

Audit and Standards Committee

Thursday 19 March 2020 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 and Alison Howard

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
19 MARCH 2020**

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 23rd January 2020.
- 6. External Audit Plan 2019/20** (Pages 11 - 52)
Report of the Ernst and Young (External Auditor)
- 7. Review of Member's Code of Conduct and the Standards Complaints Procedure** (Pages 53 - 80)
Report of the Director of Legal and Governance
- 8. Annual Standards Report 2019-20** (Pages 81 - 88)
Report of the Director of Legal and Governance
- 9. Annual Governance Statement Half Yearly Update** (Pages 89 - 98)
Report of the Director of Legal and Governance
- 10. Work Programme** (Pages 99 - 104)
Report of the Director of Legal and Governance.
- 11. Dates of Future Meetings**
To note that meetings of the Committee will be held at 5.00 p.m. on:-

Thursday 16th April 2020
Thursday 11th June 2020
Thursday 30th 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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Audit and Standards Committee

Meeting held 23 January 2020

PRESENT: Councillors Simon Clement-Jones (Chair), Angela Argenzio, Adam Hurst, Mohammed Mahroof, Josie Paszek and Liz Stanley (Independent Co-Opted Member)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Pat Midgely and Sioned-Mair Richards.

2. EXCLUSION OF THE PRESS AND PUBLIC

2.1 The Chair (Councillor Simon Clement-Jones) stated that the report and appendices at agenda item 11 (Strategic Risk Management) (See minute no. 11 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 There were no declarations of interest made.

4. MINUTES OF PREVIOUS MEETING

4.1 **RESOLVED:** That, the minutes of a meeting of the Committee held on 19th December 2019 were approved as a correct record.

5. ICT SOFTWARE AND HARDWARE ASSET MANAGEMENT

5.1 Mike Weston, Assistant Director ICT Service Delivery, attended the meeting to present the report.

5.2 The report provided the Committee with an update on the implementation of the recommendations arising from the Software Asset Management and Hardware Asset Management Audit reports finalised in March 2019.

5.3 Numerous requests had been made for Capita to provide information to support the audits, but this was not forthcoming. Therefore, BCIS and Audit had agreed the final report assurances, but significant progress on implementation of the

recommendations was only really possible post exit from the Capita contract which occurred on 4th January 2020.

- 5.4 Policies in relation to software and hardware asset management had been drafted and would be presented to the February meeting of the ICT Strategy Board. A new service management tool had also been implemented and contracts and licences relating to Sheffield ICT had been given back to the Council. A roll out of new equipment was also being carried out.
- 5.5 Councillor Josie Paszek asked if there were any expectations of timescales by which the work could be implemented. Mike Weston hoped that a full inventory of assets would be complete by early Summer, most of the PC's were over 9 years old and were now in the process of being replaced.
- 5.6 Councillor Mohammed Mahroof asked what the costs of the transition were. It was explained that the costs of the replacement equipment would be funded from the savings made by bringing ICT back in house and the actual costs were being finalised.
- 5.7 **RESOLVED:** That (1) the current positions be noted and a further report be provided to the Audit and Standards Committee by June 2020 and;
- (2) Copies of the Audit Reports be recirculated to Audit and Standards Committee Members for information.

6. UNIVERSAL CREDIT

- 6.1 Tim Hardie, Head of Commercial Business Development, Maxine Stavraniakos, Head of Neighbourhood Intervention and Tenant Support and Cat Arnold, Policy and Improvement Officer attended the meeting and presented the report.
- 6.2 The report provided Committee with an update following the introduction of Universal Credit (UC), which had now been in operation in Sheffield for over 12 months, and gave further information on how UC had impacted on housing rent arrears, take up of Council Tax Support and the experiences of vulnerable groups in the city.
- 6.3 Councillor Paszek asked whether and decision had yet been made on further ongoing support for claimants. Tim Hardie replied that it was hoped that the Citizens Advice Bureau (CAB) would continue their support.
- 6.4 A further question was asked about what percentage of housing rent arrears were due to UC and it was answered that 10% of tenants were receiving UC, but not all benefit claimants were on UC, there was a mix of legacy benefits. It was expected that up to 16,000 people would eventually be claiming UC and it should be noted that it was paid in arrears which created a natural upwards pressure. The Council worked closely with the DWP and CAB to get advice and support out to claimants.
- 6.5 Councillor Josie Paszek asked whether everyone claiming UC had to have a bank

account. Maxine Stavraniakos confirmed that UC claimants needed to have a bank account, but it did not have to support direct debits which were the Council's preferred method of collecting payment. Work was being carried out with Customer Support to ensure that other methods were available to claimants.

- 6.6 Tim Hardie explained that when new UC claims were received by the Council, they were also treated as Council Tax support claims which was made easier as the teams were more able to work more closely together since the insourcing of Revenues and Benefits. Rent Officers were also talking to tenants about rent and council tax at the same time.
- 6.7 Councillor Paszek asked about under 25's and other vulnerable groups. It was explained that the Council was working with the CAB to set up surgeries to speak with care leavers.
- 6.8 Councillor Mohammed Mahroof asked how the Council could help stop exploitation of vulnerable groups by people offering to fill out forms for money. Cat Arnold explained that the DWP reported issues to the Police when known and work was being carried out with the Communications Department to work on communication regarding how to access free support. This would be available in community languages.
- 6.9 Eugene Walker, Executive Director – Resources, explained that the Council had received funding to work on applications for EU status following Brexit and this would help ensure that there were trusted places for people to go to access support. The Council also attended the Private Landlord Forum.
- 6.10 Councillor Angela Argenzio asked how people with disabilities had been affected by UC. Cat Arnold said that there was anecdotal evidence that people with disabilities had been adversely affected. UC was a web based system, but there was a telephone system in place.
- 6.11 Eugene Walker informed Committee work was being undertaken to measure the impact of UC and the Council's role was increasingly becoming one of advocacy, questioning and scrutiny. UC was administered by the DWP, so the Council could only lobby to try to make things easier.
- 6.12 Councillor Angela Argenzio asked if the Council worked with any charities and carried out training on how they could support people. Cat Arnold explained that the DWP had run many awareness sessions for local organisations, charities and private landlords. All Council staff and DWP staff were trained to spot safeguarding issues.
- 6.13 **RESOLVED:** That the information set out in the report and appendices be noted.

7. PFI OBJECTION

- 7.1 This item was withdrawn.

8. ANNUAL AUDIT LETTER 2018/19

- 8.1 Hayley Clarke, Ernst and Young (the Council's external auditors), attended the meeting to present the report.
- 8.2 The Annual Audit Letter 2018/19 was produced by Ernst and Young and informed the Council of the areas of work carried out and the conclusions made. There were no areas of public interest found and an unqualified report had been issued.
- 8.3 **RESOLVED:** That the Annual Audit Letter 2018/19 be noted.

9. PROGRESS ON HIGH OPINION AUDIT REPORTS

- 9.1 Kayleigh Inman, Senior Finance Manager, attended the meeting and presented the report.
- 9.2 Kayleigh informed Committee that 11 recommendations had been followed up. Three had been implemented and seven were ongoing, some of which were regarding the insourcing of ICT and the Tech 2020 project.
- 9.3 There were no new reports to add and two recommendations had been removed as they had now been completed.
- 9.4 Liz Stanley, Independent Co-Opted Member, asked what the situation was regarding the review of Subject Access Requests as there had been no update. Kayleigh explained that regular contact had been maintained with the manager and work was underway to complete the recommendations.
- 9.5 A further question was asked regarding the insourcing from Capita and the length of time it was taking. Kayleigh explained the current systems were being maintained while insourcing was taking place.
- 9.6 **RESOLVED:** That; (1) the contents of the report be noted; and
- (2) The removal of the following reports from the tracker be approved:
- Training Centres – Recovery Planning and Monitoring (People)
 - The Licensing Service (Place)

10. EXCLUSION OF THE PRESS AND PUBLIC

- 10.1 **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.

11. STRATEGIC RISK MANAGEMENT

- 11.1 Helen Molteno, Finance Manager, attended the meeting and presented the report.
- 11.2 The presentation provided 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.
- 11.3 The report and presentation covered the period from July to September 2019. The Finance Manager, Assistant Director of Finance and the Director of Legal and Governance responded to questions from Members of the Committee in relation to mandatory training, level of reserves and employee morale.
- 11.4 **RESOLVED:** That; (1) the current assessment of the Council's risk management arrangements be noted and the measures taken to strengthen those arrangements be endorsed and;
- (2) the current and emerging risks be noted and the actions being taken to mitigate those risks be endorsed.

12. WORK PROGRAMME

- 12.1 Gillian Duckworth, Director of Legal and Governance, presented the report which gave an outline of the Committee's work programme.
- 12.2 It was suggested the meeting to be held on 20th February 2020 be cancelled and the items be moved to 19th March 2020 to enable better attendance at the meeting.
- 12.3 Hayley Clark suggested that the External Audit Plan be brought forward to the meeting on 19th March 2020.
- 12.4 **RESOLVED:** That; (1) including the changes above, the work programme be approved.

13. DATES OF FUTURE MEETINGS

- 13.1 It was noted that meetings of the Committee would be held at 5.00pm on:-
- Thursday 19th March 2020
Thursday 16th April 2020
Thursday 11th June 2020
Thursday 30th July 2020

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Sheffield City Council Indicative Audit planning report

Year ended 31 March 2020

10 March 2020



Private and Confidential

10 March 2020

Sheffield City Council
Town Hall
Pinstone Street
Sheffield

Dear Audit & Standards Committee Members

Audit planning report

We are pleased to attach our provisional Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This provisional plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit & Standards Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit & Standards Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 19 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Stephen Clark

For and on behalf of Ernst & Young LLP

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06 Audit team	07 Audit timeline	08 Independence	09 Appendices	

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Standards Committee and management of Sheffield City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Standards Committee and management of Sheffield City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Standards Committee and management of Sheffield City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Standards Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Risk of fraud in expenditure recognition - inappropriate capitalisation of expenditure	Fraud risk	Change in risk or focus	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. We consider that this risk is more prevalent over the medium term and is likely to occur through the capitalisation of expenditure that should be accounted for in the Comprehensive Income and Expenditure Statement (CIES). We have re-evaluated our risk assessment compared to the prior year, removing the risks around the completeness of liabilities and valuation of provisions.
Valuation of Investment Properties and Property, Plant and Equipment	Significant risk	No change in risk or focus	The Council has a large and complex asset base that makes up a significant proportion of its balance sheet. Valuation of assets is an area subject to professional estimation and therefore a higher risk of misstatement.
Local Government Pension Scheme	Other financial statement risk (Higher inherent risk)	No change in risk or focus	The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. A small movement in these assumptions could have a material impact on the value in the balance sheet.
PFI accounting treatment	Other financial statement risk (Higher inherent risk)	No change in risk or focus	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.
Change in payroll system	Other financial statement risk (Higher inherent risk)	New area of focus	The Council transitioned to a new payroll system in July 2019. There is a risk that the data has not been migrated correctly between the two systems and interfaced with the general ledger.

Overview of our 2019/20 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
IFRS 16 - leases	Other financial statement risk	New area of focus	Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020. As you will be required to include the estimated impact of IFRS 16 within your 2019/20 financial statements, you will need to provide evidence to demonstrate that an impact assessment has been undertaken, it is complete, and that any disclosures are materially correct.

Materiality

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Planning materiality
£25.5m

Materiality has been set at £25.5 million, which represents 1.8% of the prior years gross expenditure on provision of services.

Performance materiality
£12.8m

Performance materiality has been set at £12.8 million, which represents 50% of materiality. When determining the amount to be used as performance materiality we take into account considerations such as the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting. Given the misstatements identified in the prior year, we have determined that performance materiality needs to be set at 50% of planning materiality. This has an impact on the level of work we are required to perform, and therefore the audit fee.

Audit differences
£1.3m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, collection fund, and firefighters' pension fund financial statements) greater than £1.3m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Standards Committee.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Sheffield City Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Sheffield City Council's audit, we will discuss these with management as to the impact on the scale fee.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

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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) 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 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). We have reported on these separately and have not repeated that information here.

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ testing of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ assessing accounting estimates for evidence of management bias; and
 - ▶ evaluating the business rationale for significant unusual transactions.

Our response to significant risks (continued)

Risk of fraud in expenditure recognition - inappropriate capitalisation of expenditure*

Financial statement impact

Misstatements that occur in relation to the inappropriate capitalisation of expenditure could affect the expenditure accounts.

We consider the risk applies to capitalisation of expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement and PPE reported in the Balance Sheet.

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.

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 capitalisation of expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme. We consider this to impact on the valuation of PPE balances.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing the appropriateness of expenditure recognition and capitalisation accounting policies;
- ▶ Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that move expenditure to PPE balance sheet general ledger codes; and
- ▶ Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any expenditure items that have been inappropriately capitalised.

Our response to significant risks (continued)

Valuation of Investment Properties and Property, Plant and Equipment

Financial statement impact

Errors in financial statements that occur in relation to the valuation of Investment Properties and Property, Plant & Equipment could affect the Balance Sheet. These accounts had the following balances in the 2018/19 financial statements:

- ▶ Council dwellings: £1,326m
- ▶ Other land and buildings: £542m
- ▶ Surplus assets: £197m
- ▶ Investment Properties: £28m

What is the risk?

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.

The assets that fall within this risk are those that are held at fair value, being:

- ▶ Council dwellings
- ▶ Other Land & Buildings
- ▶ Surplus Assets
- ▶ Investment Properties

We identified a number of audit findings in this area in the prior year. In addition, 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 impacting on their valuation in the balance sheet. 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 will we do?

- ▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code;
- ▶ Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Engage internal EY valuation specialists to review the approach of the Council valuer, consider assumptions underpinning the valuation and to provide expected valuations for a sample of assets valued during the year;
- ▶ Test accounting entries have been correctly processed in the financial statements; and
- ▶ Review the classification of assets and ensure the correct valuation methodology has been applied.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Pension Liability Valuation</p> <p>The Local Authority 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 administered by South Yorkshire Pension Authority. 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 £930.7 million (£776.6 million at 31 March 2018). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>Following the outcome of McCloud in 2018/19, initial estimates suggest removing the difference in treatment of discrimination will add around £4 billion per annum to scheme liabilities across public services from 2015. CIPFA is preparing further accounting guidance to support bodies with the accounting for the McCloud liability in 2019-20. However, the Authority, via their actuaries will need to ensure that they refine their estimate of the impact of McCloud in 2019/20 and how subsequent funding implications may impact on the triennial valuation.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Liaise with the auditors of South Yorkshire Pension Authority, to obtain assurances over the information supplied to the actuary in relation to the Council; ▶ Assess the work of the Pension Fund actuary (Mercers) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
<p>PFI and Service Concession arrangements</p> <p>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.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ We will review (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 material schemes we will undertake testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end outputs from each of the models. ▶ Review associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.

Other areas of audit focus (continued)

What is the risk/area of focus?

Change in payroll system

The Council transitioned to a new payroll system in July 2019. There is a risk that the data has not been migrated correctly between the two systems and interfaced with the general ledger.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Testing the migration of the data between the two systems to ensure it remains complete and accurate;
- ▶ Reviewing the mapping of data between the two systems;
- ▶ Gaining an understanding of the new IT environment and the impact this has on the processes associated with significant classes of transactions; and
- ▶ Consider involving our risk assurances experts in assessing how the migration has been performed.

Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS 16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- ▶ the identification of leases
- ▶ the recognition of right-of-use assets and liabilities and their subsequent measurement
- ▶ treatment of gains and losses
- ▶ derecognition and presentation and disclosure in the financial statements,
- ▶ the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- ▶ the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- ▶ the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

What will we do?

IFRS 16 - leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:

- ▶ all leases which need to be accounted for
- ▶ the costs and lease term which apply to the lease
- ▶ the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 - leases with the finance team over the course of our 2019/20 audit.

Other matter

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit & Standards Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.



03

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 2019/20 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.

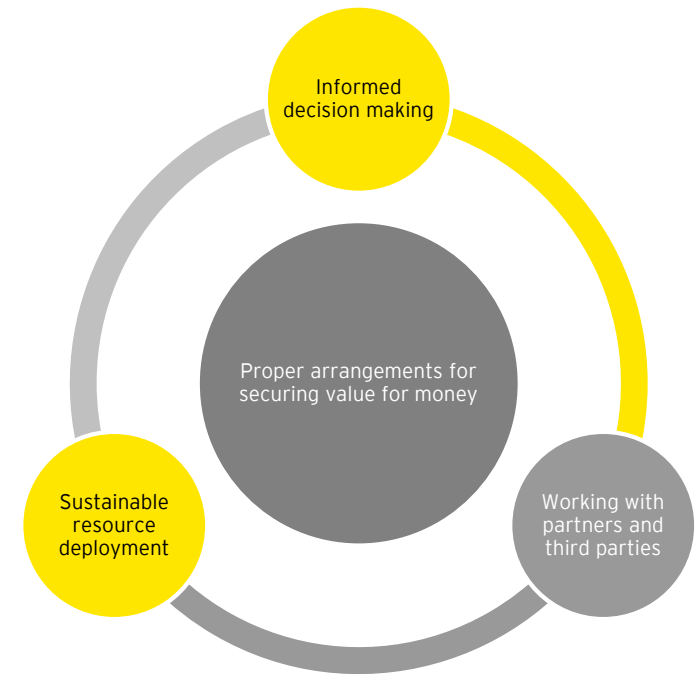
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines 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 sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. This includes consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Councils will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Securing Financial Resilience</p> <p>The financial environment in which the Council operates continues to be challenging with continued reductions in funding and increasing demand for services.</p> <p>The Council has responded well to challenges and delivered significant and continued levels of savings whilst maintaining services for the local population.</p> <p>As at 31 December 2019 the Council is forecasting a £1.5m overspend for 2019/20. This includes a £6.8m overspend within the Children and Families Service which is expected to improve over the course of the rest of this year, as measures to control demand and spending have further effects.</p> <p>The 2019/20 Budget approved £29.7m of savings of which the overall amount of savings considered at risk of non-delivery is £5.0m, representing 17% of the original approved amount. This amount has worsened by 2% from 15% at Month 6. At Month 9, work is ongoing to secure the delivery of challenging savings and to identify other mitigations.</p> <p>The reported financial performance highlights 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 currently has a reasonable level of reserves, the current trajectory of overspending is not sustainable in the medium to long term and services will need to be tackle pressures and meet savings requirements, supporting the Council to bring the budget back to balance.</p>	<p>Deploy resources in a sustainable manner</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Considering current financial standing and the availability of reserves to fund future expenditure. ▶ Considering the 2019/20 outturn performance and impact on the current MTFS. ▶ Considering the appropriateness of key assumptions used by the Council in setting the budget and Medium Term Financial Strategy.
<p>Regeneration programmes</p> <p>The Council continues to invest significantly in the regeneration of the city. This has included the underwriting of a 40 year lease at West Bar.</p> <p>With national declines in the value of office and retail space, it is important that the Council has appropriately assessed the risks to their regeneration plans both prior to approving them, and then throughout, to ensure that they remain fit for purpose and emerging risks are being identified and mitigated.</p>	<p>Take informed decisions / Deploy resources in a sustainable manner</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the decision making process for the approval of investment in West Bar. ▶ Reviewing whether the risks associated with regeneration schemes are appropriately being reflected on the risk register and mitigating actions are being taken.



04

Audit materiality

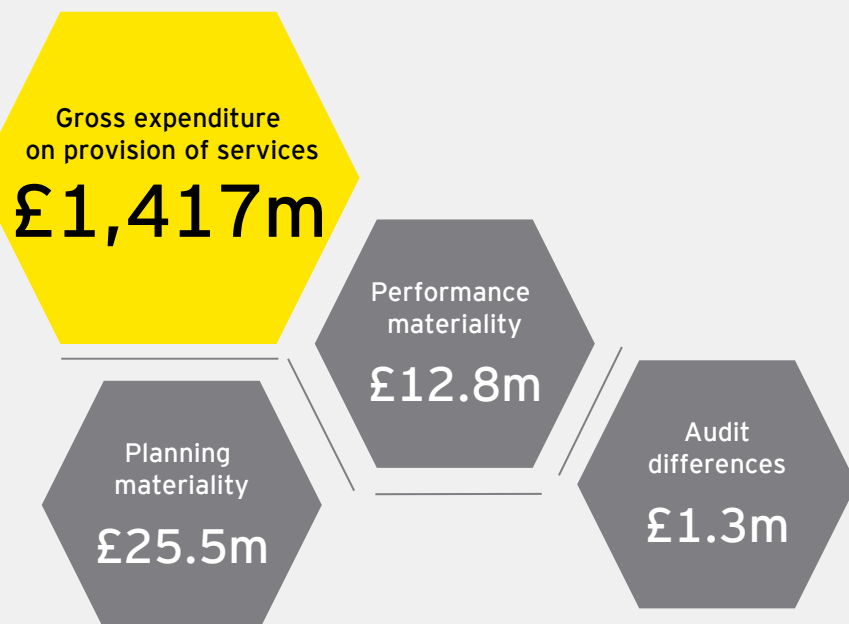


Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £25.5m. This represents 1.8% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. We have provided supplemental information about audit materiality in Appendix C.

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We request that the Audit & Standards Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £12.8m which represents 50% of planning materiality. When determining the amount to be used as performance materiality we take into account considerations such as the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting. Given the misstatements identified in the prior year, we have determined that performance materiality needs to be set at 50% of planning materiality. This has an impact on the level of work we are required to perform, and therefore the audit fee.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit & Standards Committee, or are important from a qualitative perspective.

Specific materiality - we have set a materiality for remuneration disclosures, related party transactions and councillor allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Standards Committee.

Internal audit:

We will review internal audit plan and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team

The engagement team is led by Stephen Clark*, who is supported by Hayley Clark (Senior Manager), who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team. Both work within our dedicated Government and Public Sector team and have significant experience on council audits.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries, PSAA consulting actuaries and Scheme actuary
PFIs	EY Internal PFI Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

* Key Audit Partner



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit & Standards Committee and we will discuss them with the Audit & Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit & Standards Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	January - March		
	January	Audit & Standards Committee	
Interim audit testing	February		
	March	Audit & Standards Committee	Audit Planning Report
	April	Audit & Standards Committee	Annual fee letter 2020/21
	May		
Year end audit	June	Audit & Standards Committee	
Year end audit	July	Audit & Standards Committee	Audit Results Report
Audit Completion procedures	August		Audit opinions and completion certificates
	September	Audit & Standards Committee	Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Clark, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 25%. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. The table below sets out the self review threats that exist as the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work. There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Relationships, services and related threats and safeguards

Description of service	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
<p>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 2019/20. Our anticipated fees are TBC. In 2018/19 these were £27k.</p>	<p>Self review threat - figures included in the return are also included in the financial statements.</p>	<p>Year ended 31 March 2020 and for all subsequent accounting periods. However, this will be assessed annually.</p>	<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>
<p>Teachers' pension return - fees are TBC. In 2018/19 these were £10k.</p>	<p>Self review threat - figures included in the return are also included in the financial statements.</p>	<p>Year ended 31 March 2020 and for all subsequent accounting periods. However, this will be assessed annually.</p>	<p>The specific testing on this return is 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 return is more granular than that required for the purposes of the accounts audit. Our external audit is concluded prior to this engagement. The external audit conclusion is therefore not reliant upon the conclusion on the result of it. 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 will not be used or relied upon for any other purposes.</p>

In relation to the above we are yet to be appointed by the Council and will therefore provide an update in our Audit Results Report if engaged.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- ▶ Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
 - ▶ A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
 - ▶ A narrow list of permitted services where closely related to the audit and/or required by law or regulation
 - ▶ Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - ▶ Tax advocacy services
 - ▶ Remuneration advisory services
 - ▶ Internal audit services
 - ▶ Secondment/loan staff arrangements
- ▶ An absolute prohibition on contingent fees.
- ▶ Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- ▶ Permitted services required by law or regulation will not be subject to the 70% fee cap.
- ▶ Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
 - ▶ A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
 - ▶ A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Scale fee	Note 2	143,988	143,988
Additional fees: (Note 1)			
- Pension testing	TBC		17,725
- GMP and McCloud	TBC		3,479
- Property, Plant and Equipment	TBC		11,210
- Schools balances	TBC		2,498
- Financial statement amendments and prior year adjustments	TBC		1,460
- Impact of reduced materiality	TBC		
- IFRS 16	TBC		
- PFI	TBC		
- Change in payroll system	TBC		
- Value for Money	TBC		
Total audit	TBC		180,360
Other non-audit services not covered above (Housing Benefits) (Note 3)	TBC		27,400
Teachers Pensions (note 3)	TBC		9,500
Total other non-audit services	TBC		36,900
Total fees	TBC		217,260

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

(1) The 18/19 Code work includes an additional fee of £36,372, which relates to additional work reviewing the above listed areas. We are in the process of seeking approval from the PSAA.

(2) We wrote to management and the Audit & Standards Committee Chair on 10 February setting out our considerations on the sustainability of UK local public audit. A base fee of £143,988 has been prescribed by PSAA for the 2019-20 audit but we will be having further discussions with management and the Committee on the level of scale fee variation to be applied. For 2019/20, the scale fee will be impacted by a range of factors (see pages 5 and 6) which will result in additional work. We have provided management with an estimate of the potential additional fee based on our understanding of the work requirements, however, the actual fees may be higher than this. We are still in the process of discussing and agreeing these with management and will provide an update once this process has been finalised.

(3) We will agree fees with you for 2019/20 if we are engaged and prior to commencing the work.

Fees

Summary of key factors

1. **Status of sector:** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 2. **Audit of estimates:** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 3. **Regulatory environment:** Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice, are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
- Resourcing:** As a result of the above, public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.

We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality. We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

To respond to these factors we have to:



- ▶ Increase our sample sizes, seek higher levels of corroborative evidence and engage with our internal specialists on a wider array of matters;
- ▶ Increase our investment in data analytics tools to allow us to test more transactions to a greater level of detail and enhance audit quality; and
- ▶ Invest in our audit quality infrastructure, as a firm our compliance costs have doubled as a proportion of revenue over the past five years.

Appendix B

Required communications with the Audit & Standards Committee





We have detailed the communications that we must provide to the Audit & Standards Committee.

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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
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 	Audit results report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report



Appendix B

Required communications with the Audit & Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <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 entity 	Audit results report
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
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ 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 	Audit results report
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Management letter/audit results report

Required communications with the Audit & Standards Committee (continued)



 Our Reporting to you

Required communications	 What is reported?	 When and where
Independence	<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>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 Council 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 	Audit Planning Report and Audit Results Report

Appendix B

Required communications with the Audit & Standards Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
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
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit & Standards Committee reporting appropriately addresses matters communicated by us to the Audit & Standards Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Audit and Standards Committee Report

Report of: Gillian Duckworth, Monitoring Officer

Date: 20 March 2020

Subject: Review of the Members Code of Conduct

Author of Report: Gillian Duckworth

Summary: To provide the Committee with an amended Code of Conduct and Councillor Complaints Procedure taking into account recommendations from the Audit and Standards Committee on 24th October 2019 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 proposed changes to the Code of Conduct and the Procedure for Dealing with Complaints regarding City, Parish and Town Councillors and Co-Opted Members for approval and forwarding to Full Council for adoption.

Background Papers:

Report to Audit and Standards Committee on 24th October 2019

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.
- 1.3 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. Recommendations from the workshop were discussed at the Audit and Standards Committee held on 24th October 2019.

2.0 BACKGROUND

- 2.1 The Committee on Standards in Public Life published a review on Local Government Ethical Standards in January 2019 (the full report can be found on the gov.uk website). 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.

4.0 OUTCOMES OF THE WORKSHOP

4.1 The workshop looked at the areas of best practice and made the following recommendations.

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 £10 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 regular

Whips meeting.

5. CHANGES TO THE CODE OF CONDUCT

- 5.1 Taking into account the above, the following (please see Appendix A) changes have been recommended to the Code of Conduct:
- 5.2 A minor revision has been made to the introduction to make it clearer and more concise.
- 5.3 A definition of bullying has been added to paragraph 1.1(c) (see Best Practice 1), in order to ensure Members are clear on the kinds of behaviour that are not acceptable.
- 5.4 Paragraph 1.1 has also been amended to include that Members should comply with any sanctions imposed and not make any trivial or malicious complaints, as outlined in Best Practice 2.
- 5.5 Paragraph 2.3 has been amended so that the Members gifts and hospitality regime reflects that of Officers, as per the discussion at the Ethical Standards Workshop (Best Practice 5).
- 5.6 A minor revision to paragraph 4.3 regarding equalities to ensure that the Code of Conduct reflects the Council's current equality responsibilities.
- 5.7 Prior to publication, the format will be changed to reflect the new corporate style.
- 5.8 Work is being carried out at a national level to formulate a model code of conduct, therefore the Council will consider the Code again once this work is completed and a model code is published.

6. COMPLAINTS CONCERNING A CITY, PARISH AND TOWN COUNCILLOR AND CO-OPTED MEMBERS

- 6.1 Revisions have been made in line with the best practice recommendations to the Procedure for Dealing with Complaints regarding City, Parish and Town Councillors and Co-Opted Members which is an appendix to Part 5 (b) of the Monitoring Officer Protocol (please see Appendix B).
- 6.2 As per best practice 13, insertions of paragraphs 1.4 and 1.5 into the introduction have been made which explain about possible conflicts of interest of officers appointed by the Monitoring Officer when undertaking standards investigations and also that the Monitoring Officer considers the interests of the public when assessing complaints against Councillors.
- 6.3 The procedure now clearly explains who the Independent Persons are and what the purpose of their role is. It also states when the Independent Person is consulted at various stages in the standards process.

- 6.4 At part 4 of the procedure - Making a Complaint/Withdrawing a Complaint, more detailed information has been included around the circumstances of requests for confidentiality by a complainant. This information was formally part of the 'complain about a councillor form', however it was felt better placed at part 4 of the document, this helps keep the 'complain about a councillor' form simpler and easier for complainants to complete.
- 6.5 Throughout the document the word 'potential' has been removed. A complaint will no longer be considered a 'potential breach'. Complaints will now be considered either 'a breach' of the Members' Code of Conduct or 'not a breach' of the Members' Code of Conduct'. This is in line with what neighbouring authorities have adopted in their Councillor complaints procedures.
- 6.6 At the foot of the document a complaints procedure flow chart has been included. This shows clearly each step in the process and also outlines what options are available to the Monitoring Officer/Consideration Sub-Committee/Hearing Sub-Committee should a breach of the Members' Code of Conduct be found.
- 6.7 In line with best practice 10, work has been undertaken to improve the complaint form used by the public to lodge a complaint against a councillor. The form is now more easily accessible on the Council's website. A new online complaint form has also been devised and will be launched in the next few months.

SHEFFIELD CITY COUNCIL – MEMBERS’ CODE OF CONDUCT

Introduction

This Code applies to members of this Authority when you act in your role as a Member and a representative of this Authority and it is your responsibility to comply with the provisions of this Code. Members include all Elected Members and Co-opted Members. It sets out the standards which are required of all Members of the Authority in carrying out their duties, and in their relationships with the Council and its officers.

This Code is based upon the following principles of public life which each member should comply with:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

This Code does not cover matters under the Localism Act 2011 where criminal sanctions will apply.

1. General Obligations

1.1 When acting in your role as a member of the authority you:

- (a) Must treat others with respect.
 - (b) Must not conduct yourself in a manner which is contrary to the Council’s duty to promote and maintain high standards of conduct of members.
 - (c) Must not bully or intimidate any person. In order to help Members understand the types of behavior that might constitute bullying the following definition has been adopted as a guide ‘offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient’.
 - (d) Must not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where
 - (i) You have the consent of a person authorised to give it;
 - (ii) You are required by law to do so;
 - (iii) The disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
 - (iv) The disclosure is –
 - (A) reasonable and in the public interest;
 - (B) made in good faith and in compliance with the reasonable requirements of the authority; and
 - (C) you have consulted the Monitoring Officer prior to its release.
 - (e) Must not prevent another person from gaining access to information to which that person is entitled by law.
-

- (f) Must not conduct yourself in a manner which would reasonably be regarded as bringing your authority into disrepute.
- (g) Must not use your position to improperly confer or secure an advantage or disadvantage to yourself or any other person.
- (h) Must be clear when communicating with the media or speaking in public that you do not give the impression you are acting in an official capacity when you are acting in a personal capacity.
- (i) Must comply with the Protocol for Member/Officer Relations and respect the impartiality and integrity of the authority’s statutory officers and its other employees.
- (j) Must comply with any standards investigation and any sanctions imposed as a result.
- (k) Must not make trivial, malicious or vexatious allegations against other Councillors/Officers.

1.2 When using or authorising the use by others of the resources of the authority you:-

- (a) Must act in accordance with the authority’s reasonable requirements including the requirements of the authority’s ICT policy and the policies listed at appendix A, copies of which have been provided to you and which you are deemed to have read;
- (b) Must make sure that such resources are not used improperly for political purposes (including party political purposes); and
- (c) Must have regard to any applicable Code of Publicity and take into account the guidance issued to Members on the use of social media.

2. Interests

2.1. *Disclosable Pecuniary Interests (DPI)*

You must -

- (a) comply with the statutory requirements to register, disclose and withdraw (to include leaving the room) from participating in respect of any matter in which you have a DPI.

- (b) ensure that your register of interests is kept up to date at least annually.
- (c) 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.

2.2 *Other Interests*

2.2.1 In addition to the requirements relating to DPIs, 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.

2.2.2 You have a personal interest where –

- (a) 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
- (b) 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.

(“Meeting” means any meeting organised by or on behalf of the authority, including –

- any meeting of the Council, or a Committee or Sub-Committee of Council;
- any meeting of the Cabinet and any Committee of the Cabinet;
- in taking a decision as a Ward Councillor or as a Member of the Cabinet.)

(Note: A request for a dispensation to participate in the business of the authority where a Member has a Disclosable Pecuniary Interest must be submitted in writing to the Monitoring Officer in accordance with the guidance issued to Members on Declarations of Interests.)

2.3. *Gifts and Hospitality*

- 2.3.1 You must, within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £10, or accumulatively in excess of £10 from the same source over the four year term of office which you have been offered as a Member from any person or body other than the Authority.
- 2.3.2 The Monitoring Officer will place your notification on a public register of gifts and hospitality.
- 2.3.3 This duty to notify the Monitoring Officer does not apply where the gift is accepted on behalf of the Council and does not apply to the role of Lord Mayor.

3. **Bias**

- 3.1. Where you have been involved in campaigning in your political role on an issue which does not impact on your personal and/or professional life you are not prohibited from participating in a decision in your political role as member. However, you must not place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
- 3.2. When making a decision, you must consider the matter with an open mind and on the facts before the meeting at which the decision is to be taken.

4. **Equalities**

- 4.1 Members must ensure that they adhere to all related legal requirements, such as the Equality Act 2010 and the Human Rights Act 1998.
- 4.2 Members must promote equality and inclusion by providing an environment free from harassment, discrimination, and victimisation and bullying and by treating people with respect, regardless of their age, disability, gender, race, religion/ belief, sexual orientation or

marriage/ civil partnership status.

4.3 Members should be aware of the Council’s Equality Objectives 2019-22 and act in accordance with the Council’s Equality, Diversity and Inclusion Policy and Dignity and Respect at Work Policy.

4.4 Members must have regard to the Public Sector Equality Duty contained in section 149 of the Equality Act 2010 to:

- Eliminate discrimination, harassment and victimisation
- Advance equality of opportunity
- Foster good relations.

APPENDIX A

LIST OF POLICIES

- Sheffield City Council Electronic Communications Policy
- Members’ ICT Usage Policy
- Equality, Diversity and Inclusion Policy
- Sheffield City Council Equality Objectives 2019-22

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PROCEDURE FOR DEALING WITH COMPLAINTS REGARDING CITY, PARISH AND TOWN COUNCILLORS AND CO-OPTED MEMBERS

1. Introduction

1.1 Under the Localism Act 2011, the Council has a duty to promote and maintain high standards of conduct for its elected and co-opted members and have arrangements in place to deal with complaints.

1.2 This Procedure sets out how the Council will deal with a complaint alleging a breach of the Members' Code of Conduct by:-

- Sheffield City Councillors
- Voting and non-voting co-opted members of the Council
- Bradfield Parish Councillors
- Ecclesfield Parish Councillors
- Stocksbridge Town Councillors

(In this Procedure the term 'Member' is used to describe a Councillor or Co-opted Member)

1.3 In dealing with complaints we will be fair to both the complainant and Member and progress matters in accordance with the timescales set out in the Procedure. Complaints will be handled in the strictest confidence at all times.

1.4 The Council has a duty to ensure no conflict of interest with officers when undertaking standards investigations. If a conflict of interest is identified, it will be determined in consultation with the Independent Person whether the matter should be dealt with by an alternative Monitoring Officer.

1.5 The Council has a clear and straightforward public interest test, which is used by the Monitoring Officer when considering complaints.

2. Monitoring Officer

2.1 Gillian Duckworth, Director of Legal and Governance, is the Council's Monitoring Officer. This is a statutory role, responsible for ensuring that the Council, its Members and officers carry out their functions in a lawful and ethical manner. The role includes supporting the Audit and Standards Committee and the two Independent Persons in dealing with complaints alleging a breach of the Members' Code of Conduct.

3. Independent Persons

3.1 The Council appoints Independent Persons from outside the Council to assist the Monitoring Officer and the Audit and Standards Committee in considering complaints. This is statutory requirement under the Localism

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Act 2011. Sheffield has appointed two Independent Persons - David Waxman and Jo Cairns.

3.2 The Independent Person must be consulted at various stages in the complaints process:

1 - The Independent Person should be consulted on an allegation and should be given the option to review and comment on allegations which the Monitoring Officer is minded to dismiss as being malicious, without merit, vexatious or trivial.

2 – as to whether to undertake a formal investigation

3 - before the Hearing Sub-Committee.

4. Making a Complaint/Withdrawing a Complaint

4.1 Complaints alleging a breach of the Members' Code of Conduct should be made in writing using the complaint form and sent to Gillian Duckworth, Monitoring Officer, Sheffield City Council, Town Hall, Sheffield S1 2HH or email gillian.duckworth@sheffield.gov.uk. The complaint form is available from:-

- Website - <http://www.sheffield.gov.uk/home/your-city-council/council-meetings>
- Email - committee@sheffield.gov.uk
- Phone - Democratic Services on 0114 273 4015

4.2 If you need advice or assistance in submitting a complaint please contact Sarah Cottam in Democratic Services (email sarah.cottam@sheffield.gov.uk or phone 0114 273 4015).

4.3 Details of the complaint, including the name of the complainant, will be shared with the Member. The complainant can request at section 2 of the complaint form for their identity to be kept confidential. Requests for confidentiality will be considered by the Monitoring Officer, in consultation with the Independent Person and the complainant will be informed in writing of the outcome. In the interest of fairness and natural justice, we believe Members who are complained about have a right to know who has made the complaint. We are unlikely to withhold your identity unless there are exceptional circumstances; for example, that you can demonstrate that you will suffer significant harm or distress as a result of disclosure. In exceptional circumstances where the matter complained about is very serious, we can proceed with an investigation or other action and disclose your name even if you have expressly asked us not to.

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- 4.4 Anonymous complaints will not be considered.
- 4.5 The complainant can withdraw their complaint at any time by informing the Monitoring Officer in writing. The Monitoring Officer will confirm this in writing with the complainant within 5 working days and also inform the Member that the complaint has been withdrawn.
- 4.6 Where a complaint has been withdrawn, the Monitoring Officer reserves the right to pursue the issues in the complaint.
- 5.0 Acknowledging the Complaint/Rejecting a Complaint/Informing the Member**
- 5.1 The Monitoring Officer will acknowledge receipt of the complaint in writing within 5 working days, with details of how the complaint will be dealt with and providing a copy of this Procedure and the Code of Conduct.
- 5.2 If necessary, the Monitoring Officer will clarify any matters with the complainant as soon as possible before the Member is informed.
- 5.3 The Monitoring Officer also reserves the right to reject a complaint if it is considered to be trivial, vexatious, repetitious, not a standards matter or a general misuse of the opportunity. The complainant will be informed of the reasons why a complaint has been rejected.
- 5.4 The Member will be informed in writing within 5 working days that a complaint has been made about them, subject to paragraph 5.2. This will include the name of the complainant (unless the Monitoring Officer has agreed to the complainant's request that their name is kept confidential) and details of the complaint. They will also receive a copy of this Procedure and the Code of Conduct. To assist the Monitoring Officer in assessing the complaint, the Member will be invited to submit within 10 working days a written statement of fact in response to the complaint.
- 5.5 The Monitoring Officer will also inform the Leader of the relevant political Group, Group Whip and Chair of the Audit and Standards Committee that a complaint has been received and provide a summary of the complaint.
- 5.6 Where a complaint relates to a Parish or Town Councillor, the Monitoring Officer will also inform the Clerk of that Council of the name of the Member and details of the complaint. The Clerk will also be kept informed of the progress and the outcome of the complaint.
- 6. Assessment by the Monitoring Officer**
- 6.1 Before assessment of the complaint, it may be necessary for the Monitoring Officer to request further information or clarification from the complainant and/or Member and, where necessary, obtain other available information, such as the minutes of a meeting.

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6.2 The Monitoring Officer, in consultation with the Independent Person, will consider (a) the complaint, any remedy sought by the complainant, any written statement of fact submitted by the Member and any other information obtained, (b) whether the member was acting in their official capacity and that the Code of Conduct does apply (c) if the allegation constitutes a potential breach of the Code of Conduct and (d) would consideration of the complaint be in the public interest and then take one of the following courses of action:-

1. Take no action or
2. Take other action through informal resolution or
3. Refer the matter for investigation
4. Refer the matter to the Consideration Sub-Committee

6.3 The complainant and the Member will be informed in writing within 10 working days of the outcome and the reasons for the decision.

6.4 The Monitoring Officer will also inform the Leader of the relevant political Group, Group Whip and Chair of the Audit and Standards Committee of the assessment decision. Where a complaint relates to a Parish or Town Councillor, the Monitoring Officer will also inform the Clerk of that Council.

6.5 Where a complaint is not referred for investigation, the Monitoring Officer will seek to deal with the matter within 8 weeks.

6.6 Take No Action

6.6.1 It is likely that no action will be taken where:-

- A significant amount of time has elapsed since the events which are the subject of the complaint.
- The allegation relates to a cultural or recurring issue relating to standards within the Council.
- The matter should be dealt with by some other method.
- Complaints have been made about the Member relating to similar issues that have previously been dealt with through this Procedure.
- The complaint appears to be trivial, vexatious, repetitious or a general misuse of the opportunity.
- The conduct occurred during political debate or could be regarded as a political expression of views or opinion.

6.7 Take Other Action Through Informal Resolution

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6.7.1 Informal resolution may be the simplest and most cost effective way of resolving the complaint and without determining if an actual breach of the Code has taken place. It may be appropriate where:

- The Monitoring Officer considers that this is the most effective way of resolving the matter to the complainant's satisfaction;
- The Member appears to have a poor understanding of the Code of Conduct and/or related Council procedures;
- The conduct complained of appears to be a symptom of wider underlying conflicts which, if unresolved, are likely to lead to further misconduct or allegations of misconduct;
- The conduct complained of appears to the Monitoring Officer not to require a formal sanction;
- The complaint appears to reveal a lack of guidance, protocols and procedures within the District or Parish/Town Council;
- The complaint consists of allegations and retaliatory allegations between councillors;
- The complaint consists of allegations about how formal meetings are conducted; and
- The conduct complained of may be due to misleading, unclear or misunderstood advice from officers.

6.7.2 The Monitoring Officer, in consultation with the Independent Person, may take any of the following actions:-

- Take such steps as they think appropriate to prevent a future breach of the Code including training, guidance and introducing or amending policies/protocols.
- Ask the Whips to address the issue raised within their political parties or with an individual Member.
- Mediate between the parties involved to resolve the issues.
- Seek an apology from the Member.
- Any other action capable of resolving the complaint.

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- 6.7.3 If a member of the public making a complaint is not satisfied with the action to be taken through informal resolution they can make a request in writing to the Monitoring Officer for reconsideration. If appropriate, the Monitoring Officer may then recommend additional mediation, reconsider the original action proposed, or refer the complaint to Consideration Sub-Committee.
- 6.8 Refer the Matter for Investigation
- 6.8.1 It is expected that the Monitoring Officer will refer only the most serious breaches for investigation or where the Member fundamentally disputes or does not accept the allegations in the complaint.
- 6.8.2 If a complaint has been referred for investigation, the Monitoring Officer, in consultation with the Independent Person, will appoint a person to undertake the investigation and this may be either a Council Officer or an outside agent, depending on the complexity and subject of the complaint.
- 6.8.3 The Investigating Officer will inform the complainant and Member of the process and proposed timescale of the investigation. The investigation may involve interviewing both parties and possibly other witnesses, together with reviewing any relevant documentation or paperwork.
- 6.8.4 The Investigating Officer will prepare a draft report on the outcome of the investigation and provide the complainant and Member with a copy for review and comment.
- 6.8.5 The Investigating Officer will submit a final version of the report to the Monitoring Officer that will make a finding that either (a) there has been a breach of the Code of Conduct or (b) there has not been a breach of the Code of Conduct. The final report will also be sent to the complainant and Member.
- 6.8.6 The Monitoring Officer will submit the Investigating Officer's report to the Consideration Sub-Committee.
- 6.8.7 An investigation will be completed within 12 weeks of a referral by the Monitoring Officer. The Consideration Sub-Committee will meet within two months of the final report being submitted to the Monitoring Officer.
- 6.9 Refer the matter to the Consideration Sub-Committee
- 6.9.1 The Monitoring Officer can refer a complaint direct to the Sub-Committee if it is considered that there is a breach of the Code but there is no dispute over the events in relation to the complaint and an investigation is not considered necessary.
- 6.9.2 If a member of the public making a complaint is not satisfied with the action to be taken through informal resolution they can make a request in writing to the Monitoring Officer for reconsideration. If appropriate, the Monitoring Officer may then recommend additional mediation, reconsider

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the original action proposed, or refer the complaint to Consideration Sub-Committee.

7 Consideration Sub-Committee

- 7.1 The Consideration Sub-Committee comprises 3 Councillors and 1 non-voting co-opted Independent Member.
- 7.2 The complainant and Member are not required to attend the meeting of the Sub-Committee.
- 7.3 The Monitoring Officer will submit a report on the outcome of an investigation or a matter referred to the Sub-Committee. The Investigating Officer will attend the meeting.
- 7.4 The Sub-Committee will consider the Monitoring Officer's report and, after taking the views of the Independent Person into account, can:-
- (a) take no action; or
 - (b) take other action including any of the following actions:-
 - Take such steps as the Sub-Committee considers appropriate to prevent a future breach of the Code including training, guidance and introducing or amending policies/protocols.
 - Ask the Whips to address the issue raised within their political parties or with an individual Member.
 - Request the Monitoring Officer, in consultation with the Independent Person, to mediate between the parties involved to resolve the issues.
 - Seek an apology from the Member.
 - Any other action capable of resolving the complaint.
 - (c) refer the matter to a Hearing Sub-Committee.
- 7.5 Where the Consideration Sub-Committee is considering a report on the referral of a complaint where a member of the public is not satisfied with the action to be taken through informal resolution, the only option available to the Sub-Committee is to ratify the original informal resolution, or to take other action including any of the following actions:-
- Take such steps as the Consideration Sub-Committee considers appropriate to prevent a future breach of the Code including training, guidance and introducing or amending policies/protocols.
 - Ask the Whips to address the issue raised within their political parties or with an individual Member.

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- Request the Monitoring Officer, in consultation with the Independent Person, to mediate between the parties involved to resolve the issues.
- Seek an apology from the Member.
- Any other action capable of resolving the complaint.

7.6 The Monitoring Officer will inform the complainant and Member in writing within 10 working days of the outcome and the reasons for the Sub-Committee's decision.

8. Hearing Sub-Committee

8.1 The Hearing Sub-Committee comprises 3 Councillors and 1 non-voting co-opted Independent Member.

8.2 The Sub-Committee will meet within two months of a referral by the Consideration Sub-Committee to consider the allegation.

8.3 The Sub-Committee will meet in public unless it decides that all or part of the meeting should be held in private in accordance with the Access to Information Procedure Rules in the Council's Constitution.

8.4 In advance of the Hearing, there will be a pre-hearing process to allow matters at the Hearing to be dealt with more fairly and economically.

8.5 The complainant and member will be given the opportunity to attend the Hearing and present witnesses. The Monitoring Officer, any Investigating Officer and Independent Person will also attend. The procedure at the Hearing will include:-

- Making findings of fact
- Deciding if there has been a breach of the Code of Conduct
- Consider the remedies/sanctions available if there is a finding that the Member has breached of the Code of Conduct

8.6 Full details of the pre-hearing and hearing process are set out in the Procedure at Hearings. The Member and complainant will be provided with a copy of the Procedure.

8.7 A Finding of No Breach of the Code of Conduct

8.7.1 If the Sub-Committee finds that the Member did not breach the Code of Conduct no further action will be taken in respect of the complaint. However, the Sub-Committee can make a recommendation to the authority with a view to promoting and maintaining high standards of conduct in general (e.g. proposed changes to internal procedures or training for Members).

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8.8 A Finding of a Breach of the Code of Conduct

8.8.1 If the Sub-Committee finds that a breach of the Code of Conduct has occurred they may make any of the following recommendations and may specify to whom they wish them to be directed:-

- Recommending to the Member's Group Leader and/or Group Whip (or in the case of un-grouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council or Shadow Portfolio responsibilities.
- Recommending to the Leader of the Council that the member be removed from the Cabinet, or removed from particular Portfolio responsibilities.
- Instructing the Monitoring Officer to arrange training for the member.
- That policies/procedures are amended.
- That a briefing/information note be issued.
- That an apology be given.
- That the Member is censured in writing and a copy of the letter is published on the Council's website.
- Take no action where it is not considered appropriate in the circumstances to impose a sanction.

8.8.2 The Monitoring Officer will inform the complainant and the Member of the outcome from the Sub-Committee hearing in writing within 10 working days.

8.8.3 The findings and decision of the Sub-Committee will be also be available on the Council's website and copies will be supplied to the Chief Executive, Leaders of all the political Groups and the Group Whips.

8.8.4 Where the matter relates to a Parish or Town Councillor, the Clerk of that Council will be informed of the outcome of a Hearing.

9. **Appeals**

9.1 There is no right of appeal for the complainant or Member against a decision of the Monitoring Officer, Consideration Sub-Committee or Hearing Sub-Committee.

9.2 If the complainant feels that the Council has failed to deal with their complaint properly, they can make a complaint to the Local Government and Social Care Ombudsman (<http://www.lgo.org.uk/make-a-complaint/how-to-complain> or phone 0300 061 0614).

10. **Reports**

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10.1 An annual report will be submitted to the Audit and Standards Committee with a summary of all Standards Complaints received and their outcome.

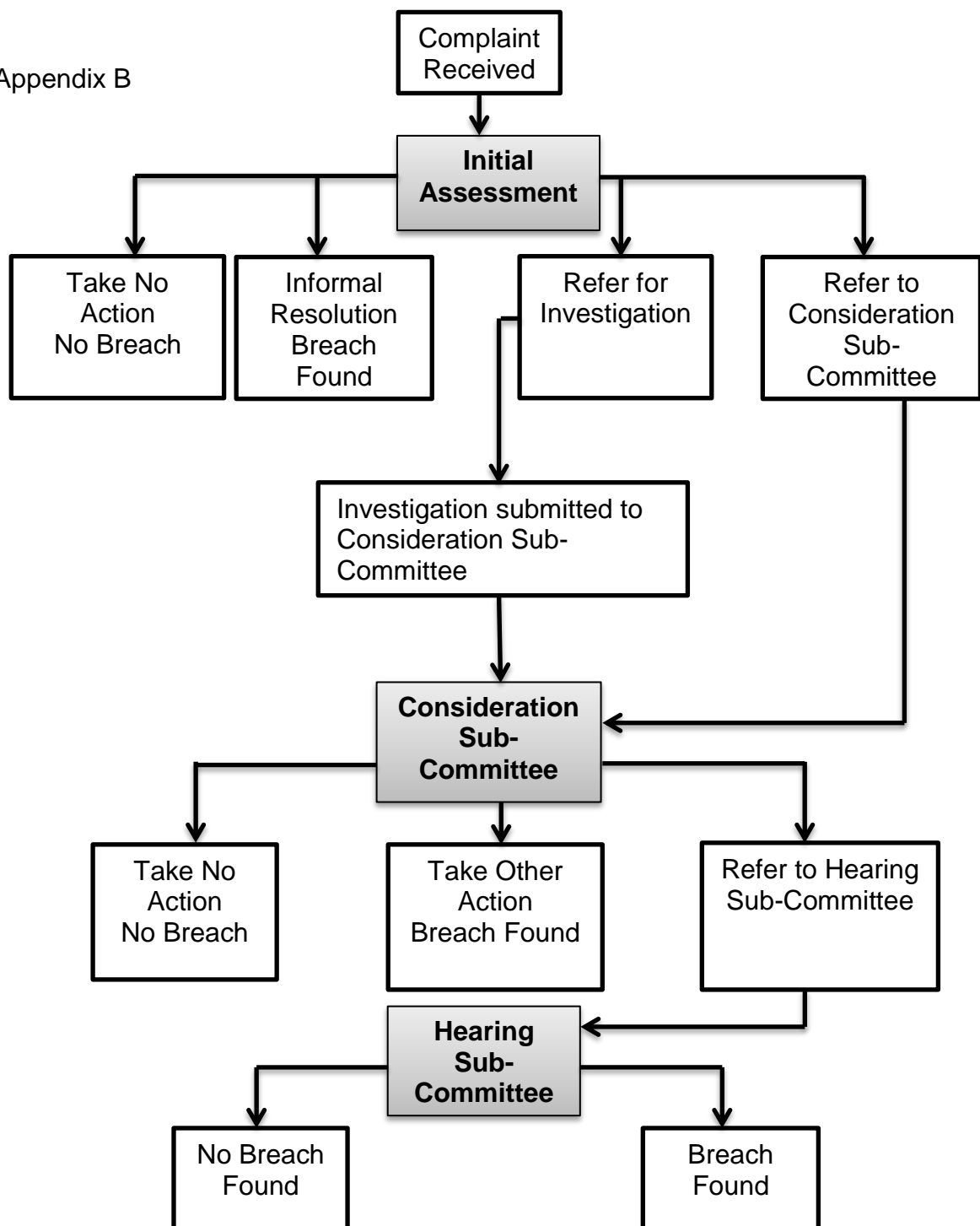
11. Data Protection

11.1 Complaints will be handled in the strictest confidence at all times. We will ensure that any information received as part of the handling of the complaint is disclosed only to those who can demonstrate a valid need to know it. However, when a complaint is considered at a Standards Committee Hearing then any information will be dealt with in accordance with the Access to Information Procedure Rules in the Council's Constitution.

11.2 Complaints records will be stored safely and securely. Records of the number of complaints received; the outcomes and the subject Members will be kept for so long afterwards as we consider it may be required to deal with any questions or complaints about the service which we provide. Personal information about the complainant and details of the complaint itself will be deleted after 7 years unless we elect to retain it for a longer period in order to comply with our legal and regulatory obligations.

12. Review and Changes to the Procedure

12.1 The Monitoring Officer will review the Procedure annually, in consultation with the Independent Persons, and submit a report on any proposed changes to the Audit and Standards Committee for consideration. In accordance with the Constitution, any changes will require final approval at Full Council.



If a breach is found, the following options are available:

- Recommending to the Member's Group Leader and/or Group Whip (or in the case of un-grouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council or Shadow Portfolio responsibilities.
- Recommending to the Leader of the Council that the member be removed from the Cabinet, or removed from particular Portfolio responsibilities.
- Instructing the Monitoring Officer to arrange training for the member.
- That policies/procedures are amended.
- That a briefing/information note be issued.
- That an apology be given.
- That the Member is censured in writing and a copy of the letter is published on the Council's website. (**only after Hearing Sub-Committee**)
- Take no action where it is not considered appropriate in the circumstances to impose a sanction.

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AUDIT AND STANDARDS COMMITTEE

STANDARDS REPORT 2019 - 2020

To be considered at the Audit & Standards Committee on the 19 March
2019 and at a forthcoming Council Meeting

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1. **Introduction**

1.1 This is the third Standards Annual Report of the merged Audit and Standards Committee and covers the period from June 2019 to March 2020.

1.2 Changes to the Standards regime were introduced in July 2012 by the Localism Act 2011. Although it was no longer a statutory requirement to have a Standards Committee, Full Council approved the retention of a Committee to deal with complaints and adopted a new Members' Code of Conduct and a Procedure for Dealing with Standards Complaints. The three Parish and Town Councils adopted a Joint Members Code of Conduct and a Joint Procedure for Dealing with Standards Complaints.

1.3 Two Independent Persons are appointed jointly, as required by the Localism act 2011 with Barnsley MBC to assist the Monitoring Officer in dealing with complaints.

2. **Standards-Specific Role of the Audit and Standards Committee**

2.1 The Standards responsibilities of the Committee, as set out in the Constitution, are:

- To promote and maintain high standards of conduct by Councillors, Co-opted Members and Representatives on Committees and Sub-Committees.
- To assist Councillors, Co-opted Members and Representatives to observe the Members' Code of Conduct.
- To advise the Council on the adoption or revision of the Members' Code of Conduct and Protocols relating to Councillor and Officer behaviour.
- To monitor the operation of the Members' Code of Conduct.
- To advise, train or arrange to train Councillors, Co-opted Members and Representatives on matters relating to the Members' Code of Conduct.
- To monitor, review and make recommendations to the Council with regard to the Learning and Development policy for Councillors, Co-opted members and Representatives.
- To discharge the functions of dealing with complaints against Councillors and Co-opted Members as set out in Procedure for Dealing with Complaints Regarding City, Parish and Town Councillors and Co-opted Members.
- To advise the Council on the adoption and revision of its Whistleblowing Policy and monitoring the operation of that Policy.
- To monitor and review procedures relating to gifts, hospitality and

personal interests, for Councillors and officers.

- To monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

3. Membership of the Committee

3.1 The Audit and Standards Committee has 7 (non-executive) Members with proportionality applied and a maximum of 3 non-voting co-opted members. (Where standards related matters are to be considered by the Committee, the three Parish/Town Councils would be invited to jointly send one representative to attend the meeting for those items as an observer).

3.2 Meetings of the Consideration and Hearing Sub-Committees are arranged as and when required to deal with complaints referred on following assessment. The Sub-Committees are made up of 3 members of the Audit and Standards Committee, usually the Chair, Vice-Chair and another member of the Committee, a non-voting co-opted member is also required to sit on the Sub-Committee.

4. Monitoring Officer/Support to the Committee

4.1 Gillian Duckworth is the Council's Monitoring Officer and Director of Legal and Governance. The Monitoring Officer is a statutory role that:-

- Supports the Standards Committee together with the Independent Persons;
- Contributes to the promotion and maintenance of high standards of conduct within the Council;
- Maintains systems and processes for dealing with allegations of breaches of the Code of Conduct for Members;
- Investigates and reports to the Standards Committee on allegations of breaches of the Code of Conduct for Members;
- Has rights of access to any information from Members and/or officers in connection with a standards complaint;
- Establishes and maintains registers of members' interests, gifts and hospitality;
- Acts as a point of contact for advice and/or queries by elected members
- Maintains and updates the Constitution;
- Advises on various issues, poor administration and impropriety;
- Attends all meetings of the Cabinet.

4.2 Further support to the Committee was provided by Paul Robinson and Abby Brownsword, Principal Committee Secretaries and Sarah Cottam, Democratic Services Team Manager who assists the Monitoring Officer with complaints concerning Councillors and provides support to Consideration/Hearing Sub-Committee's.

4.3 The Council is required by the Local Government and Housing Act 1989 Act to

provide the Monitoring Officer with “such staff, accommodation and other resources as are, in their opinion, sufficient to allow those duties to be performed”. The Monitoring Officer has confirmed that she has the necessary resources to meet the requirements of her role.

5. **Complaints**

5.1 The number of complaints made per year and a breakdown by the findings is set out below:-

Complaint Outcome	2019 (Jan-Dec)	2020 (Jan to Date)
Take No Action (no breach)	14	4
Withdrawn or Invalid	1	1
Informal Resolution	5	1
Refer to Consideration Sub-Committee with an Investigation	1	0
Refer to Consideration Sub-Committee without an Investigation	1	1
Total	22	7

5.2 In the period 2019, the Consideration Sub-Committee has met twice, subsequently no cases have been referred on to a Hearing Sub-Committee. In the period 2020, to date the Consideration sub-committee is scheduled to meet on 24th March 2020.

6. **Independent Persons**

6.1 The Council must appoint at least one Independent Person. Their role is advisory and they do not have a vote on any Council committee. An Independent Person can be consulted by the Monitoring Officer, the Member who is subject to a complaint and the Audit and Standards Committee.

6.2 The two Independent Persons, David Waxman and Jo Cairns, provide invaluable assistance to the Monitoring Officer in dealing with Standards complaints.

6.3 An Independent Person is involved in each complaint and consulted at various stages of the process.

7. Parish and Town Councils

- 7.1 The Monitoring Officer provides advice and support to the three Parish and Town Councils and these are reflected in the numbers of reported Standards complaints dealt with in 2019 and 2020.

8. Training and Development

- 8.1 As part of the induction for new Councillors, information was provided on the Members' Code of Conduct, the Standards regime, the Register of Interests, the key principles of good governance, the Member/Officer Relations Protocol and how the Council and decision making works. The induction also included a practical exercise, using case studies to help Members' understanding of the Members' Code of Conduct and Members' interests.
- 8.2 Further training was provided, which was open to all Members, on the role of Councillors, good governance and Standards.
- 8.3 An Ethical Standards Workshop took place for Audit and Standards Committee Members to consider how the recommendations of the Committee for Standards in Public Life report on Ethical Standards, dated January 2019, could be adopted into the Council's codes and processes.
- 8.4 In addition, specific training took place for Members of the Planning and Highways and Licensing Committees which covered the related legal framework and decision making and particular requirements relating to Member's interests and bias.

9. Policy and Corporate issues

The Committee has provided oversight and responded to the following policies, protocol, reports and consultations:

- 9.1
- Local Government Ethical Standards – A Review by the Committee on Standards in Public Life
 - Information Governance Annual Report
 - Annual Ombudsman Report

10. Other Areas of Work

- 10.1 The Monitoring Officer has ensured that all new Councillors had submitted their Register of Interests form relating to Disclosable Pecuniary Interests and Other Interests and that existing Councillors had reviewed and updated their interests.
- 10.2 The Monitoring Officer maintains a regular dialogue with the Council's other Statutory officers to consider and review governance arrangements. The Monitoring Officer also maintains a dialogue around governance with the Leaders and/or Whips of the political groups represented on the Council.

11. **The Year Ahead**

- 11.1 The work programme continues to ensure the Audit and Standards Committee receives updates on Standards related issues including an Annual Report throughout the year and will also include consideration of Ombudsman and Whistleblowing reviews of procedures.
- 11.2 Once the work being carried out at a national level to formulate a model code of conduct has been completed, the Committee will consider the Code of Conduct again.

12. **Recommendation**

- 12.1 (a) That Council receives and notes this report acknowledging the work of the Audit and Standards Committee in 2019 – 2020; and
- (b) agrees the actions set out in paragraph 11 for the Monitoring Officer to report back progress to a future committee.

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Update on 2018/19 Annual Governance Statement Non-Compliances

& Implementation of Directors' Assurance





AGS 18/19 Governance Issues

The following were the identified as significant control weaknesses in last year's AGS:

1. Early Payment of Suppliers in Adult Social Care without adhering to the Financial Regulations (*People*).
2. Manager's Compliance with Human Resources Requirements (*Council-wide*).
3. Performance of the Special Educational Needs and/or Disabilities Service (*People Portfolio*).



1. Early Payment of Suppliers in ASC without adhering to Financial Regulations

All system recommendations made by Internal Audit have been implemented, or will be implemented, including:

- A new Case Management System payment system has introduced improved overall financial controls to reduce the risk of advanced and overpayments being released without the correct authorisation.
- Reports to allow better oversight by the Finance Team to minimise potential overpayments - early flag and suspension of large payments exceeding £3.2m, until signed off by Head of Service/Director.
- Early payments now approved by the Finance Team in advance. A system report is in development to retrospectively identify early payments and allow checks to be made that controls minimising early payments were in place.
- Managers provided with additional guidance about the requirement for finance approval for early payments. This is revisited periodically in staff briefings.
- A full reconciliation to check whether any early payments to care providers resulted in any overpayment has been undertaken which demonstrated a positive outcome with no under or over payment.

The follow up (verification) audit is now in draft report stage.

2. Manager's Compliance with HR Requirements

Performance Development Review (PDR)

- The most recent Employee Survey results show a 39% increase in employees saying that they have had a PDR with their manager within the last twelve months.
- Completion rates in the system have improved from 56% in 18/19 to 75% as of Dec 2019, but are still below the SCC target of 95%.
- HR Business Partners share completion rates with Directors every 2 weeks.
- PDR's are now submitted either directly or via scanned paper version directly in to the Development Hub. This has supported the improvement in the overall completion rate.

Contractual Changes

- The new HR & Payroll system, means HR take more ownership of the Council's establishment, including introducing standard naming conventions and oversight of managers making structural changes. The number of methods by which changes can be requested has been reduced.
- Managers can now view data about their teams through a dashboard and generate their own structure based reports.
- The data is real time so managers can review and submit changes through the new HR & Payroll system with immediate effect.

2. Manager's Compliance with HR Requirements

Sickness

- EMT continue to monitor sickness absence levels and engagement with attendance and wellbeing initiatives, which includes two new approaches:
 - 1) 4 HR Officers who exclusively support managers with consistently using the Managing Attendance Policy in all cases for staff with sickness;
 - 2) Day One sickness reporting pilot that covers half the workforce and gives employees access early medical advice. Initial reporting of sickness appears good but engagement with it during absence is variable. Engagement with Day One is tracked weekly down to employee level.

- Further actions to ensure engagement with sickness absence interventions include; Launching of real time sickness trigger alerts to managers when any employee hits an absence trigger; and Day One engagement workshop with managers that have led to new actions: further Day One roadshows, additional reporting for managers, updated guidance for staff plus a further set of communications to staff.

3. Performance of SEND Services

Executive Director of People Services SCC and Director of Commissioning and Performance CCG have met to discuss the implementation and impact of the Written Statement Of Action (WSOA) in the 12 months since the inspection. Whilst there has been significant progress and activity through the WSOA the data evidences that the programme is not yet having the necessary impact on all areas of identified weakness. To address this over the next 12 months SCC and CCG will work jointly to:

- Continue to monitor data at the monthly Improvement Board.
- Work to address the quality of EHC plans. This includes QA from both SCC and the CCG.
- Improved use of data to ensure and stakeholder engagement to gain a clear understanding of commissioning requirements in order to develop a fully informed, co-produced Commissioning Plan/Strategy.
- Focus on transitions for young people from school to post-16 education, ensuring arrangements provide meaningful and productive activities. For young people with complex needs there will be a focus on ensuring that health, education and care needs are considered at key transition points.

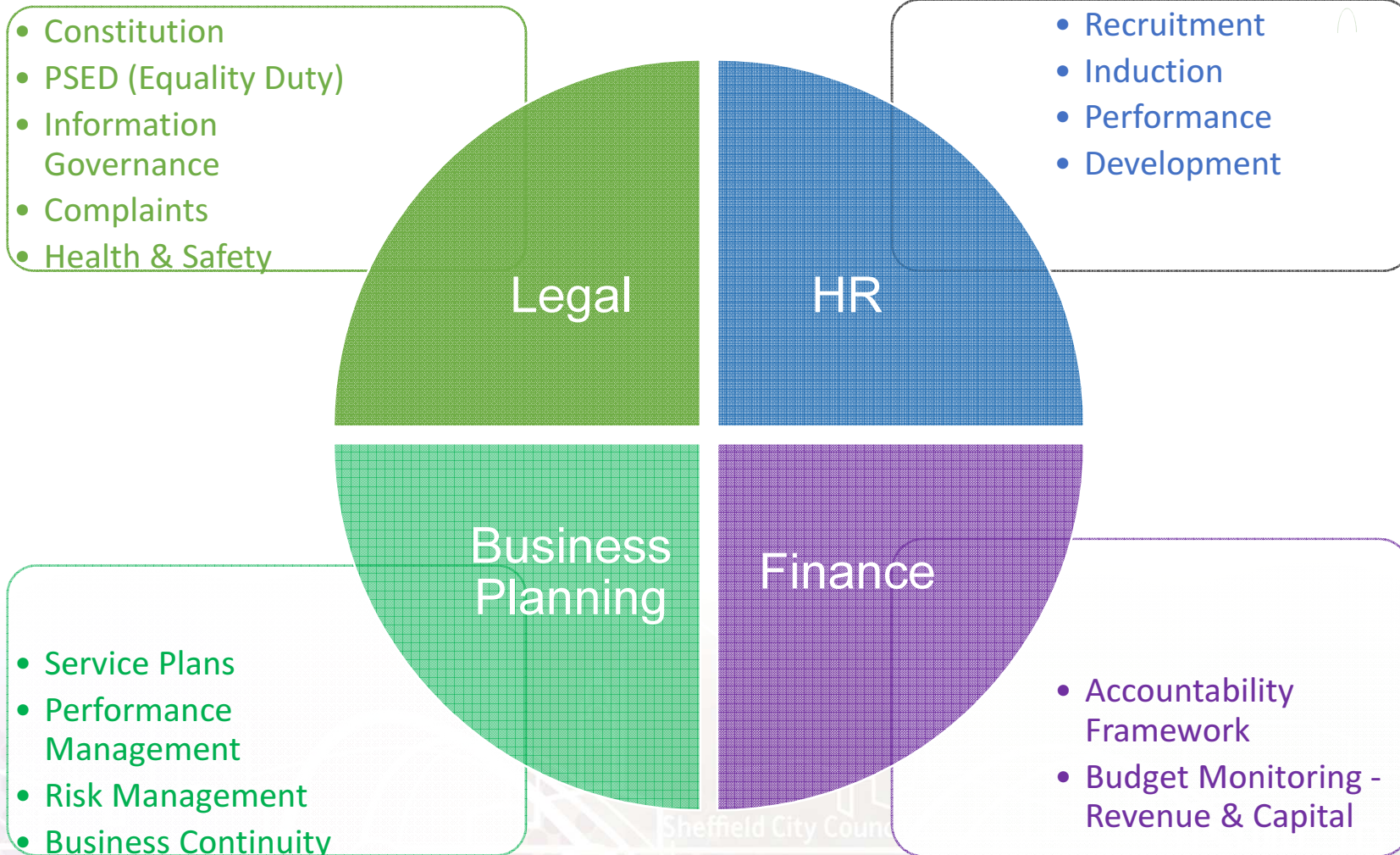
3. Performance of the Special Educational Needs and/or Disabilities Service

WSOA Outcome	Summary of current position
1: Increased confidence in the support and services for children and young people with SEND	<ul style="list-style-type: none"> Continued increase in no. of appeals to SEND tribunal in regards to placements Low satisfaction levels with many services / provision
2: Reduced waiting times for access to specialist support and provision	<ul style="list-style-type: none"> 82% of EHC Plans completed this year were within statutory timescales – continued increase Waiting lists for specialist health services remain high
3: Increased participation at school for pupils with SEND	<ul style="list-style-type: none"> Current picture shows higher than national average absence rates of pupils with SEND
4: Improved educational attainment and progress for pupils with SEND	<ul style="list-style-type: none"> current picture generally shows lower than national average attainment of pupils with SEND
5: More young people with SEND move into meaningful activity into adulthood	<ul style="list-style-type: none"> Sheffield has a higher than national average proportion of young people aged 16-25 with EHC plans who are in education and training.

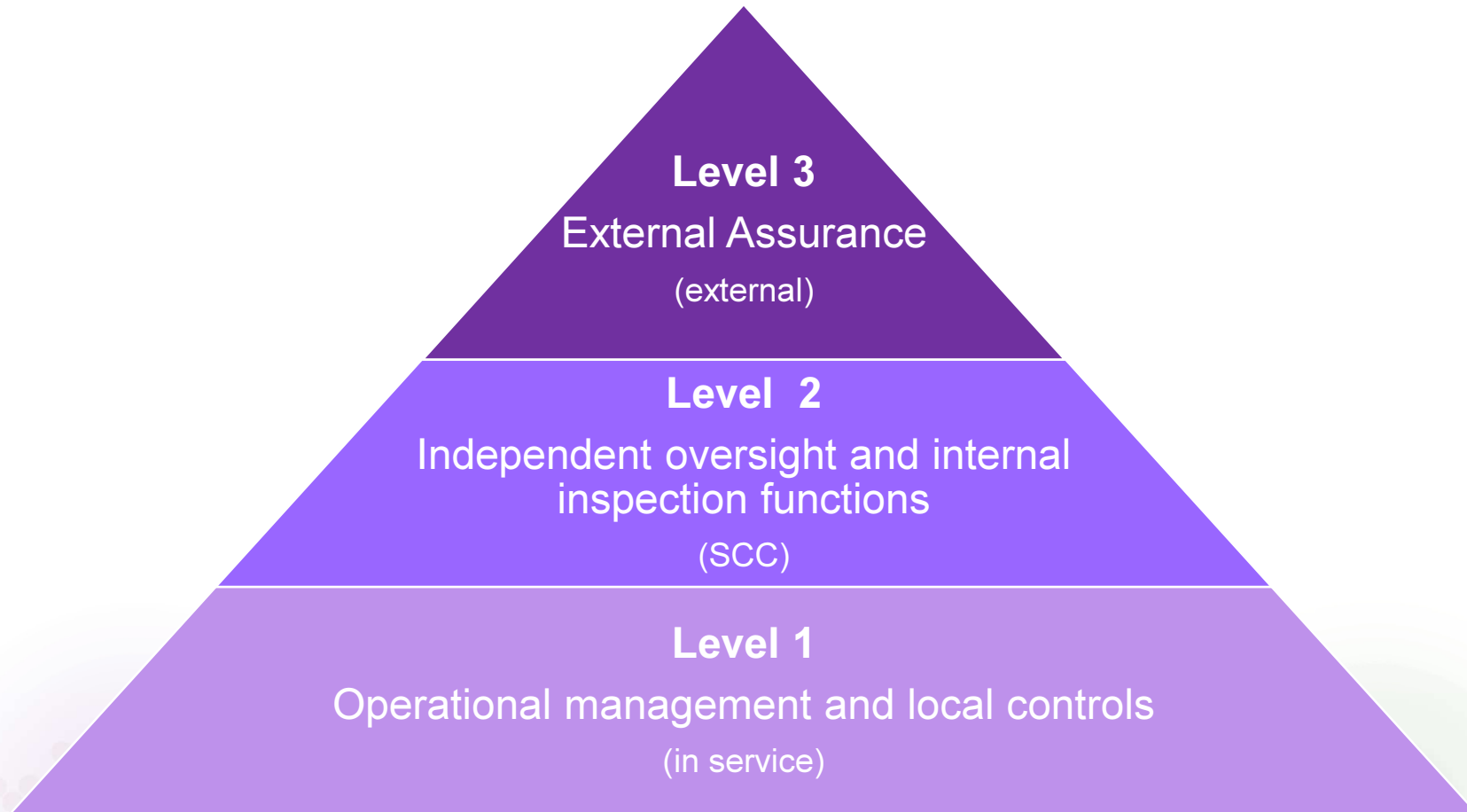
Directors Assurance

- Each year, all Directors undertake a review to confirm compliance with the Council's Governance or System of Internal Control to inform the Annual Governance Statement
- Directors Assurance is an improved methodology that focusses the review to 4 areas of compliance rather than the 16 governance areas that have been used in recent years.
- Allows Directors to monitor compliance throughout the year rather than retrospectively on an annual basis.
- Focuses on what is most important from a compliance perspective – *Legal, Human Resources, Business Planning and Financial compliance.*
- Brings in comprehensive levels of assurance - service, corporate, and externally.
- Introduces improved analysis and intelligence of weaknesses, across the Council.

New Areas of Compliance



Levels of Assurance





Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 20th March 2020

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
19 March 2020	External Audit Plan 2019/20	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)
	Annual Standards Report	Gillian Duckworth (Director of Legal and Governance)
	AGS Half Yearly Update	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
16 April 2020	Internal Audit Plan 2019/20	Kayleigh Inman (Senior Finance Manager)
	Compliance with International Auditing Standards	Dave Phillips (Head of Strategic Finance)
	Formal Response to Audit (ISA 260) Recommendations	Dave Phillips (Head of Strategic Finance)
	Certification of Claims and Returns Annual Report 2018/19	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)
June/July 2020	Audit Training	External Facilitator (Gary Bandy)

Audit and Standards Work Programme 2019-20

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)
30 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 New Telephony System	Paul Taylor (Head of Customer Services)
	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)