 are issues we are unable to issue our audit certificate for 2018/19.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Sheffield City Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Standards Committee.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the audit we identified one observation and improvement recommendation which we consider the need to bring to your attention which is set out in section 7.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified a significant in relation to securing financial resilience which has been detailed in section 5.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We are in the process of completing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will finalise this work and report to the NAO following the signing of the financial statements.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have assessed journal amendments, accounting estimates and unusual transactions as the areas most open to manipulation. We consider the specific risks to be focussed predominantly on the same areas we have set out in the significant risk of expenditure recognition (being the Inappropriate capitalisation of expenditure, completeness of liabilities and valuation of provisions). We have reported on these separately and have not repeated that information here.

What judgements are we focused on?

We have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be the NNDR appeals provision, the valuation of Property, Plant and Equipment and the valuation of pension liabilities.

Due to the significance of PPE and pension valuations on the financial statements we have included them as a significant risk and higher inherent risk respectively in our audit strategy. Our work on the NNDR appeals provision has been captured within the Inappropriate capitalisation of expenditure, completeness of liabilities and valuation of provisions risk. These have been reported separately within this report and therefore that information has not been repeated here. Given that the impact of valuation and measurement of property, plant and equipment and pension liabilities do not impact the general fund we do not consider these to be significant estimates subject to fraudulent misreporting.

What did we do?

As set out in our audit plan we confirm that we have performed the following procedures:

- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- ▶ We reviewed accounting estimates for evidence of management bias; and
- ▶ We evaluated the business rationale for any significant unusual transactions.

We have set out the procedures we have undertaken in relation to the above, as well as other supplementary procedures we have performed to provide assurances over the identified risks, on the next page.

What are our conclusions?

Based on the work performed:

- ▶ We have not identified any material weaknesses in controls or evidence of material management override.
- ▶ We have not identified any instances of inappropriate judgements being applied.
- ▶ We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.



Significant risk



Further details on procedures/work performed

Journal entry testing

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We have no matters to report.

Accounting estimates

Accounting estimates relating to the valuation of provisions, Property, Plant and Equipment and pension liabilities have been set out elsewhere in this report.

We evaluated the remainder of the Council's estimates, including accruals, deferred liabilities, bad debt provision and depreciation, as low risk of material misstatement. No significant issues were noted in our work in these areas. We identified one judgemental misstatement in relation to the calculation of the housing benefit bad debt provision which has been reported in section 4.

Other procedures - As set out in our audit plan we confirm that we have also performed the following supplementary procedures to gain additional assurances management override of control/misstatements due to fraud or error:

Inquiring of management about risks of fraud and the controls put in place to address those risks and understanding the oversight given by those charged with governance of management's processes over fraud.

- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud, identifying fraud risks during the planning stages and determining an appropriate strategy to address those identified risks of fraud.
- ▶ Considering the existence of significant unusual transactions during the year, and performing review and testing as required - none were identified.

We have no matters to report in relation to the above.



Significant risk

Inappropriate capitalisation of expenditure, completeness of liabilities and valuation of provisions (fraud risk)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Council has overcome significant budget and savings challenges over the years and in 2018/19 the Council incurred an overspend £4.6m. As the Council is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Council's standard income and expenditure streams except for the inappropriate capitalisation of expenditure that should have been charged to the general fund, the completeness (understatement) of liabilities (namely accruals), and the valuation of provisions.

At planning we also reported consideration of the overstatement of income/debtor balances and revenue cut off. We reviewed our risk assessment on receipt of the draft financial statements and concluded that this was no longer a perceived fraud risk.

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What judgements are we focused on?

In considering this risk we have focussed on:

- Management's judgement in capitalising expenditure as PPE. The Council has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.
- ▶ The completeness of liabilities at the year end with a focus on any judgements management have made in relation to the expenditure which spans the financial year end.
- ▶ Management's judgement in the valuation of provisions, in particular, the NNDR appeals provision.

What did we do?

As set out in our audit plan we confirm that we have performed the following procedures:

- ▶ Capital additions testing
- ▶ Cut off and unrecorded liabilities testing over liabilities
- ▶ Testing over the valuation of provisions
- ▶ Journal entry testing

We have set out the procedures we have undertaken in relation to the above, as well as other supplementary procedures we have performed to provide assurances over the identified risks, on the next page.

What are our conclusions?

Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure or the valuation of provisions.

In relation to our work on unrecorded liabilities we identified one error of £1.8m in relation to capital expenditure that had not been accrued. This has been included in section 4 as an uncorrected misstatement.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.



Significant risk



Further details on procedures/work performed

We have performed the following specific procedures over the identified risk areas:

- ▶ **Capital additions testing** - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature. No issues have been identified in our work.
- ▶ **Journal entry testing** - As part of our journal testing we included specific tests to search for unusual activity that:
 - ▶ Moves expenditure from the CIES to PPE on the balance sheet.
 - ▶ Reduces expenditure and creditors.

No unusual activity has been identified as part of our review to date.

- ▶ **Completeness of liabilities** - Performing sample testing over cut off over transactions both before and after the year end and unrecorded liabilities testing over post year end cash payments to ensure that they were accounted for in the correct year based on our established testing threshold. We have also considered the overall completeness of liabilities included within the financial statements to ensure they are not materially misstated. We identified one error in our testing for £1.8 million where capital expenditure had not been accrued for at the balance sheet date. This has been included in the summary of uncorrected misstatements in section 4.

- ▶ **Provisions** - the provisions balance in the financial statements is £30 million at 31 March 2019 (£35 million at 31 March 2018) of which £17 million relates to the provision for business rate appeals which the Council is required to estimate and include in the financial statements in accordance with the Code. The remainder of the balance relates to insurance provisions of £6 million and other provisions of £7 million (which includes termination benefits, equal pay claims, grant claw back and various other smaller provisions). We have not identified any significant issues with the Council's basis of calculation. We have considered the assumptions used in the calculation and consider them to be reasonable.

Other procedures

As set out in our audit planning report we confirm that we have also performed the following supplementary procedures:

- ▶ Documenting our understanding of the processes and controls in place to mitigate the risks and then walking them through to confirm our understanding.
- ▶ Reviewed the appropriateness of expenditure recognition accounting policies and tested that they had been applied correctly during our detailed testing. Our work in this area is still in progress but we have not identified any errors to date.
- ▶ Reviewed accounting estimates (e.g. IAS 19 liability, valuation of PPE) for evidence of management bias (see relevant sections below and misstatements due to fraud or error).

With the exception of the uncorrected adjustments set out in section 5 we have no matters to report.

Significant risk

Valuation of Investment Properties and Property, Plant and Equipment

What is the risk and what judgements are we focused on?

Property, Plant and Equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts.

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years with investment property valued annually. All valuations are carried out by the Council's own specialist valuer and must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. This risk relates to assets that are revalued, being 'Council dwellings', 'Other land and Buildings', 'Surplus assets', 'Assets held for sale' and 'Investment Properties'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

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- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Reviewed and sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans, income streams and yields).
 - ▶ Engaged EY Real Estate to review a sample of properties to ensure the methodology applied is appropriate.
 - ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
 - ▶ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct.
 - ▶ Considered external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the area where relevant. Specifically we have considered if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued.
 - ▶ Considered changes to useful economic lives as a result of the most recent valuation and tested that the valuation accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

What are our conclusions?

We identified that the house price index applied council dwellings has been applied for the period January 2018 to January 2019, as this was the latest information available on compiling the accounts. However, the March 2019 index has subsequently become available and results in a material movement in the valuation of these assets. As the same methodology was used by the Council in prior years we have evaluated the impact on the 2017/18 reported valuation (upwards movement of £40 million) and that for the opening valuation at 1 April 2017 (downward movement of £21 million). As the movement for 2017/18 is material the Council has restated the opening position and corrected for the £66 million downward movement in 2018/19.

We also identified three instances where the asset disposals have been accounted for as revaluation movements as opposed to gains/losses on the disposal of assets. This totalled £22.9 million and has been corrected in the financial statements.

We have also identified two instances where updated valuations for certain assets have not been reflected in the accounts. These relate to the Major Sporting Facilities assets (difference of £3.8 million) and certain assets using BCIS indices (difference of £4.4 million). These have been included in the schedule of uncorrected misstatements in section 4.

No other significant issues have been identified. Our testing has confirmed that methodologies are appropriate and the valuations are supportable.

Other areas of audit focus

Accounting for valuation of the Local Government Pension Scheme

What is the risk?

The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by the South Yorkshire Pension Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £904.2 million (£776.6 million at 31 March 2018).

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

Page 24 We have focused on the following areas, which are consistent with those of management:

- ▶ The reasonableness of the underlying assumptions used by the Council's expert, Mercer, including those associated with recent judgements on McCloud and Guaranteed Minimum Pensions (GMP).
- ▶ Ensuring the information supplied to the actuary in relation to the Council was complete and accurate.
- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Mercer.

What did we do?

We have liaised with the auditors of South Yorkshire Pension Council, Deloitte, to obtain assurances over the information supplied to the actuary in relation to the Council.

We have assessed the work of the Pension Fund actuary (Mercer) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate.

We have reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 - no issues have been noted.

Further information on the work performed has been included on the next page.

What are our conclusions?

We have considered the completeness and accuracy of the scheme liabilities. As a result of our work over GMP and McCloud judgments management has obtained a revised IAS19 report and processed an adjustment of £27 million to increase the net liability reported in the financial statements as a result of McCloud. In addition, a judgmental uncorrected misstatement for £3.1m has also been included in section 4 of this report in relation to GMP.

In calculating the scheme assets as at 31 March 2019 the actuary performs a roll forward technique using investment returns and cash flow data since the last triennial. We have considered the reasonableness of the reported asset position and note that the actuary provided updated reporting for actual investment returns. The impact of this was immaterial.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.

We have considered the reporting from the pension fund auditor and undertaken procedures to gain assurances over the pension fund assets.

No other issues have been identified in completing our work.



Areas of Audit Focus

Other areas of audit focus



Further details on procedures/work performed

GMP:

In the recent Lloyds Bank High Court case, the judge ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. In the public sector the government have held two consultations in recent years. The first consultation led to an 'interim' solution being announced by the Government for members reaching State Pension Age (SPA) between 6 April 2016 and 5 December 2018, which involves the LGPS fund paying for everything i.e. both initial pension and all increases. The second consultation extended the interim solution until at least 5 April 2021.

Mercer have not included the impact of GMP in the Council's estimated liability and therefore we have undertaken procedures to estimate if there is a risk of material error from the exclusion of the liability. In our calculations we have used 0.3% as a proxy for the potential impact, which is the expected impact for those reaching State Pension Age from April 2016 onwards. However, the second consultation for post 2021 is underway. PwC have confirmed that all actuaries have excluded this from the calculations and they consider this reasonable. Given that the calculations prove the impact to be immaterial at 0.3%, the impact of GMP on the liability at 0.1% (the amount estimated for pre 2021) will also be immaterial. As the post 2021 element has not yet been concluded we consider it reasonable that no allowance is made for this in the liability.

With regards to the pre 2021 liability this is estimated to relate to approximately 0.1% of the liability. The maximum impact of this is £3.1 million. Whilst this amount is not material we have considered it appropriate to raise this as a judgemental uncorrected misstatement and included this in section 4.

McCloud:

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful discrimination. As of 27 June 2019, the LGPS Scheme Advisory Board have advised that the Government have been denied leave to appeal the judgements and commissioned GAD to undertake an assessment of the impact of the McCloud judgement on the LGPS. GAD have been able to determine an estimated impact, based on two scenarios. Initial interpretation by the actuaries have demonstrated that this can be applied to their actuarial assumptions, including adjusting the key sensitive assumption of the salary growth assumption specific to the particular fund or scheduled/admitted body.

We requested that the Council obtained an updated actuarial report from Mercer which included the impact of McCloud. As a result the estimated past service cost has been calculated as £27m, which has been amended within the financial statements. We have considered the assumptions used by the actuary in their calculation and note that the growth assumption and other assumptions are consistent with those used within the information used in the original IAS 19 report and the last triennial valuation report. We have also used data from the triennial review and considered multiple scenarios and sensitivity analysis. In considering this we are satisfied that the assumptions used by the actuary are considered to be appropriate.

Asset review:

In considering the reasonableness of the asset value calculated by the actuary we have:

- ▶ Considered the movement in the share of the Council's assets and confirmed that the trend is in line with expectations.
- ▶ Compared the estimated investment returns used by the actuary against the actuals of the pension fund, and considered if the movement in the pension fund assets is broadly in line with this.
- ▶ Performed a high level recalculation using actual returns and cashflows since the last triennial to estimate the expected asset value.
- ▶ Reviewed the work performed by Deloitte as the pension fund auditors.
- ▶ Undertaken additional asset testing over the pension fund asset portfolio.

Other areas of audit focus

PFI and service concession arrangements

What is the risk and what judgements are we focused on?

The Council has a number of PFI and service concession arrangements which include several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.

As this is EY's first year as appointed auditor to the Council, we are required to gain assurance that the schemes are being accounted for correctly and that the financial statements are supported by underlying documentation and financial models.

What did we do?

As set out in our audit plan we confirm that we have performed the following procedures:

As this is our first year of the audit we have reviewed (with the support of EY specialists) the accounting judgements and models to ensure that we are comfortable with the judgements and related accounting treatment in the financial statements.

- ▶ For each of the schemes we have undertaken testing of in-year inputs to the accounting models and agrees relevant entries in the financial statements to year-end outputs from each of the models.
- ▶ Reviewed associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.

What are our conclusions?

Our procedures have identified several differences across the PFI schemes.

The most significant of these relates to the Waste PFI where we have identified that the deferred revenue element of the scheme has not been separated out within the model or the financial statements. The adjustments required to correct for this have been set out in the schedule of uncorrected misstatements in section 4 of this report.

We have also identified differences across Schools 1, 2 and 3 and Bradfield schemes. The cumulative differences have been included in the schedule of uncorrected misstatements in section 4 of this report.

No other issues have been identified.

Other areas of audit focus

New accounting standards - IFRS 9 and IFRS 15

What is the risk and what judgements are we focused on?

IFRS 9 - financial instruments: This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and has changed how financial assets are classified and measured; how the impairment of financial assets are calculated; and the disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9.

IFRS 15 - Revenue contracts with customers: This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non-domestic rates and government grants will be outside the scope of IFRS 15.

What did we do?

As set out in our audit plan we confirm that we have performed the following procedures:

- ▶ Assessed the Council's implementation arrangements and impact assessment papers setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19.
- ▶ Considered the classification and valuation of financial instrument assets.
- ▶ Reviewed the new expected credit loss model impairment calculations for assets.
- ▶ Considered the application of IFRS 15 on the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation.
- ▶ Checked additional disclosure requirements are correctly included.

What are our conclusions?

We have no issues to report as a result of completing our planned procedures.



Areas of Audit Focus



Other matters - Sheffield City Trust and Major Sporting Facilities balances

Whilst we do not consider this to constitute a heightened risk we have undertaken procedures in our first year as your auditor to understand the transactions included within the financial statements related to Sheffield City Trust. We have:

- ▶ Obtained the background to the transaction and related accounting entries.
- ▶ Obtained and reviewed the related agreements.
- ▶ Confirmed the balances in relation to the prepayment to the underlying agreements and calculating the expected prepayment value at the year end.
- ▶ Considered the treatment of the payments to Sheffield City Trust and whether they meet the definition of a service concession. We have then tested the valuation of the long term debtor included in the financial statements.
- ▶ Tested the valuation of the three assets.
- ▶ Obtained and tested the bond repayment schedule and agreed this to the creditor included in the financial statements.
- ▶ Reviewed the financial statements of Sheffield City Trust and considered any additional balances for consideration.

In addition to the above we have also challenged the Council on whether they exert control over Sheffield City Trust for the purposes of considering consolidation requirements.

In relation to the above we identified the following:

- ▶ The Council have not updated the valuation in the financial statements since the 2016/17 valuation on the basis that the impact is not material. This has resulted in a difference of £3.8m, where the asset value reported in the accounts is understated. We have included this as an uncorrected error in section 4.
- ▶ We recommended the inclusion of additional narrative on critical judgements associated with the Council's determination of not exerting control over the Trust. This has been amended within the financial statements.



Areas of Audit Focus



Other matters - Forthcoming accounting standards

IFRS 16 replaces IAS 17 Leases and its related interpretations. It will now apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the Council.

We have considered the Council's implementation plan and preparedness for IFRS 16. The Council is yet to perform an impact assessment or detailed analysis on the completeness of leases and identifying those that may require reclassifying. The intention is to complete this work once the 2018/19 audit is concluded.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below.

- ▶ The revised IASB *Conceptual Framework for Financial Reporting (Conceptual Framework)*, the main elements being (19/20 Code Cpt 2.1 refers);
 - *new definitions of assets, liabilities, income and expenses*
 - *updates for the inclusion of the recognition process and criteria and new provisions on derecognition*
 - *enhanced guidance on measurement bases*

- ▶ Guidance in the treatment of the Apprenticeship Levy (19/20 Code Cpt 2.11 refers)

Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (19/20 Code Cpt 2.11 refers)

Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (19/20 Code Cpt 9 refers)

We do not currently believe that the above would result in a material impact to the Council, however, the Council should ensure that they perform their own assessment of the impact.



03 Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEFFIELD CITY COUNCIL

Opinion

We have audited the financial statements of Sheffield City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Comprehensive Income and Expenditure Statement;
- ▶ Movement in Reserves Statement;
- ▶ Balance Sheet;
- ▶ Cash Flow Statement and the related notes 1 to 46;
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 13;
- ▶ Collection Fund and the related notes 1 to 2; and
- ▶ Accounting Policies and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Sheffield City Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Sheffield City Council in accordance with the ethical requirements that are

relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Executive Director of Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.



Draft audit report

Our opinion on the financial statements

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Sheffield City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Executive Director of Resources

As explained more fully in the Statement of Responsibilities of the Executive Director of Resources set out on page 19, the Executive Director of

Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Sheffield City Council had proper arrangements to ensure it took properly informed



Draft audit report

Our opinion on the financial statements

decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Sheffield City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

In addition, we cannot formally conclude the audit and issue the audit certificate for 2018/19 until the certificates for 2016/17 and 2017/18 are issued.

We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements

of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Sheffield City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Sheffield City Council and Sheffield City Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Clark (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Birmingham

Date:

The maintenance and integrity of the Sheffield City Council web site is the responsibility of the members; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following adjustments greater than £12.2 million which have been corrected by management that were identified during the course of our audit:

- ▶ £27 million understatement of pension liabilities due to the impact of McCloud.
- ▶ £40 million upward revaluation of council dwellings impacting the comparative information.
- ▶ £66 million downward revaluation of council dwellings in 2018/19 due to receipt of more up to date information.
- ▶ £22.9 million increase in the loss on disposal of assets and an equivalent decrease in revaluation losses within Property, plant and equipment.

The above have been set out in more detail in section 2.

We also bring to your attention a number of prior year disclosure amendments as follows:

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- ▶ The cashflow statement and related notes have been represented due to a mis-classification of balances between operating and investing activities.
- ▶ The related parties note has been amended due to an error identified by management where an item had been disclosed despite it not being a related party.
- ▶ The senior officer remuneration note has been updated to reflect more accurate pensions information.
- ▶ Financial instruments have been updated to reflect omissions in the prior year of long term debtors, short term debtors and short term creditors.
- ▶ Lease disclosures have been amended to reflect the fact that there were a number of leases previously disclosed within the note for which there did not appear to be minimum lease payments, due to contract expiration.

Throughout the course of the audit we have also identified a number of presentational changes which have been amended by management.

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Standards Committee and provided within the Letter of Representation. We note that none of these misstatements have an impact on the general fund for the purposes of setting council tax.



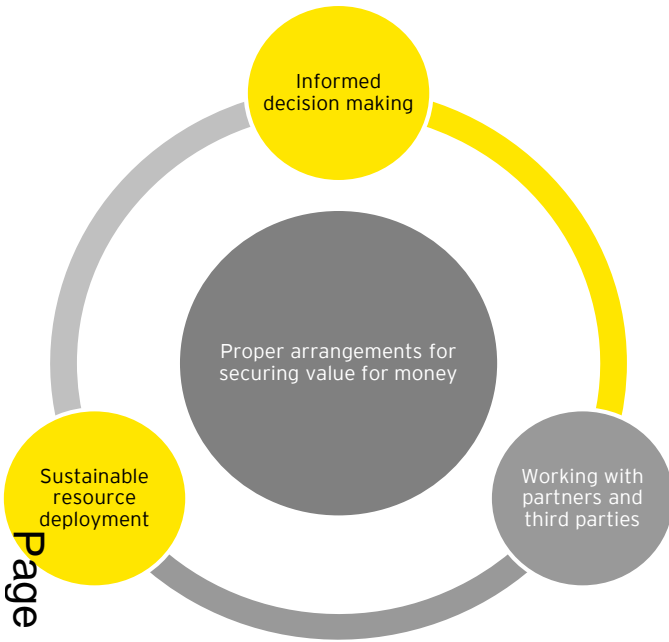
Audit Differences

Uncorrected misstatements (£m)	Effect on the current period: Comprehensive income and expenditure statement Debit/(Credit)	Balance Sheet (Decrease)/Increase			
		Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Known differences:					
Waste PFI - reflection of revenue from third parties - donated asset:					
Dr PFI Liability					14.7
Dr Finance costs	2.8				
Cr Service income	(6.9)				
Cr Deferred revenue				(0.5)	(10.1)
Other PFI differences					
Dr PFI liability					2.7
Dr Finance costs	5.1				
Cr Prepayments			(5.6)		
Cr Operating costs	(2.2)				
Capital expenditure relating to 2018/19 that had not been accrued for in the financial statements:					
Dr Property, plant and equipment		1.8			
Cr Creditors				(1.8)	
Judgemental differences:					
Impact of GMP not included within the pension liability					
Dr Expenditure	3.1				(3.1)
Cr Pension liability					
Valuation of Major Sporting Facility assets not updated in the financial statements					
Dr Long term debtor			3.8		
Cr Revaluation of assets	(3.8)				
Housing benefit - bad debt provision estimate					
Dr Bad debt provision		4			
Cr Bad debt expense	(4)				
Update in BCIS rates impacting valuations					
Dr PPE			4.4		
Cr Revaluations	(4.4)				
Balance sheet totals		5.8	2.6	(2.3)	4.2
Income effect of uncorrected misstatements	(10.3)				
Cumulative effect of uncorrected misstatements	(10.3)		10.3		



05

Value for Money Risks



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation 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"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

We are satisfied that the Council has appropriate arrangements in place with regard to the identified significant risk. Our full assessment is set out on the next page.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is 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"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.



Value for Money Risks

What is the significant value for money risk?

Securing Financial Resilience

Arrangements impacted: Deploy resources in a sustainable manner

The financial environment in which the Council operates continues to be challenging with continued reductions in funding and increasing demand for services.

The Council has responded well to challenges and delivered significant and continued levels of savings (£460m since 2010) whilst maintaining services for the local population.

The financial position reported to Cabinet to month 11, identified that the Council was forecasting a £6.5m overspend for 2018/19 which was highlighted as potentially reducing slightly by the year-end. This included a £15m overspend within Adult and Children's' social care budgets, after additional investment of £15m in these areas for 2018-19.

The approved 2019-20 budget identified a balanced position for the year and included an additional £20m investment in social care services. The balanced position did however include a planned £11m use of Council reserves.

The reported financial performance highlighted the importance of increased focus on delivery of savings in overspending areas, service transformation and ongoing investment in key areas. Whilst the Council has a good track record of delivering savings and had a reasonable level of reserves, the trajectory of overspending is not sustainable in the medium to long term and services will need to be transformed to tackle pressures and meet savings requirements in supporting the Council 4 year plan to bring the budget back to balance.

What are our findings?

Our approach has focussed on:

- ▶ Considering the current financial standing and the availability of reserves to fund future expenditure.
- ▶ Considering the 2018/19 outturn performance and impact on the current MTFS.
- ▶ Considering the appropriateness of assumptions used by the Council in setting the budget and Medium Term Financial Strategy.

The scale of savings and service transformation to be delivered by the Council over the medium term are significant.

The Council currently has a level of general fund reserves (£8.1 million at 31 March 2019) which represents 2.0% of the 2018/19 net budget requirement of £401.9m. This is a decrease of 2.7% compared to the prior year and is below the minimum level recommended by the Executive Director of Resources, mainly as a result of a £4.6m overspend in 2018/19. The Council plan to return the reserve to the minimum recommended level of 3% of net revenue expenditure during 2019/20.

The Council also has in place substantial levels of usable earmarked reserves (£226.8 million at 31 March 2019), of which £24m relates to Schools balances. These have been established for a number of purposes, including the financial consequences of matters that have not yet arisen or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Council's prudent approach to financial management. We note that these include service areas reserves of £14m and children and adult social care reserves of £19m. It is forecast that £8.4m of this reserve will be required to fund pressures in 2019-20 and deliver a balanced budget.



Value for Money Risks

What are our findings? (continued)

The final budget for 2019/20 was presented to Council and approved on 6 March 2019. This sets out a balanced position after the use of £11m of reserves. The Council has invested a further £20m in social care services following overspends again in 18/19 to transform services in this area. The use of reserves is dependent on achievement of the savings target for the year of £30m which is supported by plans by portfolio which are published on the Council's website. Over the next 4 years the planned use of reserves is £35m of reserves, which is dependent on savings of £70m and delivery of savings through Health Joint Commissioning.

The budget relies upon a number of potentially non-recurrent items (e.g. use of reserves, contribution from the Collection Fund, Social Care Funding) and the Council have developed a 4 year budget tracker to model the impact of budget, best case and current assessment scenarios. As of June 2019 the modelled reserve usage is as follows:

- ▶ A best case of £6.1m
- ▶ The budget case of £34.7m;
- ▶ A current assessment of £71.8m - which would be predominantly driven by £10.3m slippage in savings in 2020/21, the impact for three years being £30.9m.

Whilst the Council faces continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivering savings plans has not identified any significant matters that we wish to report to you.

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Other matters to bring to your attention

What are our findings?

In January 2019, Ofsted and the Care Quality Commission (CQC) issued a report on their joint inspection of the local area of Sheffield to judge the effectiveness of the area in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014. This identified significant areas of weakness for both the Council and CCG. The Council has detailed the findings of the report in their Annual Governance Statement.

Following identification of this report, we have considered whether it is representative of a significant value for money risk and concluded that it does not on the basis that the report, whilst raising issues/weaknesses, also identifies areas of good practice between the work of the Council and CCG.

The report also does not provide a rating of the services provided and represents only a small element of the overall Council service provision. When put into the context of the wider OFSTED ratings received by the Council we do not believe there to be a significant weakness in arrangements, but there are issues with outcomes.

The Council has responded positively to the findings of the report and has worked with the CCG to address the issues and provided the requested written response which is published on the Council's website.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19, including the narrative report by the Executive Director of Resources, with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19, including the narrative report by the Executive Director of Resources, and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are in the process of completing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will finalise this work and report to the NAO following the signing of the financial statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of Sheffield City Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether Sheffield City Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Other matters:

Whilst it is not considered to be a significant deficiency we have experienced some difficulties in obtaining evidence in relation to school balances included within the financial statements. This has meant that in a number of instances we have been required to perform alternative procedures to gain assurances over the material accuracy of balances included in the financial statements. This has extended to the receipt of bank confirmations where c20 confirmations remain outstanding (out of 120 school bank accounts).

We have discussed the above with management and have agreed to revisit the audit of school balances early in the 2019/20 audit process to ensure there is an understanding of key audit requirements to facilitate the receipt of information from schools.

We have also identified a number of low level recommendations which have been discussed with management throughout the audit. We will be scheduling a debrief to discuss audit and accounts process for 2018/19, which will also include a discussion on these findings.



08 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit - Journal entry testing and payroll testing

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Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



09

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 18 April 2019. We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit & Standards Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Standards Committee on 25 July 2019.

We confirm that we will undertake non-audit work outside the NAO Code requirements in relation to the below. We will adopt the necessary safeguards in our completion of this work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. We highlight the following relationships that may be reasonably considered to bear upon our objectivity and independence. However we have adopted the safeguards noted below to mitigate these threats.

Description of service	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
Housing benefit work no longer forms part of the work required by PSAA and we are separately engaging with the Council on the appointment for this work in 2018/19. Our anticipated fees are £19,000.	Self review threat - figures included in the return are also included in the financial statements.	Year ended 31 March 2019 and for all subsequent accounting periods. However, this will be assessed annually.	<p>The specific testing of individual benefit claims and associated subsidy calculations undertaken in respect of the Housing Benefits agreed upon procedures engagement is distinct and separate to any work we have or will undertake on the financial systems of the Council. The results of the testing is not reflected in the amounts included/disclosed in the financial statements.</p> <p>In respect of the checking of benefit system parameters, this work is common across our external audit procedures and this engagement. Our external audit is concluded prior to this engagement. The external audit conclusion is therefore not reliant upon the conclusion of the Housing Benefit engagement. No advice will be given in relation to accounting treatment.</p> <p>The report we provide will be prepared or given solely for the purposes of the agreed upon procedures engagement for Housing Benefits and will not be used or relied upon for any other purposes.</p>

Description of service	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
Teachers' pension return and Housing capital receipts pooling	Self review threat - figures included in the return are also included in the financial statements.	Year ended 31 March 2019 and for all subsequent accounting periods. However, this will be assessed annually.	<p>The specific testing on these returns are distinct and separate to any work we have or will undertake on the financial statements. Whilst the figures are present in the financial statements the work to be performed on the returns is more granular than that required for the purposes of the accounts audit.</p> <p>Our external audit is concluded prior to these engagements. The external audit conclusion is therefore not reliant upon the conclusion on the results of them. No advice will be given in relation to accounting treatment.</p> <p>The report we provide will be prepared or given solely for the purposes of the Teachers' pension return and Housing capital receipts pooling returns and will not be used or relied upon for any other purposes.</p>

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Further detail of all fees has been provided to the Audit & Standards Committee.

We confirm that none of the services has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements as set out below and on the previous pages. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Planned fee 2018/19	Scale fee 2018/19
	£	£
Total Fee - Code work	143,988	143,988
Total audit	143,988	143,988
Other non-audit services not covered above (Housing Benefits)	19,000	N/A
Teachers' Pensions	TBC	N/A
Housing capital receipts pooling	TBC	N/A
Total other non-audit services	19,000 - TBC	N/A
Total fees	162,988 - TBC	143,988

 fees exclude VAT

Due to the increase in audit procedures required to address the additional risks and audit findings identified in this Audit Results Report we will need to increase our audit fee. This will result in an revised audit fee which we will agree with the S151 officer before gaining approval from Public Sector Audit Appointments Ltd. We will report the final fee to the Audit & Standards Committee within our Audit Letter or at a later date, depending on timing.



10 Appendices




Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit. Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Property, Plant and Equipment	Substantively tested all relevant assertions	Controls testing supplemented with substantive testing over relevant assertions	The audit was carried out by KPMG in the prior year. We evaluated the control findings identified in the prior year audit, along with the efficiency and effectiveness of undertaking a controls audit. Given this is our first year as the Council's auditors and the combined level of testing that would be required under a controls based approach (which would include gaining IT comfort, automated and controls testing and a level of substantive testing), we have determined a substantive approach to be the most suitable.
Heritage Assets			
Investment Properties			
Short Term Investments	Immaterial - Substantively tested assertion for presentation and disclosure	Substantively tested all relevant assertions	
Debtors (short and long term)	Substantively tested all relevant assertions	Tested controls over all relevant assertions with limited substantive testing	
Creditors (short and long term)			
Cash and Cash Equivalents	Substantively tested all relevant assertions	Controls testing supplemented with substantive testing over relevant assertions	
Assets Held for Sale			
Net Pension Liability			
Borrowing (short and long term)	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Provisions (short and long term)			
PFI / PPP Finance Lease Liability (short and long term)			
Capital Grants Receipts in Advance (short and long term)			
Other Long Term Liabilities			
Usable and Unusable Reserves	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Intangible Assets			
Inventories			




Summary of communications



Date 	Nature 	Summary 
05/10/2019	Meeting	Senior members of the audit team, met with the management team to discuss initial planning considerations.
26/11/2018	Meeting	Senior members of the audit team, met with the management team to discuss initial planning considerations.
23/01/2019	Meeting	The partner in charge of the engagement and other senior members of the audit team, met with met with key officers of the Council to discuss emerging issues and the planning of the 2018/19 audit, including relevant risks.
23/03/2019	Meeting	Senior members of the audit team, met with the management team as part of on-going liaison meetings to discuss the progress with audit planning and interim work.
18/04/2019	Report/Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit & standards committee and senior members of the management team to discuss the audit planning report. This also included confirmation of independence.
05/05/2019	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with key officers of the Council to discuss emerging issues as part of ongoing liaison meetings.
Weekly meetings during June and July	Meeting	Senior members of the audit team, met with the management team during the final audit to discuss progress and emerging issues.
15/07/2019	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss the matters identified as part of the final audit.
17/07/2019	Report	The audit results report, including confirmation of independence, was issued to the Audit & Standards Committee.
25/07/2019	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit & standards committee and senior members of the management team to discuss the audit results report.




In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.




Required communications with the Audit & Standards Committee

There are certain communications that we must provide to the Audit & Standards Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit & standards committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - April 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - April 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Standards committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit & Standards Committee responsibility. 	Audit results report - July 2019

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit & Standards Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit & Standards Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit planning report - April 2019 Audit results report - July 2019</p>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report - July 2019 No conditions or events were identified, either individually or together to raise any doubt about Sheffield City Council's ability to continue for the 12 months from the date of our report</p>

		Our Reporting to you
Required communications	 What is reported?	  When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - July 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit & Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report - July 2019
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council 	Audit results report - July 2019
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit & Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Standards Committee may be aware of 	<p>Audit results report - July 2019</p> <p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - July 2019
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report/Annual Audit Letter




Required communications	 What is reported?	  When and where
<p>Independence</p>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit & Standards committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Audit planning report - April 2019</p> <p>Audit results report - July 2019</p>



Appendix C



Our Reporting to you

Required communications	 What is reported?	  When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report - April 2019 Audit results report - July 2019
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Certification Report

Management representation letter

Management Rep Letter

[To be prepared on the Council's letterhead]

[Date]

Ernst & Young
1 Colmore Square
Birmingham
B4 6HQ

This letter of representations is provided in connection with your audit of the financial statements of Sheffield City Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Sheffield City Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash

flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the items are not qualitatively or quantitatively material.

B. Non-compliance with law and regulations, including fraud

We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- ▶ involving financial statements;
- ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

Management representation letter

Management Rep Letter

- ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- ▶ involving management, or employees who have significant roles in internal controls, or others; or
- ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

We have provided you with:

- ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- ▶ Additional information that you have requested from us for the purpose of the audit; and
- ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

We have made available to you all minutes of the meetings of the Council and committees, including the Audit & Standards Committee and Cabinet, (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 25 July 2019.

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or

from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 22 to the financial statements all guarantees that we have given to third parties.

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

E. Subsequent Events

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report by the Executive

Management representation letter

Management Rep Letter

Director of Resources, the Statement of Responsibilities, the Annual Governance Statement, the Trade Union (Facility Time Publication Requirements) Regulations 2017 reporting and the Glossary.

We confirm that the content contained within the other information is consistent with the financial statements.

G. Restatement of comparative information

We confirm that we have restated the comparative information to reflect information that was available prior to signing the financial statements in the prior year in relation to the revaluation of council dwellings. The house price index applied to the valuation of council dwellings had been applied for the period January 2017 to January 2018. However, the March 2018 index was subsequently available in June 2018 and resulted in a material movement in the valuation of these assets.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

H. Ownership of Assets

Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

I. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist - Property valuations

We agree with the findings of the specialists that we engaged to evaluate the Valuation of Property Plant and Equipment, Assets Held for Sale, Investment Properties and assets associated with the Major Sporting Facility and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Valuation of Property, Plant and Equipment Assets and Investment Properties

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme not revalued at 31 March 2019, and that they are not materially misstated.

We confirm that for assets carried at historic cost that no impairment is required

Management representation letter

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L. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

M. Use of the Work of a Specialist - Pension Liabilities

We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

N. Valuation of Pension Liabilities

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

P. Valuation of NNDR appeals provision

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the NNDR appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the financial statements with respect to the accounting estimate is complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events.

Q. Major Sporting Facility

We confirm that we do not exert control over Sheffield City Trust and that it is correct that the results of that entity are not consolidated into the Sheffield City Council financial statements.

We confirm that we do not have the ability to control the assets in use by Sheffield City Trust, being Ponds Forge, Sheffield Arena and Hillsborough Leisure Centre (also known as the Major Sporting Facilities), and in particular the pricing structure, which is determined by Sheffield City Trust. As such, we confirm the assets do not meet the definition of a service concession.

Yours faithfully,

(Executive Director of Resources)

(Chairman of the Audit & Standards Committee)

EY | Assurance | Tax | Transactions | Advisory

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Audit & Standards Committee Report

Report of: Mark Bennett, Director of HR and Customer Services/ Gillian Duckworth, Director of Legal Services

Date: 17th October 2019

Subject: Annual Ombudsman Complaints Report 2018/19

Author of Report:

Summary:

This report provides an overview of the complaints received, and formally referred and determined by the three Ombudsmen (Local Government & Social Care Ombudsman, Parliamentary & Health Service Ombudsman and Housing Ombudsman) during the twelve months from 1 April 2018 to 31 March 2019.

The report also identifies future developments and areas for improvement in complaint management.

The report is jointly presented by the Director of Legal Services and the Director of HR and Customer Services, who are respectively the Council's Monitoring Officer, and the Director responsible for managing the Complaints Service.

Recommendations:

The Audit & Standards Committee is asked to consider the Annual Ombudsman Report in order to provide its view on the performance of Ombudsman complaints and the issues raised.

Background Papers:

LGSCO Annual Letter

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
Legal Implications
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Cabinet Portfolio Lead
Cabinet Member for Finance & Resources
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

Annual Report Ombudsman Report

1.0 INTRODUCTION

- 1.1 The effective handling of customer complaints across the organisation enables the Council to be open and transparent, respond in the right way, make the best use of resources, and make well-informed decisions.
- 1.2 We welcome complaints as an opportunity to improve our services. Indeed, our definition of a complaint is “any expression of dissatisfaction whether justified or not”, which is deliberately wide to ensure that complaints are recognised and are properly addressed. We also encourage positive feedback on the services we provide.
- 1.3 The Customer Feedback & Complaints Team in Customer Services is responsible for the development and implementation of policy and procedures on complaints. In addition, the Team acts as the Council’s liaison point with the Local Government & Social Care Ombudsman (LGSCO), Housing Ombudsman (HO) and Parliamentary & Health Service Ombudsman (PHSO).
- 1.4 The Ombudsmen provide a free, independent and impartial service. They consider complaints about the administrative actions of local authorities. They cannot question what a council has done simply because someone does not agree with it. However, if they find something has gone wrong, such as poor service or service failure, and that a person has suffered as a result, they recommend a suitable remedy.
- 1.5 The LGSCO’s powers are set out in the Local Government Act 1974, as amended. The HO’s powers are set out in the Housing Act 1996, as amended. The PHSO’s powers are set out in the Parliamentary Commissioner Act 1967, as amended, and the Health Service Commissioners Act 1993, as amended.
- 1.6 Overall, the Council and its strategic delivery partners (Capita and Veolia) dealt with 3,042 complaints through the formal complaints process in 2018/19. The LGSCO has reported that 165 enquiries were received about the Council and its strategic delivery partners during 2018/19. Our records show the Housing Ombudsman made enquiries/investigations into 12 complaints.

2.0 SUMMARY

- 2.1 This report provides an overview of the complaints received, and formally referred and determined by the Ombudsmen during the twelve months from 1 April 2018 to 31 March 2019.
- 2.2 The report also identifies future developments and areas for improvement in complaint management.
- 2.3 The report is jointly presented by the Director of Legal Services and the Director of HR and Customer Services, who are respectively the Council’s Monitoring Officer, and the Director responsible for managing the Complaints Service.

3.0 MAIN BODY OF THE REPORT

3.1 Overview

In 2018/19, there were 710 'formal' complaints about Council Portfolios. This is an increase on the numbers received the previous two years.

	2016/17	2017/18	2018/19
People	307	375	361
Place	222	238	303
Resources (inc. PPC)	31	70	46
Total	560	683	710
Amey	2398	2164	1744
Capita	24	76	228
Veolia	287	187	360
Total inc. partners	3269	3110	3042

3.2 The Council's Customer Feedback & Complaints Team recorded a total of 137 complaints received by the LGSCO and HO during 2018/19, a similar level to the 136 received the previous year. A breakdown by service area is provided at Appendix A (Table 1).

3.3 The LGSCO reported that 165 enquiries were received about the Council during 2018/19, compared with 186 in 2017/18. A breakdown is provided at Appendix A (Table 2). The number reported by the LGSCO is higher than the number recorded by the Council's Customer Feedback & Complaints Team because it includes, for example, people who have made an 'incomplete or invalid' complaint or cases where advice was given but details not shared with the Council.

	2016/17	2017/18	2018/19
LGSCO enquiries	136	186	165

3.4 The service areas that generated the largest number of Ombudsman enquiries during 2018/19 were Streets Ahead (25), Adult Social Care (19), Council Housing and Repairs (15) and Education- SEN/Admissions (15). These numbers are broadly the same as the previous year, with the exception of the figure for Streets Ahead which dropped from 29 to 25.

3.5 It is important to note that not all Ombudsman enquiries lead to a formal investigation. In fact, of the 137 enquiries recorded by the Council's Customer Feedback & Complaints Team in 2018/19, 68% were concluded without a formal investigation. Of the 44 that were formally investigated, the highest numbers were about Council Housing and repairs (10), Streets Ahead (10) and Education (8).

3.6 The Council's average response time to preliminary enquiries in 2018/19 was 8 days and its average response time to initial formal enquiries in 2018/19 was 24 working days. The latter exceeds the 20 working day target set by the

Ombudsman. Only 35% of formal enquiries were being responded to within the 20 working day target. This is a drop in performance from 52% in 2017/18 and is mainly due to late service comments/information.

- 3.7 In resolving complaints, we aim to work with the customer to try to achieve their preferred outcome, and when appropriate we will apologise. When the Council is at fault, we will aim to resolve the complaint by putting the customer back into the position they would have been in had the fault not occurred, or by offering another remedy if this is not possible.
- 3.8 During 2018/19, the LGSCO upheld 22 complaints and the HO upheld 3 complaints. A breakdown of all LGSCO/HO decisions is provided at Appendix A (Table 3 and 4). Further details of the upheld complaints and the remedies and service improvements that were agreed are set out in Appendix B.
- 3.9 In total, the Council paid £14,750 in compensatory payments and other reimbursements following Ombudsman enquiries. This compares with £15,845.50 paid in 2017/18.
- 3.10 Looking at how Sheffield City Council compares with other local authorities (see Appendix A - Table 5 and 6), Sheffield City Council saw the highest % reduction in complaints received by the LGSCO than all of the other core cities in 2018/19. In terms of LGSCO recommendations Sheffield City Council, like all the other Core Cities during 2018/19, had a 100% compliance rate but we were 'late' in completing agreed actions in 2 complaints.
- 3.11 We aim to learn from complaints, so that we do not repeat the same problem. Appendix B includes details of the remedies, improvements and changes that have been made following Ombudsman investigations. Examples of key learning/service improvements include:
- Action plan developed for collecting assessed charges from care home residents, rather than allowing care providers to do this. This work ongoing and pre-implementation planning is due to be completed in October 2019 (*Social Care Accounts Service*).
 - Protocols between SCC/CCG/SHSCT developed to include escalation process for complex cases. Autism training arranged for Council and trust staff (*Adult Social Care*).
 - Assistant Service Manager given responsibility for oversight of personal budgets to ensure that they are addressed in an appropriate manner going forward. Communication to all staff that personal budgets should remain in place until the point where a change is agreed through an Annual Review. Separate communication to finance colleagues that these contracts must remain in place and paid until a formal change is agreed via the EHC Panel. (*SEND Statutory Assessment & Review Service 0-25*)
 - Senior Business Support Officer recruited and Health Single Point of Access (SPA) now within the service. Health provision within service will

expand in the medium term to include clinicians and access to NHS databases. (*SEND Statutory Assessment & Review Service 0-25*)

- Internal processes developed to ensure a decision letter including information about appeal rights it sent to parents/carers when an EHC plan is reviewed and weekly report created to identify “dual school registrations” with start dates. (*SEND Statutory Assessment & Review Service 0-25*)
- Approach to compensation reviewed giving investigating managers discretion to award over £250 in exceptional circumstances. (*Repairs and Maintenance Service*)
- The wording of traffic restriction signs relating to road works amended to read ‘week days’. (*Amey*)
- Number of public leaflets and factsheets produced and published on SCC website i.e. ‘Adult Safeguarding - what to expect’; ‘Best interests meeting’; ‘Assessing mental capacity’; ‘Deprivation of liberty orders’; ‘Independent advocacy’ and ‘Adult Social Care Complaints Procedure’. (*Adult Social Care and Customer Services*)

Future developments

- 3.12 There has been little progress around the proposal to create a single Public Service Ombudsman (PSO) to replace the LGO and the PHSO. The timescale for legislating on this remains unclear.
- 3.13 At a local level, the following have been identified as actions and areas for improvement during 2019/20:
- Review and develop public facing complaints information on SCC website;
 - Review and develop online complaint form to ensure it is easy to use and to ensure effective routing of complaints.
 - Development of CRM system to improve recording and reporting of complaints, compliments and suggestions.
 - Review and develop the information/guidance available to all employees and managers around resolving, investigating, reviewing and responding to complaints.
 - Launch of new half day classroom course “Customer Complaints – Effective Handling” aimed at managers who resolve, investigate and respond to complaints.

4.0 RECOMMENDATIONS

- 4.1 The Audit & Standards Committee is asked to consider the Annual Ombudsman Report in order to provide its view on the performance of Ombudsman complaints and the issues raised.

OMBUDSMAN COMPLAINTS

Table 1: This table shows a breakdown of the 137 ombudsman complaints recorded by the Council's Customer Feedback and Complaints Team during 2018/19.

Table 1:

Portfolio/ Partner	Subject	Formal premature referrals	Considered without Investigation	Formal /detailed investigations made	Totals 2018/19	Totals 2017/18
People	Social Care - Adults	5	9	5	19	18
	Social Care - Children's	9	2	1	12	14
	Education	2	5	8	15	16
	Libraries	0	1	0	1	0
Place	Bereavement Services	0	2	0	2	1
	Council Housing & Repairs	2	3	10	15	15
	Housing - other	2	4	2	8	11
	Environmental Services	1	0	1	2	0
	Parking Services	3	2	0	5	7
	Planning	1	5	3	9	6
	Highways	0	0	0	0	1
	Land/property	0	0	0	0	1
	Licensing	0	1	0	1	0
Resources	Customer Services	0	3	0	3	2
	Legal	0	3	0	3	3
	Business Change & Information Services	0	1	0	1	1
	Miscellaneous	0	0	0	0	1
Amey/Client	Streets Ahead	1	16	8	25	29
Capita	Benefits	2	7	3	12	8
	Revenues	0	0	0	0	2
Veolia/Client	Waste Management	0	1	3	4	0
Totals		28	65	44	137	136

Table 2: This table shows a Breakdown of the 165 complaints/enquiries received by the LGSCO in 2018/19, compared with the previous two years.

LGO subject category	2016/17	2017/18	2018/19
Adult Social Care	33	32	28
Benefits and Tax	20	17	17
Corporate and other	6	14	12
Education and Children's Services	36	46	34
Environmental Services and Public Protection & Regulation	4	17	25
Highways & Transport	50	33	21
Housing	16	16	18
Planning & Development	10	11	10
Total	175	186	165

Table 3: This table shows a breakdown of LGSCO decisions over the last three years.

LGSCO Decisions	2016/17	2017/18	2018/19
Incomplete or invalid	4	9	13
Advice Given	5	3	7
Referred back for local resolution	67	62	51
Closed after initial enquiries	60	65	62
Investigated – not upheld	21	11	13
Investigated - upheld	20	22	22
Report	0	1	0
Total	177	172	168

Table 4: This table shows a breakdown of HO decisions during 2018/19.

HO Decisions	2018/19
Closed after initial enquiries	3
Investigated – not upheld	4
Investigated - upheld	3
Total	10

Table 5: This table compares complaint numbers across the Core Cities based on information provided by the LGSCO in the Annual Review Letters.

	Number enquiries received 2017/18	Number enquiries received 2018/19	% increase/ decrease (+ / -)	Number of enquiries per 1000 population
Birmingham	455	484	+6%	0.42
Bristol	129	136	+5%	0.29
Leeds	189	187	-1%	0.24
Liverpool	147	136	-8%	0.27
Manchester	167	176	+5%	0.32
Newcastle	67	73	+8%	0.24
Nottingham	103	106	+1%	0.31
Sheffield	186	165	-13%	0.28

Table 6: This table compares complaint outcomes across the core cites based on information provided by the LGSCO in the Annual Review Letters.

	Number of detailed investigations 2018/19	Number of complaints upheld 2018/19	Upheld rate 2018/19	Number of complaints where Satisfactory Remedy provided before complaint reached Ombudsman 2018/19 (% of upheld cases)		Compliance with Ombudsman Recommendations 2018/19 (% late compliance)	
Birmingham	100	77	77%	10	(13%)	100%	(4%)
Bristol	18	12	67%	3	(25%)	100%	(0%)
Leeds	47	21	45%	1	(5%)	100%	(9%)
Liverpool	30	22	73%	3	(14%)	100%	(5%)
Manchester	38	21	55%	6	(29%)	100%	(6%)
Newcastle	14	9	64%	4	(44%)	100%	(0%)
Nottingham	26	18	69%	1	(6%)	100%	(0%)
Sheffield	35	22	63%	3	(14%)	100%	(13%)

Appendix B

A summary of the **25** complaints which were upheld by the LGSCO and HO during 2018/19 is provided below.

	Portfolio/ Partner	Complaint	Ombudsman Finding/Investigation Outcome	Agreed Remedy/Service Improvements	Completion of Agreed Remedies
1	Place – Streets Ahead	Mr D complains about the planned removal and replacement of a tree under the Council’s ‘Streets Ahead’ programme.	The Ombudsman found the Council at fault for not giving its independent tree panel all its reasons for wanting to remove this tree and for a misleading reply to an enquiry from Mr D. The Ombudsman considers the faults have caused uncertainty about whether the tree needs removing.	The Council agreed to reconsider its decision as part of a new strategy towards street trees and to apologise to Mr D for misleading him.	Agreed actions completed in timescales - LGSCO has recorded compliance outcome of “ <i>Remedy complete and satisfied</i> ”
Page 74	Place – Streets Ahead	Ms C complains about the planned removal and replacement of a tree under the Council’s ‘Streets Ahead’ programme.	The Ombudsman found the Council at fault for not giving its independent tree panel all its reasons for wanting to remove this tree and for a misleading reply to an enquiry from Ms C. The Ombudsman considers the faults have caused uncertainty about whether the tree needs removing.	The Council agreed to reconsider its decision as part of a new strategy towards street trees and to apologise to Ms C for misleading her.	Agreed actions completed in agreed timescales- LGSCO has recorded compliance outcome of “ <i>Remedy complete and satisfied</i> ”

3	People – ASC	Mr B complains about the Council's handling of his parents' care planning. He says it decided they should remain in their own home but failed to consider whether this was an appropriate and affordable plan.	The Ombudsman finds the Council failed to fully consider and discuss with Mr B the cost implications of the proposed care package and alternative options. It also failed to properly advise him what should happen in response to his objection to the best interest decision and failed to make an application to the court of protection.	In addition to £300 already offered by the Council in recognition of lost opportunity, uncertainty, inconvenience and time and trouble the Council has agreed to remedy the injustice caused by making the following further payments: <ul style="list-style-type: none"> • £250 for the uncertainty caused by its failure to properly advise him what should happen in response to his objection to the best interest decision and its failure to make an application to the court of protection; and • £500 for the uncertainty caused by its failure to fully consider and discuss with him the financial implications of the various care options and the influence this may have had on the Council's best interest decision in September 2015. 	Agreed actions completed - LGSCO has recorded compliance outcome of " <i>Remedy complete and satisfied</i> "
4	People – SEN	Mrs B complains the Council did not pay part of her son's Education, Health and Care Plan funding.	The Ombudsman found fault when the Council stopped payments and this caused Mrs B injustice because it has not considered the distress caused to the family during the period payments were not made.	The Council had already repaid the outstanding amount and apologised to Mrs B, explained why payments were stopped and confirmed action it has taken to prevent this happening again. The Council further agreed within 4 weeks to a) Pay Mrs B £500 in recognition of the distress caused by the Council's failure to properly make payments for child C's EHCP; and b) Provide the Ombudsman with evidence of the structural changes and training the Council has said it has made or proposes to make, to ensure there is no recurrence of this problem.	Agreed actions completed - LGSCO has recorded compliance outcome of " <i>Remedy complete and satisfied</i> "

5	Place – Parking Services	Mr X complains about a Penalty Charge Notice.	Complaint upheld but the Ombudsman will not investigate this complaint because the Council has already provided a fair remedy by cancelling the fine and because the complainant could have appealed to the tribunal.	No further remedy/service improvement identified.	N/A - No Follow on Actions
6	People – SEN	Mrs G complained the Council failed to put in place the services specified in her daughter's Education, Health and Care Plan. It also delayed sending a revised Plan following Annual Review.	The Ombudsman found fault in the Council failing to specify the service owed to Mrs G's daughter and delays in finalising amended plan following Annual Review.	Council agreed to make a payment of £100 per month from September 2016 to date; and continue making payments until the EHCP has been issued. The Council also agreed to make a payment of £300 for the time and trouble that Mrs G has had in chasing up the latest EHCP. The Council agreed to consider changing its procedures (within 4 months) to ensure that health professionals work with it in order to provide services to children who need them; particularly when assessments are specified in an EHCP.	Agreed actions completed - LGSCO has recorded compliance outcome of <i>“Remedy complete and satisfied”</i>
7	Place – Council Housing Repairs	Mr X complained about the Repairs Service's handling of maintenance works in the kitchen and bathroom and the amount of compensation offered.	The Ombudsman found excessive delays in completing works to the kitchen and bathroom and considered the £250 payment offered did not adequately reflect the individual circumstances or service failure experienced.	Council agreed to pay additional £500 for significant inconvenience caused by excessive delays. Also agreed to arrange to arrange further inspection to satisfy all maintenance issues resolved; and review approach to compensation to ensure investigating managers have discretion in exceptional circumstances.	Agreed actions completed – complaint closed by HO

8	Place – Council Housing	Ms X complained about the Council's response to her reports about its handling of her personal information following her reports about a neighbour (including ASB) and complaints handling.	The Ombudsman found 3 month delay in responding to her reports of ASB and mistakes in the handling of her complaints – failure to keep evidence provided confidential.	Council agreed to pay £150 (£75 in respect of any distress/inconvenience experienced as a result of its delay in responding to her reports about ASB; and £75 in respect of any distress/inconvenience experienced as a result of mistakes in complaint handling.	Agreed actions completed – case closed by HO
9	Place – Streets Ahead	Mr B complained about the Council's decision to fell street trees on the road where he lives.	The Ombudsman found fault in the lack of detail published by the Council in response to independent advice it received saying it could save some of the trees. However, they did not consider the fault led to an injustice as the Council later provided more justification for its position.	No further remedy/service improvement identified.	N/A – no further action
10	People – SEN	Mrs C complained about the way the Council completed her child education and health care plan (EHCP).	The Ombudsman found failures in the EHCP process in particular delays in the process.	Council agreed to write to Mrs C and her child within 3 weeks to apologise for the failures in the EHCP process; and send them £500 in recognition of the injustice caused. The Council further agreed to write to the Ombudsman (within 2 months) to state how it performed against its 2017/18 targets.	Agreed actions completed - LGSCO has recorded compliance outcome of <i>“Remedy complete and satisfied”</i>
11	Place – Streets Ahead	Mrs X complains the Council failed to properly manage traffic restriction signs in her area relating to road works and this caused inconvenience.	The Ombudsman found fault as no work was planned for the weekends and therefore signage could have been either removed or made clearer. However this did not caused significant injustice as Mrs X was reassured she would be granted access ordinarily in any event there would not be any weekend works.	No further remedy/service improvement identified. Amey had already taken her comments on board to such an extent that its signs now only read 'week days'.	N/A – No further action

12	People - ASC	Mr X and Mrs Y were unhappy about the Council's interventions in their elderly mother's care. They did not understand what the Council wanted to achieve and why.	The Ombudsman found fault in the Council not explaining the processes it was obliged to undertake, and the options open to them in relation to these. Consequently, Mr X and Mrs Y were confused, stressed for a period of many months and afraid of their mother being taken into care against her wishes.	Council agreed to apologise, provide explanations around delay and pay Mr X the sum of £250 and Mrs Y £150 in recognition of its fault and the resulting injustice. Council also agreed to consider service improvements to prevent a recurrence of what happened.	Agreed actions completed – Awaiting confirmation of compliance outcome from LGSCO
13	Place – Streets Ahead	Miss X complained the Council has failed to carry out work to reduce the size of a tree outside her home.	The Ombudsman found the Council failed to carry out scheduled work on the tree in November 2017.	The Council agreed to apologise to Miss X and pay her £100 for her avoidable time and trouble in pursuing the complaint. The Council also agreed to complete the work on the tree by the end of November 2018.	Agreed actions completed - LGSCO has recorded compliance outcome of "Remedy complete and satisfied"
14	People – ASC	Miss C complained that the Council charged her for a sitting service to give her respite from caring for her mother when it said it would be free; and wrongly backdated the charges when the service had been in place for five months.	The Ombudsman found the Council wrongly advised Miss C that it would not charge for a carer to sit with her mother. The Council then charged Miss C's mother for this.	The Council had already cancelled the charge and clarified its charging policy with Miss C and the officer who misadvised her and so basis for ombudsman to recommend further action.	N/A -No further action

15	People – Children and Families	Mr and Mrs B complained the Council imposed restrictions on Mr B's contact with his grandchildren despite having no evidence he poses a threat to them, recorded inaccurate information in its records, failed to provide them with support and failed to respond to a complaint.	The Ombudsman found no evidence the Council's care records are inaccurate or that it failed to provide support when they asked for it. The Ombudsman did find fault in not carrying out a risk assessment before continuing restrictions on Mr B's contact with his grandchildren and delay in responding to a complaint that left Mr and Mrs B with uncertainty and distrust in the Council's procedures.	The Council agreed to apologise to Mr and Mrs B; carry out a risk assessment, and make Mr and Mrs B a payment of £250 to remedy the injustice caused.	Agreed actions completed - LGSCO has recorded compliance outcome of <i>"Remedy complete and satisfied"</i>
16	People - ASC	Mr X, complained the Council's Nursing Home has not cared properly for his mother, resulting in her being hospitalised in March 2017 and a failure to address her faecal smearing. He also complained about the Nursing Home attempting to charge third party top-ups for both his parents when there are no top-up agreements in place.	The Ombudsman found fault with the actions/service of the Nursing home and failed to address all the mother's care needs. The Ombudsman also found fault in allowing the assessed weekly contribution to be paid to a care provider which resulted in the Nursing home attempting to levy additional charges.	The Council agreed to apologise to Mr X for the failings in his mother's care; pay Mrs Y £750 for the failings in her care and ensure the Nursing home reviews Mrs Y's needs with her family to address any outstanding concerns. The Council further agreed to apology for the Nursing Home's attempts to charge top-ups for both parents and agreed to prepare an action plan within 12 weeks for collecting assessed charges from care home residents, rather than allowing care providers to do this.	Agreed actions completed - LGSCO has recorded compliance outcome of <i>"Remedy complete and satisfied"</i>
17	People – SEN	Mrs X has complained about the Council's failure to update her daughter's EHC plan, its poor communication and its failure to follow through on agreed actions.	The Ombudsman found fault in the Council's communication with Mrs X about critical decisions and actions.	The Council has agreed to pay Mrs X £1,500 for the avoidable distress caused and loss of opportunity to appeal to the Tribunal. Also agreed within 3 months to review its processes to ensure it always sends a decision letter and information about appeal rights when it reviews an EHC plan; and ensure that if a child's profile is changed to show dual registration that it alerts its SEN team	Agreed actions completed - LGSCO has recorded compliance outcome of <i>"Remedy complete and satisfied"</i>

				and Child Out of School team to ensure that enquiries are made and appropriate action taken.	
18	People – SEN	Mrs X complained the Council delayed finalising C's Education and Health Care plan and delayed allocating a secondary school place for him. She has also complained about poor communication and poor complaints handling.	The Ombudsman found fault/delay in finalising her son's EHC plan; poor communication; and failings in its complaints handling which added to the avoidable distress caused to Mrs X. It also meant Mrs X was out of pocket for the cost of specialist maths tuition for longer than she should have been.	The Council agreed to apologise to Mrs X for the delay in finalising the EHC plan and allocating a secondary school place for C, and for its poor communication and complaints handling; and pay Mrs X £1,500 to reflect the injustice caused.	Agreed actions completed - LGSCO has recorded compliance outcome of " <i>Remedy complete and satisfied</i> "
19	People - Children & Families	Miss X complained about the behaviour of a social worker involved in her son's case. She says the Council has not properly dealt with her earlier complaints about the social worker's inappropriate behaviour.	The Ombudsman did not investigate the part of Miss X's complaint about the actions of the social worker before and during court action (outside jurisdiction). The Ombudsman did find evidence of fault in how the Council responded to Miss X's complaint (treated as enquiry and delay in responding) but this did not cause Miss X injustice because the Council then investigated the complaint and offered Miss X the opportunity for her complaint to be further reviewed.	No further remedy/service improvement identified.	N/A – No further action

People
ASC - (Joint
Complaint
with Health
Partners)

Mr and Mrs C complained on behalf of their adult son, Mr D that Sheffield City Council, Sheffield Health and Social Care NHS Foundation Trust and NHS Sheffield Clinical Commissioning Group provided inadequate support under section 117 of the Mental Health Act 1983 after Mr D's care provider terminated its contract in November 2015 and that there was no contingency plan in place for the termination of the contract with Company X. They also complain that the Council delayed in transferring Mr D from the Learning Disability Service to the Adult Autism Service and appointing an autism specialist social worker; delayed in appointing an advocate for Mr D; delayed in carrying out a reassessment of Mr D's needs and investigating and responding to their complaints. Failed to adequately investigate the events leading to the breakdown of the care package provided by Agency Y; failed to consider the needs of the family and properly communicate with Mr D and the family.

The Ombudsmen (LGSCO and PHSO) find that the complainants' son, Mr D, was caused significant injustice when the CCG and the Council failed to provide adequate support after his care provider terminated its contract in November 2015 and there was no contingency plan in place. The new provider did not meet all Mr D's needs and his mental health deteriorated because of the lack of support. This culminated in him being admitted to hospital. Following his discharge he had to live with his parents for five weeks during which time they had little formal support and no carer's assessment was carried out. This impacted adversely on Mr D's well-being and that of his parents. The Council and the Trust delayed in transferring Mr D between teams which caused further distress and uncertainty and impacted on his support provision.

The CCG, Trust and the Council agreed to apologise in writing to Mr D and his parents and make financial remedy payments totalling £5500 (SCC to pay £2750). The following wider actions were also agreed: The Council and the CCG to reiterate the importance of contingency planning to staff when dealing with complex cases, particularly concerning people with autism; the Council and the Trust to improve their procedures for transferring cases between teams; the Trust and Council to provide Mr D with copies of his up-to-date risk assessment and care plan and remind staff about the importance of including needs associated with autism in care plans; and SAANS take action to put in place the agreed support for Mr D's care provider.

Agreed actions completed - LGSCO has recorded compliance outcome of "*Remedy complete and satisfied*"

21	Place – Council Housing	Miss X complained the Council failed to deal with her request for priority rehousing properly.	The Ombudsman found fault in the way the Council managed Miss X’s re-housing priority and in its communication with her and concluded that but for the Council’s errors, it was more likely than not that Miss X could have been rehoused sooner.	The Council agreed (within 1 month) to waive the rent arrears relating to Property 1 incurred since 1 August 2017; credit Miss X’s rent account with the heat charges and water rates element of her rent between 14 April - 31 July 2017; and pay Miss X £500 in recognition of the distress and anxiety, and unnecessary time and trouble she has been put to.	Agreed actions completed - LGSCO has recorded compliance outcome of “ <i>Remedy complete and satisfied</i> ”
22	Resources- Capita	Miss X complained the Council delayed in processing her council tax support application resulting in financial hardship as she had to pay council tax at the higher rate while awaiting a response from the Council. Miss X also complains the Council delayed in dealing with her complaint.	The Ombudsman found no fault in the way the Council processed Miss X’s application however there were delays in responding to her initial enquiry and her complaint.	The Council agreed to pay Miss X £100 for the time and trouble she spent pursuing her complaint and the frustration caused by the delay.	Agreed actions completed - LGSCO has recorded compliance outcome of “ <i>Remedy complete Late</i> ”
23	Place – Council Housing	Mr X complained about delays to address water ingress and resulting damage to his personal belongings.	The Ombudsman found the Council had not offered reasonable redress for the failings which it identified at the review stage of the complaints procedure. Specifically that it did not address the water penetration quickly and thoroughly enough since Mr X reported that its initial repairs, via its contractor, had not been effective.	The Council agreed to pay Mr X £500 compensation - £300 in recognition of inconvenience and distress experienced for not addressing the water penetration quickly and thoroughly enough and £200 compensation already offered for damage to his personal belongings.	Agreed actions completed - Case closed by HO

24	Place – Council Housing	Miss B complains about the way the Council has considered her application for re-housing and the priority awarded to her application.	There was fault by the Council in not allowing Miss B time to make direct bids with the increased priority the Council had awarded. As a result she missed out on a property and had the priority removed before she had chance to make a successful bid.	The Council agreed, within a month of this decision, apologise, reinstate the higher priority and pay £500.	Agreed actions completed - LGSCO has recorded compliance outcome of “ <i>Remedy complete and satisfied</i> ”
25	Resources – Customer Services	Ms X complains that the Council did not renew her disabled travel pass.	Complaint was upheld but Ombudsman did not investigate because injustice was remedied by the Council. Council renewed the pass for a year and Ombudsman considered this is a fair response.	No further remedy/service improvement identified.	N/A – No further action

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Audit and Standards Committee Report

Report of: Gillian Duckworth, Monitoring Officer

Date: 24 October 2019

Subject: Feedback from the Ethical Standards Workshop

Author of Report: Gillian Duckworth

Summary: To provide the Committee with the best practice recommendations arising from the ethical standards workshop held with the committee members on the 26th September 2019 which considered the report by the Committee on Standards in Public Life dated January 2019

Recommendations: To accept the outcomes of the workshop and bring amended policies/codes to the next meeting of the Audit and Standards committee for approval and forwarding to Full Council for adoption.

Background Papers: Report by the Committee on Standards in Public Life on Local Government Ethical Standards dated January 2019

Category of Report: OPEN

* Delete as appropriate

Statutory and Council Policy Checklist

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

REPORT TITLE

1.0 INTRODUCTION

- 1.1 The Committee on Standards in Public Life published a review on Local Government Ethical Standards in January 2019.
- 1.2 At its meeting on 13th June 2019, the Audit and Standards Committee agreed to hold a workshop to look at the best practice recommendations for local government included within the review.

2.0 BACKGROUND

- 2.1 The Committee on Standards in Public Life published a review on Local Government Ethical Standards in January 2019. The report set out 26 recommendations to the Government, the LGA, Parish Councils and Political Groups which are designed to strengthen the current regime. All of the recommendations require actions by bodies other than local authorities, e.g. Government, before they can be implemented.
- 2.2 Also included within the report were 15 areas of best practice which it suggested local authorities should be following. The Committee on Standards in Public Life will review implementation of best practice in 2020.

3.0 MAIN BODY OF THE REPORT

Including Legal, Financial and all other relevant implications (if any)

- 3.1 On 26th September, an Ethical Standards Workshop was held to look at whether the Authority was meeting the best practice and what needed to be done in the areas that did not meet best practice.
- 3.2 Invited to the workshop were all members of the Audit and Standards Committee, including the Independent Co-opted Member and Parish Council representatives. Also invited were the Council's two Independent Members. There were seven attendees present at the workshop.
- 3.3 Officers had assessed the 15 areas of best practice against the current practice of the Council and put them into a 'traffic light' system, as follows:

- | |
|---|
| <ol style="list-style-type: none">1. AMBER - Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition. |
|---|

<p>2. RED - Councils should include provisions in their Code of Conduct requiring Councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by Councillors.</p>
<p>3. AMBER - Principal authorities should review their Code of Conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.</p>
<p>4. RED - An authority's Code of Conduct should be readily accessible to both Councillors and the public, in a prominent position on the Council's website and available in Council premises.</p>
<p>5. GREEN - Local authorities should update their gifts and hospitality register at least once per quarter and publish it in an accessible format, such as CSV.</p>
<p>6. RED - Councils should publish a clear and straightforward public interest test against which allegations are filtered.</p>
<p>7. GREEN - Local authorities should have access to at least two Independent Persons.</p>
<p>8. AMBER - An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious or trivial.</p>
<p>9. GREEN - Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker and any sanction applied.</p>

<p>10. AMBER - A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the Code of Conduct, the process for handling complaints and estimated timescales for investigations and outcomes.</p>
<p>11. Formal standards complaints about the conduct of a parish councillor towards a Clerk should be made by the Chair or by the parish council as a whole, rather than the Clerk in all but exceptional circumstances.</p>
<p>12. AMBER - Monitoring Officer roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.</p>
<p>13. RED - A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.</p>
<p>14. GREEN - Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas, minutes and annual reports in an accessible place.</p>
<p>15. GREEN - Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.</p>

4.0 OUTCOMES OF THE WORKSHOP

4.1 The workshop looked at the areas of best practice and made the following recommendations (the full report can be read here: <https://www.gov.uk/government/publications/local-government-ethical-standards-report>) :

4.2 **1. AMBER - Local authorities should include prohibitions on bullying and harassment in codes of conduct. These**

should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

- SCC current code is not detailed enough.
- ACAS definition included with the review document should be included within the Code of Conduct.
- Examples should be included as an appendix to the Code (should be made clear that the examples are not an exhaustive list!).
- The NALC model code had no definition. This should be a question to NALC.

4.3 **2. RED - Councils should include provisions in their Code of Conduct requiring Councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by Councillors.**

- Provisions should be included in SCC Code.
- All Members should be asked to sign up to comply with the sanctions.
- Should follow the wording on P.41 of the review document.
- Should apply to the whole code.

4.4 **3. AMBER - Principal authorities should review their Code of Conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.**

- A system should be devised that is as inclusive as possible to get the views of the public.
- Carry out consultation with disability groups etc.
- Possible online consultation that is open all year round, requesting feedback on Councillors and the Code of Conduct.
- Consider how to reach those who don't have online access.

4.5 **4. RED - An authority's code of Conduct should be readily accessible to both Councillors and the public, in a prominent position on the Council's website and available in Council premises.**

- Consider providing hard copies in libraries, First Point etc.

4.6 **5. GREEN - Local authorities should update their gifts and hospitality register at least once per quarter and publish it in an accessible format, such as CSV.**

- £50 is too high, should be amended to £25 to match staff.

- 4.7 **6. RED - Councils should publish a clear and straightforward public interest test against which allegations are filtered.**
- The Northern Ireland definition on p.53 of the review report is simple and would work well.
 - Would be useful to look to see if there are any other examples.
 - The criteria for the test would need to be made clear – possible publication of how many points would need to apply.
- 4.8 **7. GREEN - Local authorities should have access to at least two Independent Persons.**
- Possibly look at increasing the number – but no more than 4.
- 4.9 **8. AMBER - An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious or trivial.**
- Agreed – should be written into the procedure.
- 4.10 **9. GREEN - Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker and any sanction applied.**
- More information on the website regarding complaints over and above the complaint form and guidance e.g. what sort of evidence would be taken into account.
 - Add a link to the Code of Conduct from the councillor page of the website.
- 4.11 **10. AMBER - A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the Code of Conduct, the process for handling complaints and estimated timescales for investigations and outcomes.**
- See 9 above.
- 4.12 **11. Formal standards complaints about the conduct of a parish councillor towards a Clerk should be made by the Chair or by the parish council as a whole, rather than the Clerk in all but exceptional circumstances.**
- For Parish Councils to endorse

- A robust system would need to be in place for it to work.
- 4.13 **12. AMBER - Monitoring Officer roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.**
- It was felt that a financial contribution could cause precepts to be increased.
 - An annual fee could be charged to PC's.
- 4.14 **13. RED - A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.**
- This was a good idea as it was better to be independent.
 - Could be written into the procedure.
 - Depending on the level of conflict Deputy Monitoring Officer could be used.
 - Use the reciprocal arrangement with Barnsley MBC.
- 4.15 **14. GREEN - Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas, minutes and annual reports in an accessible place.**
- Not Green - should be white, as no bodies currently meeting the criteria.
 - Should look at having measures in place just in case.
- 4.16 **15. GREEN - Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.**
- All groups were invited to send a representative to the Whips meeting.



Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 24th October 2019

Subject: Work Programme

Author of Report: Abby Brownsword, Democratic Services
(Tel - 0114 273 5033)

Summary:

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

Recommendations:

That the Committee:-

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

(b) approves the work programme.

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

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

WORK PROGRAMME

1. Purpose of Report

1.1 To consider an outline work programme for the Committee.

2. Work Programme

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. The work programme includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee. In addition, it also 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**

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Audit and Standards Work Programme 2019-20

Date	Item	Author
17 October 2019	Final Accounts Audit Progress	Ernst & Young (External Auditor)
	Progress on PFI Objection	Dave Phillips (Head of Strategic Finance)
	Annual Ombudsman Report	Ben Marston (Service Delivery Manager)
	Feedback from the Ethical Standards Workshop	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
19 December 2019	(Additional meeting if required)	
23 January 2020	Progress on High Opinion Audit Reports	Kayleigh Inman (Senior Finance Manager)
	AGS Half Yearly Update	Gillian Duckworth (Director of Legal and Governance)
	PFI Objection Report	Dave Phillips (Head of Strategic Finance)
	Audit Certificate and Annual Audit Letter 2016/17	Dave Phillips (Head of Strategic Finance)
	Audit Certificate and Annual Audit Letter 2017/18	Dave Phillips (Head of Strategic Finance)
	Annual Audit Letter 2018/19	Ernst & Young (External Auditor)
	Review of Member's Code of Conduct	Gillian Duckworth (Director of Legal and Governance)
	Review of Standards Complaints Procedure	Gillian Duckworth (Director of Legal and Governance)

Audit and Standards Work Programme 2019-20

	Annual Standards report	Gillian Duckworth (Director of Legal and Governance)
	Universal Credit	Tim Hardie (Director of Finance and Commercial Services)
	Strategic Risk Management	Helen Molteno (Corporate Risk Manager)
	Update on the Insourcing of ICT	Mike Weston (Assistant Director of ICT Service Delivery)
	Information Management Annual Report	Mark Jones (Senior Information Management Officer)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
20 February 2020	(Additional meeting if required)	
19 March 2020	(Additional meeting if required)	
16 April 2020	Internal Audit Plan 2019/20	Kayleigh Inman (Senior Finance Manager)
	Compliance with International Auditing Standards	Dave Phillips (Head of Strategic Finance)
	Certification of Claims and Returns Annual Report 2017/18	Ernst & Young (External Auditor)
	External Audit Plan 2019/20	Ernst & Young (External Auditor)
	Annual Audit Fee Letter 2019/20	Ernst & Young (External Auditor)
	Whistleblowing Policy Review and Update	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)

Audit and Standards Work Programme 2019-20

June/July 2020	Audit Training	External Facilitator (Gary Bandy)
11 June 2020	Summary of Statement of Accounts	Dave Phillips (Head of Strategic Finance)
	Internal Audit Annual Fraud Report	Kayleigh Inman (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
23 July 2020	Report to Those Charged with Governance (ISA 260)	Ernst & Young (External Auditor)
	Statement of Accounts	Dave Phillips (Head of Strategic Finance)
	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
	Annual Internal Audit Opinion Report	Kayleigh Inman (Senior Finance Manager)
	Information Management Annual Report	Mark Jones (Senior Information Management Officer)
	Progress on High Opinion Audit Reports	Kayleigh Inman (Senior Finance Manager)
	Update on Standards Complaints	Gillian Duckworth (Director of Legal and Governance)
	Strategic Risk Management	Helen Molteno (Corporate Risk Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)

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