

Audit and Standards Committee

**Thursday 23 September 2021 at 5.00
pm**

Town Hall, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillors Sioned-Mair Richards (Chair), Simon Clement-Jones (Deputy Chair), Angela Argenzio, Mohammed Mahroof, Josie Paszek, Ben Curran and David Barker.

Independent Co-opted Members

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
23 SEPTEMBER 2021**

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 5 - 8)
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meeting** (Pages 9 - 14)
To approve the minutes of the meeting of the Committee held on 29 July 2021.
- 6. Strategic Risk Management** (Pages 15 - 16)
Report of the Corporate Risk Manager.
- 7. Annual Internal Audit Opinion Report** (Pages 17 - 42)
Report of the Senior Finance Manager.
- 8. Annual Governance Statement** (Pages 43 - 58)
Report of the Director of Legal and Governance.
- 9. External Audit Re-Procurement Report** (Pages 59 - 66)
Report of the Head of Strategic Finance.
- 10. Work Programme** (Pages 67 - 74)
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:-

21st October 2021
16th December 2021
20th January 2022
24th February 2022 (Additional Meeting if required)
24th March 2022
16th June 2022
21st July 2022

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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 29th July 2021

PRESENT: Councillors Simon Clement-Jones (Chair), Angela Argenzio, Mohammed Mahroof, Josie Paszek and Ben Curran

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1. APOLOGIES FOR ABSENCE

1.1 Apologies were received by Councillor Sioned Mair Richards and Alison Howard (Independent Co-Opted Member).

2. EXCLUSION OF THE PRESS AND PUBLIC

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

3. DECLARATION OF INTEREST

3.1 There were no declarations of interest made at the meeting.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting held on 10th June 2021 were approved as a correct record, subject to an amendment of a typographical error in paragraph 1.2 of the minutes.

5. REVIEW OF MEMBERS COMPLAINTS PROCEDURE

5.1 The Internal Audit and Risk Manager, Stephen Bower, submitted a report to highlight the findings of the work undertaken by internal audit in relation to a review of the Standards Complaints Process.

5.2 There were 22 complaints received in 2019, 31 in 2020 and 10 complaints received so far in 2021, these had all been accurately recorded against the complaints register and were up to date.

5.3 The complaints register was found to be accurate and succinct in following the process.

5.4 Occasionally complex complaints would require investigation and the Monitoring Officer, Gillian Duckworth, would outsource these to contracted legal practices.

5.5 The Internal Audit and Risk Manager added that in most cases, the process is dealt with in a timely manner.

5.6 The consideration of complaints received between March to October 2020 was put

on hold, due to the need to prioritise essential and critical services throughout the covid 19 pandemic All complainants were informed of the reasoning for this. It was noted that the backlog of complaints had now been cleared.

- 5.7 The Internal Audit and Risk Manager commended the Monitoring Officer and Democratic Services Team Manager for the work and effort put in to clear the complaints as soon as possible.
- 5.8 The Internal Audit and Risk Manager advised that going forward, with the transition to a committee system, the complaints process would be looked at to ensure it was relevant and up to date but added that the only recommendation going forward was to carry out a review at the end of each complex case to identify any lessons learned.
- 5.9 Members of the Committee asked questions and the key points to note were-
- 5.10 Councillor Mohammed Mahroof asked whether the number of complaints over the last 3 years included parish councillors as well as city councillors? The Internal Audit and Risk Manager responded by confirming that these figures did include parish councillors.
- 5.11 Councillor Mohammed Mahroof believed that the process was still cumbersome, therefore could anything be done to make the process more time effective? The Internal Audit and Risk Manager informed Councillor Mahroof that he had looked at each complaint, and the time took on each case was reasonable.
- 5.12 Councillor Mohammed Mahroof also asked, when employing external lawyers, how independent were they? The Internal Audit and Risk Manager advised that Legal firms were only approached in the more difficult cases. The Monitoring Officer, Gillian Duckworth explained that the input from external lawyers was to produce an investigation report, and not to determine the outcome.
- 5.13 Councillor Angela Argenzio referred to section 2.11 of the report and asked if there would be a timescale on business continuity arrangements, should a current individual not be available? The Monitoring Officer responded by explaining that more than one Democratic Services Officer was trained to carry out the process, and in the case of her absence, there were Deputy Monitoring Officers available to pick up the work.
- 5.14 Councillor Angela Argenzio also asked how often the Independent Person was alternated? The Monitoring Officer explained that every 4 years an interview process was carried out, although there was a low level of interest for this. The Monitoring Officer mentioned that an independent person could serve for longer than 4 years if they wished to interview for the position again and having the experience was favourable. The Independent Person, David Waxman, was in attendance at the meeting and informed the committee that he still retained a high level of independency and hoped to keep on providing honest, independent opinions.
- 5.15 Councillor Angela Argenzio asked if figures on how many times external lawyers

have been used over the last 3 years could be made available? The Monitoring Officer advised that she would find this information out and report back to the Committee.

- 5.16 Councillor Ben Curran raised concerns around the process when dealing with more difficult cases and believed that the report submitted to the committee gave no indication that the complaints were being dealt with effectively. Councillor Ben Curran asked what factors would determine the cause for a suspension during an investigation? The Monitoring Officer responded by saying how difficult it was to name reasons for suspensions, although she expressed that she aimed to get these perused as diligently as possible.
- 5.17 Councillor Ben Curran also asked if the Monitoring Officer thought the complex process was fit for purpose? It was advised that she believed there's nothing else that could be done to make the process more fit for purpose, although was happy if it was felt the process needed to be reviewed. The Monitoring Officer also mentioned the importance on giving investigators time to investigate complaints properly.
- 5.18 Councillor Josie Paszek asked whether it could be noted that the councillor in question was given regular updates on potential delays, as well as the person who brought forward the complaint.
- 5.19 Councillor Mohammed Mahroof commented on the importance for the public that these matters were not prolonged, and asked if there was any health and wellbeing support in complex cases for either an individual who had submitted a complaint or the member in question whilst undergoing the process?
- 5.20 The Chair suggested that a private session be carried out to explore issues around complex cases. Councillor Ben Curran suggested that it would be beneficial to include previous complainants, and subject members to come along and explain their experiences of the Standards Complaint process.
- 5.21 **RESOLVED:** - that **(1)** the Committee notes the report and **(2)** a private session be arranged to discuss issues around complex complaint cases.

6. MEMBER INDUCTION EVALUATION

- 6.1 The Chair informed the committee that there was not an officer in attendance to present this report and that a similar report with more information would be coming to an upcoming meeting. The Chair asked if any member of the committee had any questions on what had been produced in the current report.
- 6.2 Councillor Josie Paszek was pleased to hear that the report would be appearing again at a future meeting and mentioned that it may also be useful for new members to evaluate member induction sessions 6-12 months after the sessions.
- 6.3 **RESOLVED:** - that the Committee **notes a further update will be brought to a future meeting.**

7. SUMMARY STATEMENT OF ACCOUNTS

- 7.1 The Head of Strategic Finance, Dave Phillips, submitted a report to provide members of the Committee with a summary of the 2020/21 Unaudited Statement of Accounts and an explanation of the core statements and key notes to the accounts.
- 7.2 The Head of Strategic Finance asked Members of the Committee to review the accounts over the next few months and get back to him with any questions or areas of concern. The Head of Strategic Finance added that various training courses were available to help members understand the accounts.
- 7.3 The Head of Strategic Finance informed the Committee that the external auditors had already begun reviewing the accounts, which would carry on over the next few months and would report back in early September.
- 7.4 Members of the Committee asked questions and the key points to note were-
- 7.5 Councillor Angela Argenzio referred to page 46 of the report and asked why there was such a difference in expenditure between the two previous financial years? The Finance Manager, added that on page 43 of the report, looking at gross income and expenditure, there had been a big drop and various movements within the figures. It was advised that the differences within the expenditure were due to the impact of covid, especially on adult social care and children's services.
- 7.6 Councillor Mohammed Mahroof highlighted that there was a high number of staff earning over £50,000 a year within the authority, and he wanted information on how many of these were from the BAME community, and whether these figures could be incorporated into the Statement of Accounts? Eugene Walker, Executive Director of Resources advised that he would take this away and speak to Human Resources regarding the figures, as he believed that this information was reported elsewhere.
- 7.7 The Chair of the Committee highlighted the short-term debtor and short-term creditor figures and asked what had caused the figures to increase from 2019/20 to 2020/21. The Finance Manager, responded by explaining the short-term debtor figures had increased as part of the business rate debtor in which retail were owed from central government. The reasoning for the short-term creditor figure to increase was due to external funding being increased by creditors as well as the business rate relief grant playing a factor.
- 7.8 **RESOLVED:** - that the Committee notes the core statements and the key notes to the Statement of Accounts for 2020-21.

8. CHANGE OF ORDER OF AGENDA ITEMS

8.1 **RESOLVED:** - The Chair agreed that Item 10 on the agenda, Annual Audit Letter 2019-20 be considered at item 9.

9. ANNUAL AUDIT LETTER

9.1 Hayley Clark, Ernst & Young (External Audit) referred to the submitted report and explained that this was a finalisation of the reporting taken in 2019/20. The summary report was submitted to the Audit and Standards Committee that took place in April 2021.

9.2 **RESOLVED:** - that the Committee notes the reporting of the 2019/20 audit.

10. EXTERNAL AUDIT PLAN

10.1 Hayley Clark, Ernst & Young (External Audit) submitted a report to the Committee and summarised the work undertaken. The external auditor highlighted the risk assessment processes for the year and highlighted some key areas for the Committee to consider, such as the Risk Assessment Summary, Levels of Materiality, Value for Money and changes that were required by the Code.

10.2 Councillor Angela Argenzio asked whether there would any be potential delays with the audit. The Committee were advised that provision has been put in place to minimise any delays and the External Auditors has been in discussion with the Finance Team at the Council regarding timescales. The auditors advised that they were virtually on site at the moment and were working to complete the fieldwork of the audit by October, report in November and finalise the statements by December 2021.

10.3 The Chair of the Committee thanked the external auditors for the report.

10.4 **RESOLVED:** - that the Committee notes the External Audit Plan for 2020-21.

11. WORK PROGRAMME

11.1 The Committee considered a report of the Director of Legal and Governance that outlined the work programme for the remainder of the municipal year. Members were asked to identify any further items for inclusion.

11.2 The next meeting of the Audit and Standards Committee would consider; -

- Strategic Risk Management
- Annual Internal Audit Opinion Report
- Annual Governance Statement

11.3 The Chair suggested that the meeting due to be held on the 28th April 2022 be cancelled due to PERP (Pre Election Rules on Publicity). It was recommended that all the items listed for this meeting be removed or rescheduled for another date.

- 11.4 **RESOLVED:** - that **(1)** the work programme be noted; and **(2) the meeting dated 28th April 2022 be cancelled and all** items listed be removed or rescheduled for another date.

12. DATES OF FUTURE MEETINGS

- 12.1 Future meetings of the Audit and Standards Committee would be held on Thursdays at 5pm on:

23rd September 2021

21st October 2021

16th December 2021

20th January 2022

24th February 2022 (Additional Meeting if required)

24th March 2022

28th April 2022 – to be cancelled

16th June 2022

21st July 2022



Audit and Standards Committee Report

Report of: Executive Director, Resources

Date: 23 September 2021

Subject: Strategic Risk Management

Author of Report: Helen Molteno, Internal Audit and Corporate Risk Manager

Summary:

The attached presentation is an assessment of:

- The Council's current risk management arrangements and the measures implemented to further strengthen and improve them
 - The current and emerging risks, their impact on service delivery and the controls in place to manage them
-

Recommendations: That Audit & Standards Committee:

- Note the current assessment of the Council's risk management arrangements and endorse the measures being taken to strengthen those arrangements.
 - Note the current and emerging risks and endorse the actions being taken to mitigate those risks.
-

Background Papers: none

Category of Report: Closed

The presentation is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

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
YES/NO
Human Rights Implications
YES/NO:
Environmental and Sustainability implications
YES/NO
Economic impact
YES/NO
Community safety implications
YES/NO
Human Resources implications
YES/NO
Property implications
YES/NO
Area(s) affected
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO



Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: 23rd September 2021

Subject: Internal Audit Annual Report 2020/21

Author of Report: Linda Hunter, Senior Finance Manager, Internal Audit

Summary: The purpose of this annual Internal Audit report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS).

Recommendations:

Members are asked to:

Note the content of the report and the opinion of the Senior Finance Manager.

Background Papers:

Category of Report: Open

* Delete as appropriate

If Closed, the report/appendix is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

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

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE

23rd September 2021

Purpose of the Report

1. The purpose of this annual report to Members is to highlight the work that has been undertaken by Internal Audit during the year. The report provides a review of the performance of Internal Audit for the year 2020/21, gives an opinion on the adequacy of the Council's system of internal control, and supports the Council's Annual Governance Statement (AGS).

Introduction

2. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section. This report has been prepared by the Council's Senior Finance Manager (Internal Audit).
3. It is not the intention of this report to give a detailed summary of every audit that has been undertaken during the previous year, rather to give a broad review of the control arrangements.
4. The Executive Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services and Internal Audit assesses the adequacy of these arrangements. Internal Audit provides analyses, appraisals, recommendations, and advice concerning the activities reviewed.

Executive Summary of the Audit Opinion

5. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.
6. No audit assignments were given an audit opinion of no assurance for the period 2020/21.
7. As a result of the Covid 19 pandemic it has not been possible to deliver the full programme of work set out at the beginning of the year. We prioritised our resources on supporting the Council and concentrating on emerging systems and procedures and risks. Whilst restrictions have been lifted the Council's emergency response arrangements remain in place. Recovering from the pandemic will be a significant challenge for the forthcoming year.
8. From the routine planned internal audit work undertaken and reported upon during 2020/21, management's response to control issues arising from individual reviews has been positive overall, with actions to further

enhance controls being agreed and formally accepted. Implementation of agreed recommendations had generally improved during 2020/21 as reported to the Audit and Standards Committee. However, following the Covid 19 pandemic service area priorities have significantly changed and progress with the implementation of some agreed audit recommendations have been delayed.

9. Internal Audit carried out planned pro-active initiatives in areas of perceived high fraud risk to seek assurance that the selected processes contained robust counter fraud controls, and made recommendations where vulnerability was identified.
10. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office.
11. Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 42 and 43 for further details).
12. A detailed annual report on fraud and investigations was presented to the Audit and Standards Committee in June 2021.
13. The end of year opinion places reliance on assurance provided from other parties and processes, for example the Annual Governance Statement, Risk Management processes and assurance from the work of the External Auditors. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.
14. Assurance has been taken from the certification of internal control completed by Directors of Service under the AGS arrangements. Legal Services co-ordinated the compilation of the AGS on behalf of the Council, whilst ensuring that responsibility for items included within the statement lies with the senior management of the Council.
15. The Council's Annual Governance Statement (AGS) to be presented to the Audit and Standards Committee meeting in September 2021 has no areas of significant control weakness. However, there are 5 areas that the Corporate Management Team wished to monitor the arrangements across the Council.
16. As the Senior Finance Manager (Internal Audit) I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

Legislation Surrounding Internal Audit

17. Internal Audit is an independent appraisal function within the Council. The Internal Audit section is part of Finance and Commercial Services, which contributes to satisfying the Executive Director – Resources statutory responsibilities. There are two key pieces of legislation that impact upon Internal Audit in local authorities, these are:

Section 151 of the Local Government Act 1972 requires that “every local authority ... make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs”. The Council has designated the Executive Director - Resources as the Responsible Financial Officer in relation to this section and one of the ways he exercises responsibility for financial administration is through the work of Internal Audit.

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015 which state in respect of Internal Audit that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.

Professional Requirements

18. In addition to legislation, Internal Audit is governed by policies, procedures, rules and regulations established by Sheffield City Council (the Council). These include the Council’s constitution, financial regulations, standing orders, and conditions of service and codes of conduct for members and officers.
19. The Internal Audit section also has to meet the standards laid down by professional bodies such as CIPFA and the Chartered Institute of Internal Auditors (CIIA).
20. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013, and were updated in 2017. The PSIAS include key principles that public sector internal audit functions must follow, and cover a range of areas including governance, performance standards and reporting requirements. The PSIAS standards are now also supported by a CIPFA statement on the Role of the Head of Internal Audit.
21. PSIAS require that an external assessment of every local authority internal audit section is completed every five years. The opinion provided as part of this external assessment in June 2016 was that the Internal Audit section at SCC ‘generally conforms’, which means the assessor concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given. A new external assessment, in compliance with the five yearly cycle, is currently being undertaken by

Birmingham City Council's 'chief audit executive' (CAE) and will be reported to the Audit and Standards Committee once the report has been received and finalised.

22. As part of the standards, Internal Audit is required to undertake regular self-assessments. Following the update of the standards, a self-assessment was completed in May 2019, and the summarised results are reproduced in Appendix A. The revised self-assessment still shows compliance or partial compliance with 95% of the standards, and non-compliance with 2% (3% of the elements are not applicable). The external assessment which is currently being undertaken included a self-assessment (and supporting evidence) and forms a significant part of the current review. Therefore, the assessed results will be reported along with the opinion once the report has been received and finalised.
23. Historically, the main area where Internal Audit differs from the PSIAS relates to the positioning and independent of the service. The PSIAS sets an expectation that the 'chief audit executive' (CAE) will report directly to a member of the management board (EMT).
24. At present the Senior Finance Manager (SFM), who is the designated CAE, reports to the Head of Strategic Finance (Deputy s151 Officer) who reports to the Director of Finance and Commercial Services, who reports to the s151 Officer (Executive Director – Resources). This point has previously been brought to the attention of the Audit and Standards Committee. The SFM does have unrestricted access to other senior officers, including the Chief Executive and to the members of the Audit and Standards Committee, where required.
25. Since the 2016 external inspection, the SFM in IA has been given management oversight of the External Funding Team and Risk Management, within Strategic Finance. The revised standards acknowledge that CAEs are often assigned other management areas, and so adequate safeguards need to be introduced to maintain objectivity and transparency. Arrangements to maintain independence and objectivity have been defined and documented for the Council and include measures such as amending the reporting arrangements for audits of the External Funding Team and the Risk Management function to ensure these audits are not reviewed/overseen by the SFM (designated CAE).
26. It should be noted that both the External Funding Team and the Risk Management team are compliance functions designed to monitor the application of policies and procedures, and so their remit does not conflict with the role of Internal Audit.

Relationship with External Audit

27. The Senior Finance Manager (Internal Audit) has recently reinstated the quarterly liaison meetings with external audit representatives to discuss and share work programmes, progress of work and key findings and recommendations. During the Covid 19 pandemic when these meetings were

not being held Internal Audit exchanged emails with External Audit (when required) and also both parties attended the regular Audit and Standards Meetings and Pre-Meetings. So regular contact was maintained during this period.

Internal Audit Resources

28. Internal Audit had an agreed budget for 2020/21 as outlined in the table below, which also summarises the end of year budget position.

2020/21			
	Outturn	Budget	Variance
Total	463,031	511,933	(48,902)

29. The underspend for the financial year was as a result of a number of vacancies resulting from the delayed arrival of the appointed staff following the MER process.

Structure

30. The current establishment structure of the section (which includes Internal Audit and Risk Management) is shown in Appendix C to this report. The service currently has 11 FTE officers, plus 2 CIPFA trainees (placed with Internal Audit on a rotation basis). A number of these officers have taken advantage of the Employee Led Scheme (ELS), buying additional leave or reducing their contracted hours.
31. The Internal Audit section strives to maintain high professional standards by employing and training appropriately qualified staff who are members of or actively studying for professional qualifications. All of the internal audit team are either professionally qualified or are actively studying for relevant qualifications. The section includes members of the Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Management Accountants (CIMA), Chartered Institute of Internal Auditors (CIIA), and Association of Accounting Technicians (AAT).

Planning Processes and Performance Monitoring

32. A report is submitted to the Audit and Standards Committee in April each year to outline how the annual plan is devised. The strategy for Internal Audit work is to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems are being properly managed by Directors in service areas. Covid 19 restrictions have had a significant global impact. During the year it has been necessary to flex and reprioritise work in order to support the Council’s response to the Covid 19 emergency and help ensure

that proportionate controls are built within changing systems and procedures. Inevitably the pandemic has had an adverse impact on the delivery of services and Internal Audit. There is no doubt that the impact of the pandemic will continue to influence how the Council operates and the services it delivers to the communities and citizens of Sheffield for the foreseeable future.

33. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
34. The audit plan is discussed with senior managers and ultimately agreed with the Executive Director - Resources.
35. The 2020/21 original plan contained 98 reviews. At the mid-year point 9 reviews were deferred or deleted. As this difference equated to less than 15% of the original plan, this did not constitute as a significant change and therefore was not reported to the Audit and Standards Committee.
36. The Internal Audit service uses a risk based approach to audit; this is now used almost exclusively for our reviews. This requires closer working with management to identify the risks inherent in the council's activities and then to test the controls that are in place to mitigate these risks.
37. The audit plan delivery for 2020/21 is as follows:

Audit Area	Original plan	Revised plan	Completed	Deferred or Work in Progress (WIP)
Corporate	5	5	3	2 WIP
Place	20	19	15	4 deferred
People	32	25	18	5 deferred 2 WIP
Resources & ICT	25	23	21	2 deferred
Main Financial Systems	6	6	5	1 WIP
Benefits / Pro-active Work	10	11	10	1 deferred
Total (Planned Reviews)	98	89	72	17
Investigations undertaken directly			12	
Man't Investigations assisted			23	
Overall Total			107	

38. A total of 72 assurance reviews were completed out of a revised 20/21 plan of 89. The target for the year was to complete 80 reviews, which is the agreed 90% target of the planned 89 reviews. Some reviews were deferred or deleted due to issues that only became apparent towards the end of the year after the mid-year plan had been completed. A further effect on the delivery of the planned audits resulted from the lockdown on the 17th March 2020 due to the Covid 19 pandemic. Engagement of staff during this period has been mixed with conflicting priorities for Portfolio staff. Also 4 deferred pieces of work related to grant work whereby the sign off date was extended by the funder, and therefore out of the control of the Internal Audit Section. Furthermore, after

the mid-year plan had been completed 2 members of staff were seconded to help other sections for a period of time, which had an impact on the delivery of some audits.

39. For the audit plan period 20/21 we currently have higher levels of work in progress compared to previous years due to the longer duration and increased time needed for some audits, and the impact of the Covid 19 pandemic.
40. The Internal Audit Section have been working virtually from home for the entirety of the year being reported upon. This position will continue for some time yet and it is considered highly unlikely that the team will return to the previous way of predominantly office-based working.
41. The 2020/21 allocation of resources for Business Partnering has been successfully utilised, and 21 reviews were undertaken at the request of senior managers from within the Council's Portfolios.
42. Internal Audit conducted 8 re-active investigations and assisted managers with a further 13 re-active investigations which arose in 2020/21. Internal Audit also concluded investigation work on 4 re-active investigations and assisted managers with a further 10 investigations which had originated in 2019/20. These cases were from all Council portfolios and included theft of cash or assets, falsification of mileage claims, excessive use of internet during work time. These investigations led to a number of dismissals and other sanctions. The Police were notified and involved where appropriate. Guidance was also provided to management regarding any control weaknesses identified as present in processes or procedures at the time of the incident. A report of fraud-related activity conducted by Internal Audit was submitted to the Audit and Standards Committee in June 2021.
43. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office. The latest data matches were received in February 2021. There were a number of areas which were insourced to the Council and have required additional support to undertake and record this work. Internal Audit monitored progress on investigating the data matching work, as well as spot checked the validity of the work and outcomes to ensure reasonable completion of the exercise. Additional work was also required to submit additional data sets and undertake checking, related to payments made under Covid 19 grants. Internal Audit will report on the outcomes of the fraud work as part of its annual report in this area.
44. The Internal Audit Section have been involved with a number of Covid 19 grants Post Assurance work (Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Grant Fund) . A significant amount of time has been spent in undertaking post payment assurance and anti-fraud checks, along with the completion of the required returns (within defined deadlines). The results so far have been extremely positive, demonstrating robust pre-payment checks to help prevent obvious payments of fraud.

45. The Council's Internal Audit Section is a member of the South and West Yorkshire Internal Audit Groups. This facilitates comparisons and the sharing of best practice and includes groups for Heads of Internal Audit, Investigations, Contracts and Procurement, Children's Services, computer specialists and Adults' Services, all of which have continued to meet virtually over the past 18 months. In addition the Senior Finance Manager (Internal Audit) is also a member of the Core Cities Heads of Internal Audit Group.

Audit Reporting

46. Internal Audit reports are typically made up of a number of findings and recommendations. Dependent upon the nature of these findings, the recommendations are given one of four categories – critical, high, medium or efficiency/effectiveness.
47. All Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives.
48. The opinions are expressed as:

Overall Audit Assessment	
Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.	
Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.	
Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.	
No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.	

Organisational Impact	
Low	The issues identified have no corporate impact.
Medium	The issues identified have the potential to impact at a corporate level.
High	The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.

49. The opinions relate to the system at the time of the review and do not take into account the effects of the agreed recommendations. Internal Audit follow-up on the recommendations made, in a process that increases in relation to the significance of the opinion.
50. To give an indication of the risk profile results were:
- | | |
|-----------------------|------------|
| No assurance | 0 reports |
| Limited assurance | 4 reports |
| Moderate assurance | 13 reports |
| Substantial assurance | 17 reports |
51. A dashboard summary of the outcomes from the Main Financial Systems audits has also been produced. Four of the nine systems reviewed were given a substantial assurance, three received a moderate assurance opinion and one (Salary Overpayments and Recovery) received a limited assurance opinion. The Creditors review is currently at the final stages of fieldwork testing and therefore still classed as work in progress. Overall, the dashboard shows that the controls over the majority of the key systems are generally sound (Appendix D).
52. A summary of the key actions arising from all the limited assurance, medium impact reports, including on Salary Overpayments and Recovery, are included in Appendix E, as requested by Members.
53. In addition to the above, Internal Audit undertook 38 pieces of productive work across the Council that did not generate an opinion, and therefore does not appear in the breakdown above. These included 6 pieces of follow-up work, 9 grant sign-offs, 19 consultancy pieces of work/attendance at working groups, 2 National Fraud Initiative (NFI) work including the facilitating the data matching process and data privacy notices, the production of the Fraud E-Learning package and the Statement of Financial Values Standards in schools (SFVS) which were collated during 2020/21.
54. A further 21 pieces of work resulted from the Business Partnering resource. A schedule has been included in Appendix F outlining the work undertaken.
55. It should be noted that although the vast majority of recommendations made by Internal Audit are agreed by management, there are occasions where recommendations are not agreed. In such instances Internal Audit outline the potential risks. A judgement is drawn by senior Internal Audit staff, and where the risk is significant this will always be escalated to senior management to ensure that they are aware of the decisions made. Ultimately non-agreement of recommendations can be reported to the Audit and Standards Committee to enable managers to justify their actions.
56. As the Senior Finance Manager, I am satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient for me to be able to give an overall opinion on the Council's internal control system/environment.

Annual Governance Statement

57. Under Regulation 4 of the Accounts and Audit (England) Regulations 2011, the Council is required to conduct a yearly review of our system of internal control. This review forms part of the Annual Governance Statement (AGS) that accompanies the accounts each year. Co-ordination of the AGS is undertaken by the Legal and Governance Service; however Internal Audit is actively involved in the review and shortlisting process. This provides an opportunity for the Senior Finance Manager to flag any control non-compliances that may not have been included on the service and portfolio returns.
58. In 2020/21, the AGS stipulated that there were no areas of significant control weakness. However, there are 5 areas that the Corporate Management Team wished to monitor the arrangements across the Council.
59. Action to strengthen controls in these areas have been devised and agreed and the Monitoring Officer will continue to monitor and report on progress to the Leadership Boards and the Audit and Standards Committee.
60. As the Senior Finance Manager, Internal Audit, I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

Reviewing the Service

61. The team has a number of performance indicators (PI's) which are used to monitor the service delivered. These PI's were revised for the 18/19 financial year onwards to more accurately measure the work of the team. The key targets are highlighted within the annual Finance and Commercial Services service plan and are shown below.
62. In order to gauge client satisfaction, all audit reports are issued with a standard questionnaire which requests client feedback on a number of aspects of the audit process including usefulness and conduct of the audit. The questions are analysed and to make service improvements.

63. The achievement of the performance targets is shown in the table below:

	2020/21 Target	2020/21 Achievement	2019/20 Achievement
PERFORMANCE TARGETS			
• % of audit resource spent on productive activities	88%	87%	85%
• No of planned assurance reviews delivered	80	72	59*
• No of days of business partnering activity delivered by year end	442	408	306
• Conduct a minimum of 4 proactive fraud reviews	4	5 complete	6 complete
• Quality measures – average >85% scoring 4 or better on customer questionnaire (1 is poor – 5 is good)	85%	70%	90%

*NB the no of assurance reviews undertaken changes annually to reflect resources available in the plan.

64. The productivity PI shows a slight reduction in productivity due to the impact on staff productivity following the initial lockdown on the 17th March 2020 due to the Covid 19 pandemic, for example the availability of IT kit at first and the supply of appropriate systems and access rights to work remotely. Whilst the team have delivered some different workloads to that planned, it can be seen that the number of chargeable days has been largely maintained.

65. Customer satisfaction questionnaires scores are seen to be acceptable (with the lowest individual score of 3). It should be noted that we have received very few customer feedback responses to date and being conscious of management workloads and capacity, we have not pressed this matter. It could be assumed that the fact we have received no response means that the customers have been satisfied with the work that has been undertaken and informal feedback indicates this is the case. It is intended to step up this area again in the 2021/22 year.

66. Internal Audit managers review the performance indicators on a quarterly basis and determine what action can be taken. The performance indicators are also discussed with all audit staff at quarterly service planning meetings, to help identify ways of improving service delivery and performance targets. They are also discussed during the Performance Development Reviews (PDR's) with individuals.

Chief Audit Executive's (Senior Finance Manager's) Opinion

67. The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
68. With an organisation as large and complex as the Council, some controls will inevitably fail or some risk will materialise which could not reasonably be foreseen. A recent example that impacted on the Council from March 2020 was the Covid 19 pandemic. Auditees and auditors have had to adjust quickly to different working arrangements and the availability of staff and IT kit and connections has been difficult for all staff. This has resulted in some significant delays finalising some audits.
69. As noted elsewhere in the report, despite the challenges and changes to work undertaken by the Internal Audit team, I can confirm sufficient work has been carried out to be able to form an opinion.
70. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.

FINANCIAL IMPLICATIONS

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

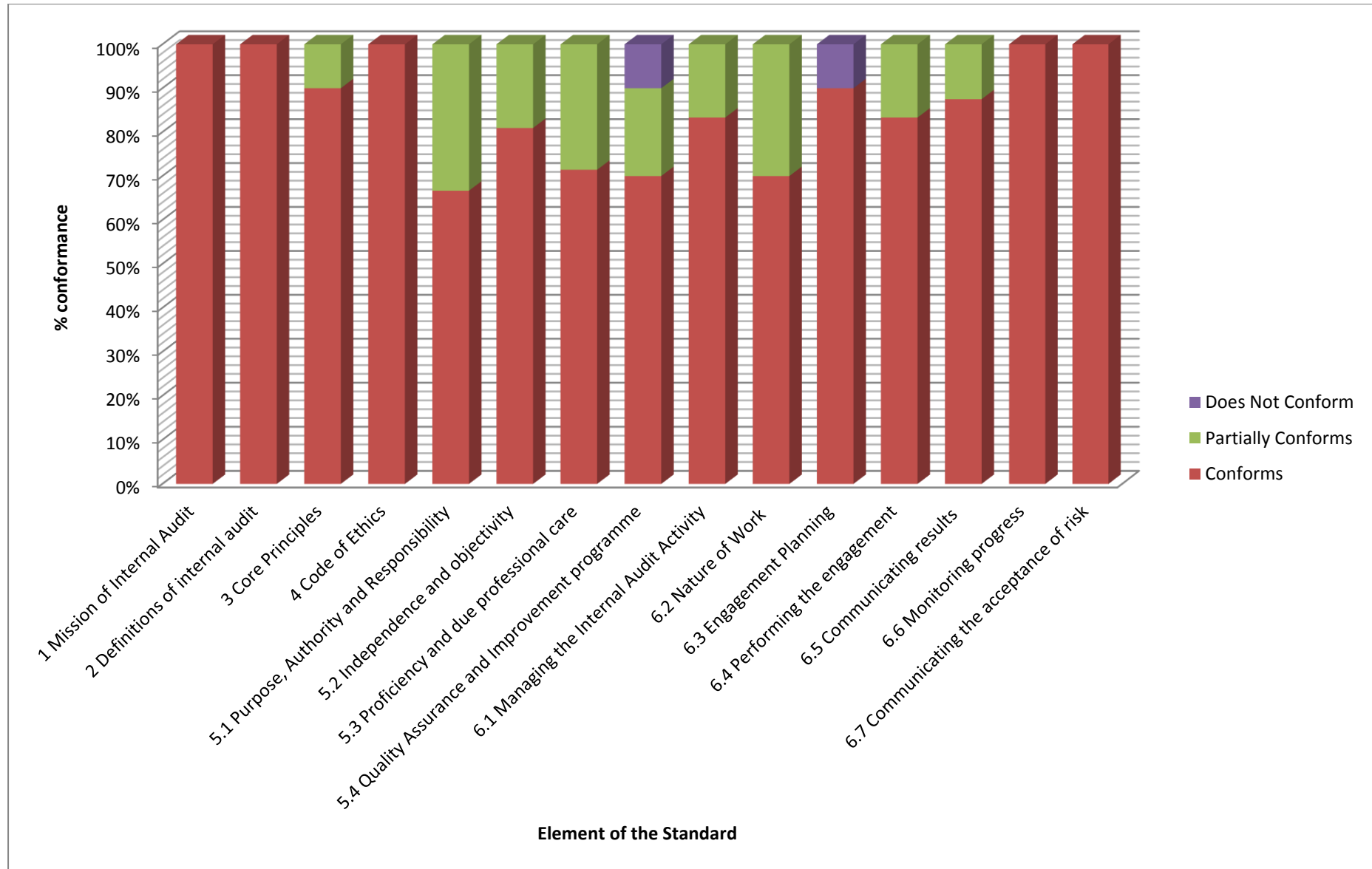
EQUAL OPPORTUNITIES IMPLICATIONS

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

RECOMMENDATIONS

73. That the Audit and Standards Committee notes the content of the report and the opinion of the Senior Finance Manager.

Linda Hunter
Senior Finance Manager



**Sheffield City Council
Internal Audit Quality Assurance & Improvement Programme**

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), definition of internal auditing and code of ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audits' operation.

The Senior Finance Manager, Internal Audit, is ultimately responsible for the QAIP, which covers all types of internal audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least every 5 years.

Internal Assessments

Internal assessments are made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of each audit assignment;
- Regular, documented review of working papers during assignments by appropriate internal audit staff;
- Review of procedures used for each assignment to ensure compliance with the applicable planning, fieldwork and reporting standards as outlined in the quality procedures manual;
- Feedback from customer surveys on individual assignments;
- Analysis of key KPI's established to improve internal audit effectiveness and efficiency.
- Review and approval of all no assurance opinion draft and final reports by the Senior Finance Manager;
- Review and approval of all limited, moderate and substantial opinion draft reports by the Finance Managers.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, the Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Period assessments will be conducted through:

- Quality audits undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual;

- Review of internal audit performance KPI's by the Audit Management Team on a quarterly basis;
- Quarterly performance reporting to the Director of Finance and Commercial Services and annual reporting to the Audit and Standards Committee;
- Annual benchmarking exercise with core city authorities on cost and productivity;
- Annual self-reviews of conformance with the Public Sector Internal Auditing Standards.

Any resultant action plans will be monitored by the Senior Finance Manager (Internal Audit) on a quarterly basis.

External Assessment

External assessments will appraise and express a judgement about Internal Audits' conformance with the standards, definition of internal auditing and include action for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the council. The assessment will be in the form of a self-assessment with independent external validation. The format of the external assessment will be discussed with the Audit and Standards Committee.

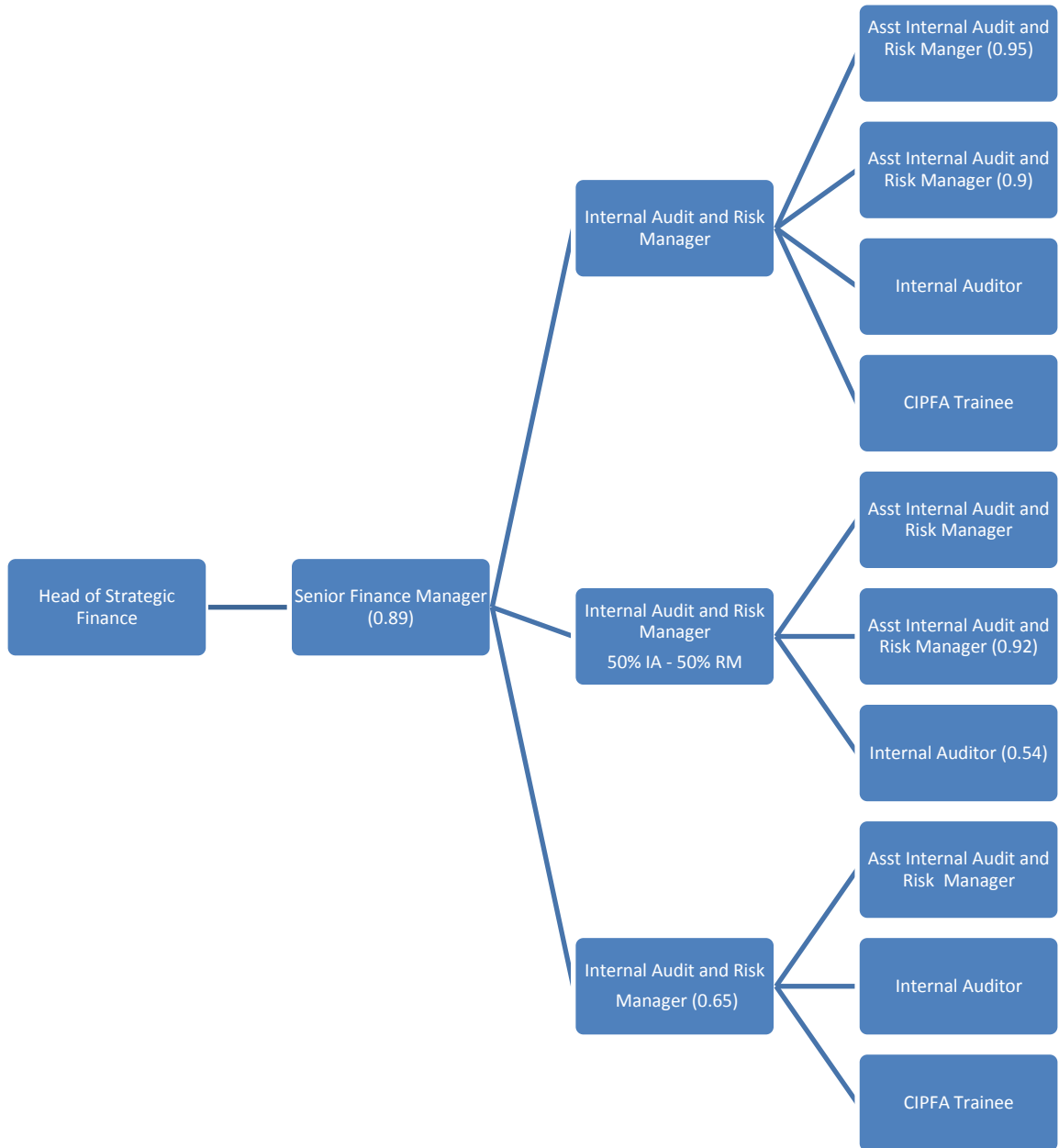
Reporting

Internal assessments – reports on performance will be made to the Audit and Standards Committee on an annual basis.

External assessments – results of external assessments will be reported to the Audit and Standards Committee and Section 151 Officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by an action plan in response to any significant findings and recommendations contained in the report.

Follow-up – the Senior Finance Manager, Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and actions plans developed are implemented in a reasonable timeframe.

Updated August 2021






Main Financial Systems Dashboard

Activity Title	Scope	Assurance Opinion	Organisational Impact
Debtor Controls	Raising accounts, aged debt reduction and dispute resolution and write off processes.	✓ ✓ ✓	Medium
Council Tax	Liability, collections, billings and recovery process.	✓ ✓ ✓ ✓	Low
Payroll	Bona fide transactions (starters and leavers) and reconciliation process.	✓ ✓ ✓ ✓	Medium
Business Rates	Bill calculations, dispatch and collection, exemptions/reliefs and refunds.	✓ ✓ ✓ ✓	Low
People Financial Reporting	Budget setting, budget monitoring controls and reporting arrangements.	✓ ✓ ✓ ✓	Medium
Absence recording and monitoring for Covid 19	Reporting, communication, compliance to Corporate Policies and risk management	✓ ✓ ✓	Low
Salary Overpayments and Write offs	Process, reporting, recovery and training	✓ ✓	Medium
Bank and Control Account Reconciliations	Process, reconciliation, separation of duties and training	✓ ✓ ✓	Medium

Opinion

<p>No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.</p>	<p>✓</p>
<p>Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.</p>	<p>✓ ✓</p>
<p>Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.</p>	<p>✓ ✓ ✓</p>
<p>Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.</p>	<p>✓ ✓ ✓ ✓</p>

Organisational Impact Statement

<p>High - The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.</p>	
<p>Medium - The issues identified have the potential to impact at a corporate level.</p>	
<p>Low - The issues identified have no corporate impact.</p>	

Summary of the key actions arising from Limited Assurance reports issued in 2020/21

Resources

Salary Overpayments and Recovery (Limited Assurance, Medium Impact)

Executive Summary

The review was instigated at the request of Human Resources (HR) and Payroll management. Concerns were raised about a lack of robust procedure in relation to salary overpayments and write-offs. The HR and Payroll services were previously contracted out and came back in-house in October 2017. Staff and existing contractor procedures were transferred. A number of processes have been under review since the service came back in-house.

During the audit, it was identified that in addition to the agreed scope, there was a potential issue with historic salary overpayment debt and as such, an additional risk was added.

Engagement with HR, Payroll and Income Collection and Management Team (ICAM) had been positive throughout the audit, and we are confident that they will work together to ensure an effective end-to-end process is established.

High Priority Recommendations:

- Procedure and processes for salary overpayments should be documented.
- Salary overpayments should be allocated to trained staff.
- Effective reporting to senior management regarding salary overpayment levels is required.
- Payroll recovery action should be documented.
- Sufficient and meaningful information regarding salary overpayments should be provided to ICAM.
- ICAM to provide clear information to Payroll when returning unrecovered debt.
- Training to be provided to services where errors resulting in a salary overpayment are identified.
- Changes for responsibility for debt write-off should be considered.
- Historic debt should be reviewed and where appropriate written off.

Public Services Network (PSN) - NHS Toolkit - Data Security and Protection Toolkit (Limited Assurance, High Impact)

Executive Summary

When the audit work was initially scoped, it was agreed that the work would take the form of a gap analysis to determine the Council's current level of compliance with the toolkit, and to identify the activity required to ensure that the mandatory elements of the toolkit

would be met by the submission deadline of 30th September 2020. This was detailed in the terms of reference at the outset of the work in June 2020.

Internal Audit was requested to give an update to the Information Governance Board (IGB) on the findings of the audit work on 30th July 2020. A briefing paper was prepared and presented by Internal Audit. The audit report reflected the findings and recommendations detailed within the briefing paper. The agreed actions detailed within the audit report reflect the discussions and actions agreed at the IGB on 30th July 2020. The detailed findings at the time, are summarised in the following paragraphs.

Internal Audit reviewed the Council's current position via the on-line toolkit and considered this year's submission only. Only the mandatory elements of the toolkit were considered. As the testing commenced, it was clear that the majority of the evidence items provided for the assertions had been rolled forward from the previous year and so needed updating for the current year to 30th September 2020. Therefore, although Internal Audit undertaken audit testing in line with NHS Digital's guidance for independent auditors, as the toolkit submission for the year to 30th September 2020 was not complete, the testing could not be fully completed. However, Internal Audit identified to the Information Management Team where mandatory evidence items had not yet been detailed, where the evidence provided from last year needed updating and discussed the areas that the team feel will be particularly challenging to meet.

The position at the time of the audit review was that only three of the 30 mandatory assertions were signed off for this year's submission. As such and in light of the fact that the submission was due on the 30th September 2020, the audit opinion must be limited assurance at this stage. This does however come against the backdrop of a particularly challenging time for the team. The Council's Senior Information Management Officer/Data Protection Officer who has previously led on the toolkit submission left the Council in May 2020. Recruitment to this role was successful and the position filled, however, this officer has subsequently left the post and the position has only recently been filled again (as at September 2021). The Council has also come out of a contract for the provision of its IT services which will have a significant impact on the toolkit in terms of the revisions required. The Covid 19 pandemic has also had a significant impact across the whole of the Council and has impacted the Information Management Team's workloads and working arrangements. However, despite this, there is clear commitment from Senior Management and the Information Management Team to meeting the standards of the toolkit as quickly as possible and prioritising the work required to do this.

It is hoped that the recommendations made in this report, if fully actioned, will allow the team to meet the standards of the toolkit as quickly as possible and will ensure that going forward the submission of the toolkit becomes an on-going process, rather than a one-off annual event.

Critical Priority Recommendations:

- Establish a task and finish group/dedicated resource with responsibility for completing the toolkit. Review all mandatory evidence items and update the toolkit, signing off the assertions wherever possible.
- Establish the evidence items that cannot be delivered by 30th September 2020 and the impact of a 'Standards not Met' submission. Develop a clear action plan for the delivery of these items.

High Priority Recommendations:

- Include responsibility for completion of the toolkit in the job description/person specification of the newly appointed Senior Information Management Officer/Data Protection Officer.
- Develop a working group to ensure ongoing compliance with the toolkit.
- Identify all key stakeholders as part of setting up the working group.
- Document and escalate appropriately the risks associated with the toolkit.

Place

Automatic Number Plate Recognition system – governance controls (ANPR) (Limited Assurance, High Impact)

High Priority Recommendations:

- Data sharing agreement with South Yorkshire Police requires a review and update.
- Data breach guidance and action notes are required for staff and should be produced as a matter of urgency.
- Governance arrangements for the team to be documented.
- ANPR system to come under corporate BCIS control.
- South Yorkshire partnership agreement to be reviewed and updated.
- Supplier contract and an SLA to be developed.

People

Safeguarding (Limited Assurance, High Impact)

Executive Summary

This assurance review was limited in scope and the assurance provided only extends as far as the risks agreed per the Terms of Reference.

The audit found that there was good partnership governance through the Adults Safeguarding Partnership Board. The internal process for Safeguarding referrals has been reviewed and strengthened in recent years, and this is evident from clear processes, delivery of staff training and advice and training made available to partners and providers. There is a clear focus on customer outcomes and the safeguarding practice development team demonstrate a good ethos of continuous improvement.

The Service has recently carried out its own review into Safeguarding and the findings are broadly consistent. As a result, additional staff resources have already been put in place to reduce backlogs. It has been agreed that the Director of Adult Health and Social Care will bring back a report to EMT/ Performance Board looking at organisational wide adult safeguarding position and key recommendations for action and milestones. An Adult MASH has also been initiated and there is multi-agency sign up to support a new city wide model that generates a shift to early intervention and prevention.

There are some critical and high priority recommendations made within the report. There are 5 critical recommendations where there is a risk to the safety of individuals and the reputation of the Council, although 4 of these relate to an underlying process around triaging referrals within 48 hours. There are also 5 high priority recommendations, and 3 of these relate to the Council's oversight of the safeguarding element of the Mental Health contract.

Critical Priority Recommendations:

- Triaging of referrals within 48 hours.
- Delays in opening a safeguarding case.

High Priority Recommendations:

- Oversight of the Mental Health Contract.
- Establish a Risk Register and a process for regular reviews.
- That the Service establish a routine process to quality assess performance using a risk-based approach as to the volume and specific cases to be reviewed.

Business Partnering Activities

Incident Management Group
Automatic Number Plate Recognition system (ANPR) Governance Controls
Stocksbridge Town Fund
Debt Panel
Infection Control Fund - Support Package for Care Homes
Support and advice to the Financial and Commercial project groups
Overview of the managements arrangements for IT
Non SCC Volunteer Expenses Process
Salary Overpayments and Recovery
Discretionary Grants Process
Equipment Rollout in relation to 'working from home'
IT assets
Test, Trace and Isolate Support Payments
Acquisition and disposal of kit
Strategic Finance Service Plan
Finance Design Assurance (FDA) - Market Vouchers
FDA – Fixed Penalty Notices Covid
FDA - Launderette Lady
FDA – Cards
Management Info
Local Assistance Scheme - Trusted Assessor – Citizens Advice Bureau

Grants/Account sign-off

Lord Majors Charity Account
Crystal Peaks Market Service Charge Review
Lower Don Valley Flood Defence Charges
Compliance and Enforcement
Local Authority Bus Subsidy Grant sign-off
Building Successful Families (BSF)
PTE – LTP (2 separate pieces of work)
Disabled Facilities Grant sign-off
Schools Financial Value Standards (SFVS)

Investigations

Investigation Advice to Management
Fraud Report



Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 23 September 2021

Subject: Annual Governance Statement

Author of Report: Gillian Duckworth, Director of Legal & Governance

Summary: The attached is the Sheffield City Council Annual Governance Statement which forms part of the Council's Statutory Accounts. The document will be signed prior to the Committee taking place and the updated document added.

Recommendations: The Council is required to produce and have signed off, as part of its annual accounts, an Annual Governance Statement. The statement is intended to identify any significant control weaknesses and also to set out how the council intends to address any weaknesses identified.

To note the contents of the Statement and that this has been signed by the Council Leader, Chief Executive and the Executive Director of Resources and that the statement forms part of the Annual Accounts.

Background Papers: None

Category of Report: Open

Statutory and Council Policy Checklist

<u>Financial Implications</u>
YES Cleared by: Eugene Walker
<u>Legal Implications</u>
YES Cleared by: Gillian Duckworth
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community Safety implications
NO
Human Resources implications
NO
Property implications
NO
Area(s) affected
Relevant Cabinet Portfolio Member
Cllr Julie Grocutt
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

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Scope of Responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law, and that public money is safeguarded properly accounted for and used efficiently, economically and effectively.

Sheffield City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Sheffield City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: <https://www.sheffield.gov.uk/home/your-city-council/council-operates>. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and also its activities through which it accounts to, engages with and leads the community. This framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2021 and up to the date of approval of the Sheffield City Council Annual Report and Statement of Accounts.

The governance framework of the Council is constantly being updated to take account of changes in legislation and working practices.

The Sheffield City Council Governance Arrangements

The governance arrangements of Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these

arrangements to citizens and service users. We have documented the key elements of the control environment and how these are communicated below.

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2021 and up to the date of approval of the Annual Report and Statement of Accounts.

In discharging its responsibility, the Council has a published constitution that specifies the business of the Council, as well as establishing the role of the Executive, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation lays down the scheme of delegation by which Members of the Council and Officers can make executive decisions on behalf of the Council to ensure the smooth operation of its business.

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below:

1) Establishing and monitoring the achievement of the Council's business

The Council has a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the Council priorities. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

The Council's Corporate Management Team (CMT) which includes Executive Members has the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

CMT receives regular budget monitoring reports in addition to the Portfolio Leadership Teams. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

Performance management information about key objectives is also provided regularly to Executive members and may also be considered by Members at the Overview and Scrutiny Management Committee.

Minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) The facilitation of policy and decision-making

The Council's overall budget and policy framework are set by Full Council. Key decisions are taken by the Executive (Leader, Co-operative Executive, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council.

The Council has an Overview and Scrutiny function (including a call-in facility), which reports to the Executive and Full Council as appropriate.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that the functions of the Council are undertaken efficiently and effectively. The scheme includes the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios.

3) Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Regulations and Protocol, and procurement guidelines.

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Audit and Standards Committee. The Monitoring Officer's staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management on its intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Executive Director of Resources carries overall responsibility for financial issues, and his staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has a Risk Management Framework in place that has been agreed by Cabinet. A Risk Management Report is produced for CMT every quarter and an update report is provided to an Audit and Standards Committee on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity, both at an operational level and through close alignment and integration between the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

The Council's Audit and Standards Committee oversees the Council's Code of Conduct for Members. The Council has a Members' Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistleblowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act 1998.

Reviews of services are undertaken on a periodic basis by Internal Audit and agencies including the Care Quality Commission (CQC) and the Office for Standards in Education (Ofsted).

4) Ensuring the efficient, economic and effective use of resources

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having agreed strategic priorities that it will make, to achieve its long term goals.

5) Financial management of the Council

The effectiveness of the system of financial management is informed by:

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Executive Director of Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contract Management Teams in monitoring the work undertaken by Capita (the Council's contractor for financial business processes, during this reporting period).

6) Performance management and its reporting

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defined its priorities and outcomes. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Human Resources Service support portfolios at respective People Boards to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.

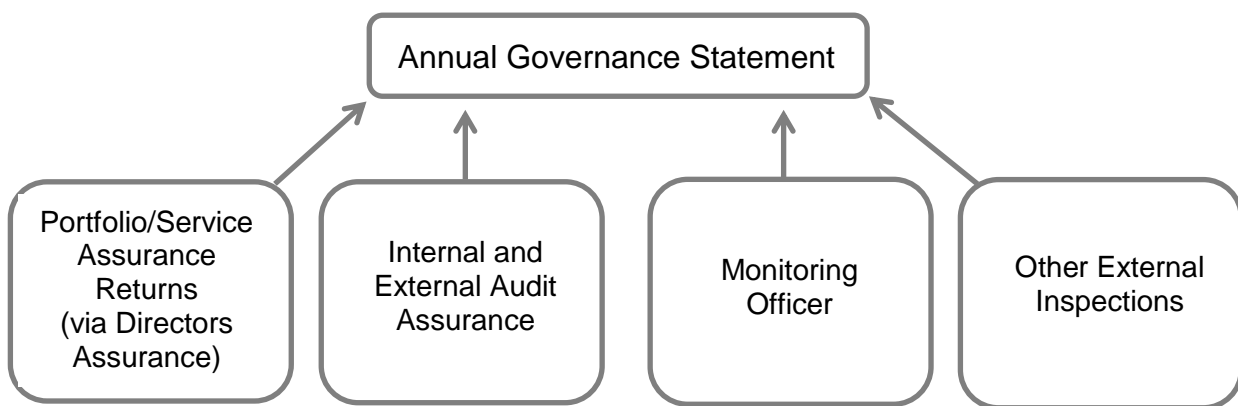
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement.

The review of the effectiveness of the Council's governance framework is informed by the work of the internal auditors and the senior managers within the Council. Senior officers are responsible for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

The CMT agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. We are also enhancing our performance reporting, in conjunction with any new Accountability Framework, to develop a means by which services can more easily monitor adherence to our required Areas of Compliance, throughout the year. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them has commenced. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken by service areas. Certain aspects of key financial systems are reviewed on an annual basis. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit complies in all significant respects with the professional standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The service works closely with our external auditors, Ernst & Young.

There are some areas of control weakness that have been included on the AGS declarations under the section relating to governance issues. The Senior Finance Manager (Internal Audit) has confirmed that she is unaware of any other significant control weaknesses that have not been considered when compiling this statement. The Audit and Standards Committee is responsible for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. This review takes place annually. The Director of Legal and Governance as the Council's Monitoring Officer has not raised any issues of significance that are contrary to the findings within this statement.

The Full Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the financial year 2019/20 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. Reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

For all of the inspections, where recommendations were made, assurance has been received that appropriate management action is being taken.

A number of schools within the city have been the subject of Ofsted inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 non-Executive elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

The Audit and Standards Committee has been set up to meet best practice guidelines. Its terms of reference include the need to consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control; so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Members' Code of Conduct and considering complaints where a Member may have breached the Code.

The Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

The Impact of COVID-19 on our Governance Arrangements

During March 2020, immediately prior to the start of the 2020/21 period relating to this Annual Governance Statement, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was significant disruption to the Council's services – some stopped entirely, others were placed under significant strain due to demand, and new services were introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provides for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group (later renamed the Coronavirus Response Group) was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes
- Pause of debt collection
- Pause of complaints process
- Pause of responding to Information requests
- COVID-19 specific risk register maintained

The direct measures implemented had a significant effect on the provision of services and created backlogs in a number of areas. The pandemic has also led to a significant increase in demand in some areas e.g. social care. The effect of the Council's response to the pandemic continues and will continue to be monitored throughout 2021/22. All of the direct measures have now ceased other than maintenance of a risk register.

Development of the Governance Framework

The Council's control framework needs to evolve to take into account the changes that are taking place across the organisation. In the year, several initiatives have had an impact on the control assurance mechanisms in place:

- The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and are incorporated within the reports on Risk Management to the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity
- The senior officer team, Executive Management Team has been replaced in September 2021 by a series of three Leadership Boards enabling all of the Council's appointed Directors to have a direct role in leading the organisation. The Chief executive attends all of the Boards and the Strategic Leadership Board oversees the running of the organisation and is the conduit to the Council's political leadership
- The political Leadership has undergone some changes this year when the May election resulted in the Council having no overall control politically. An agreement was reached between two of the political groups to form a co-operative alliance. As such the former Cabinet is now referred to as the Co-operative Executive however it continues to function as a cabinet within a Strong Leader form of Governance
- In August 2019, the Council received a petition requiring it to hold a Governance Referendum to consider a change to a Committee system of governance. The pandemic resulted in all elections including the Referendum to be postponed until May 2021, therefore the Referendum was held in May 2021 and the outcome was a move to a Committee system of governance. The Council is required by law to move to a Committee system of governance at the Annual Council meeting in May 2022, therefore a significant project resource has been allocated to the Director of Legal & Governance to manage the process of change. This will result in a full revision of the Constitution and the way decision making works within the Council with effect from May 2022.

Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2020/21, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

This review of effectiveness has highlighted the following issues that the Corporate Management Team wishes to monitor the arrangements across the Council:

Human Resources	Personal Development Review (PDR) completion rates Completion of mandatory e-learning Employee Code of Conduct being signed and recorded in the Human Resources (HR) system
Personal Development Review (PDR) completion rates	

PDR completions within MyHR/iManage were de-prioritised as part of the COVID-19 response, although Managers were still encouraged to have regular supervision with all employees the setting of annual objectives at a time when the Council was mobilising its Services to cope with the impact of the pandemic was not seen as the best use of its resources. 2020/21 PDRs were made available within MyHR/iManage and quality conversations were and continue to be encouraged with a focus on health, wellbeing and development as well as setting objectives for future direction. Reports are available to Managers to help monitor completion rates within their services.

Completion of mandatory e-learning

During 2020/21 there was a focus on ensuring employees completed the Data Protection (GDPR) & Security e-learning as this enabled the Council to successfully meet the requirements of the NHS IG self-assessment toolkit standard. Completion rates are at 88% and rising with a concerted effort being led by the Information Governance Team and supported by Human Resources to provide a paper version of the course to staff without computer access. During 2021/22 there is a focus on ensuring the Equality Diversity & Inclusion (Unconscious Bias, Inclusion Essentials and Inclusive Leadership) e-learning is completed by all employees. Reports will be produced to check on progress.

The focus on mandatory e-learning of all 9 modules will continue to be a priority.

Employee Code of Conduct being signed and recorded in the human resources system

The Directors Assurance requires that employees review and sign their Code of Conduct. Work has been taking place over recent months to ensure the HR & Payroll system (MyHR/iManage) is available to all employees to record completion of the Council’s Code of Conduct. The Questionnaires are now built within the system and communication was sent to Directors in July 2021 to encourage completion within their services. Regular reports will then be produced and shared with Managers to ensure we meet the required levels of compliance. The system has also been designed to gather information from employees relating to Gifts & Hospitality and Declaration of Interest.

<p>Information Governance</p>	<p>Retention Schedules are not present or routinely applied</p> <p>Not processing personal data within rights of data subject, confirming is information is held or not responding to requests (all types) within timescales</p> <p>Record Of Processing Activities (ROPA) is not kept upto date</p>
<p>Retention Schedules are not present or not routinely applied</p> <p>One of the actions to prevent and reduce the spread of Coronavirus infection was to minimise employee access to Council buildings. This severely impacted our ability to destroy records that ordinarily may have been. Various activities are in progress and planned that include:</p> <p>88% of colleagues have completed the mandatory Data Protection (GDPR) & Security e-learning module, which incorporates training and guidance on retention of data. Having more skilled and knowledgeable colleagues who are confident in knowing when to retain</p>	

or securely dispose – or knowing who to ask to do so – is a key organisational control to reduce the risk that data is being retained for too long.

Implementation of Microsoft O365 is increasing the Council’s ability to manage its data more effectively, for example we are beginning to apply retention labels to documents. We continue to adopt a risk based approach to building access.

Not processing personal data within rights of data subject, confirming if information is held or not responding to requests (all types) within timescales

Activities to address performance relating to the fulfilment of data subject requests include recruitment of additional temporary resource to address the outstanding requests and investment in a case management system. Automation of Information Management working practices using the new case management system will enable the access of real time information to track requests. We are also setting up regular performance clinics with relevant services.

Record Of Processing Activities (ROPA) is not kept upto date

Activities undertaken have included a comprehensive review of the ROPA template to ensure that it is in line with UK GDPR Article 30 requirements and meets business needs. We are also appraising a ROPA self-service tool that is used by other Local Authorities. A programme of review and updating the ROPA in the Place Portfolio is underway.

As part of the NHS Toolkit, ROPAs pertaining to the health and social care data processed by the Council were reviewed and approved by the Caldicott Guardians.

Business Planning	Service Plan aligned to Corporate Plan and/or members priorities
<p>The Directors Assurance requires that the Service Plan supports the wider organisational priorities. The organisation did not have a Corporate Plan or other single articulation of Members’ priorities in place since the expiry of the previous Corporate Plan, in 2018. However, each service did have a plan in place for 19/20 that was aligned with the priorities for the relevant Cabinet Member for the service in question, with some services having more detailed plans dealing with specific issues that they identified as important for their area.</p> <p>The new Co-operative Executive has already set out clear first-year commitments in their Co-operation Agreement and the approval of a more focused one-year plan with specific objectives to support the city’s recovery has been agreed. Work on a longer-term Corporate Plan will commence later this year.</p>	

Business Planning	Fraud Awareness/E-learning
<p>The Directors Assurance requires that fraud training is completed and recorded. This would ordinarily be completed in the Development Hub, but the e-learning module was still in development throughout 2020/21.</p> <p>The Fraud Prevention e-Learning is now available (since May 2021) on the Development Hub for staff to complete, where appropriate and necessary in their role.</p>	

Performance of the Special Educational Needs and/or Disabilities Service (SEND)

Areas of weakness were identified in how the Special Educational Needs and Disabilities (SEND) Reforms (set out by law in 2014) had been introduced in Sheffield.

Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Sheffield to judge the effectiveness of the area in implementing the disability and special educational needs reforms, as set out in the Children and Families Act 2014. The inspection determined that a Written Statement of Action (an action plan) was required because of significant areas of weakness in the local area’s practice. This is jointly owned plan by the Council and Sheffield’s Clinical Commissioning Group and describes how further improvements would be made and by when.

Substantial improvement work has taken place and there is more work to do. The pandemic impacted the ability of the Local Authority to meet statutory timeframes – the Council was not-compliant with its legal requirements. This leaves the Council open to challenge from Central Government and the Ofsted SEND Inspection – specifically in relation to how services are able to provide advice and the ability of staff, who have tried to continue working between buildings and remotely to complete work in a timely manner.

Updated reporting systems are in place and a performance clinic approach began in November 2020 to ensure greater control on timeliness and challenges within that. Due to COVID-19, our auditing of Education, Health and Care Plans was paused from March to September 2020, but restarted in October, that year.

Statement

Over the coming year, Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Corporate Management Team and the Council Leader.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council’s ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place.

We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

Signed:Date.....
Eugene Walker – Executive Director of Resources (Section 151 Officer)

Signed:Date.....
Kate Josephs –Chief Executive on behalf of Sheffield City Council

Signed: **Date:**.....
Terry Fox - Council Leader on behalf of Sheffield City Council



Audit and Standards Committee Report

Report of:	Eugene Walker Executive Director of Resources, Local Authority Section 151 Officer
Date:	23 Sept 2021
Subject:	External Audit Re-procurement
Author of Report:	David Phillips Head of Strategic Finance
Summary:	The purpose of the report is to communicate the factors to be considered when re-procuring the Council's external audit provision.
Recommendations:	The Audit and Standards Committee endorses the decision to opt-in to PSAA re-procurement.
Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
Covered within the report
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Co-operative Executive Portfolio Leader
Cate McDonald
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
YES
Press release
NO

Purpose of this Report

1. The purpose of the following report is to discuss the factors to be considered by the Audit and Standards Committee when deciding which method to use to re-procure the Council's external audit service.
2. The Council will need to consider the options available and put in place new arrangements in time to make the re-appointment. The deadline for this appointment is end January 2022 if the Council decides to remain with the PSAA national procurement (see below

Introduction and Background

3. The Local Audit and Accountability Act 2014 brought the Audit Commission to a close and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
4. The Council's current external auditor is Ernst and Young (EY), one of the "big four" international auditing firms, under a contract managed by Public Sector Audit Appointments Limited (PSAA).
5. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work as they will need to demonstrate that they have the required skills and experience, and be registered with a Registered Supervising Body approved by the Financial Reporting Council.
6. External auditors are also required to undertake their work in accordance with International Auditing Standards. Specifically, they are required to communicate any relevant matters relating to the audit to those charged with governance.

Options for local appointment of External Auditors

7. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act). These options are:
 - Continue to take part in the national procurement undertaken by PSAA
 - Procure individually

- Seek to carry out a joint procurement along with (probably) neighbouring local authorities and / or SCR.

Option One PSAA

8. In conjunction with around 98% of all local authorities, the Council opted-in to the national procurement arrangement run by Public Sector Audit Appointments (PSAA) in 2017, covering the audits of the Council's 2018/19 to 2022/23 accounts.

Advantages/benefits

- a) The costs of setting up the appointment arrangements and negotiating fees will be shared across all opt-in authorities.
- b) By offering large contract values, the firms should be able to offer better rates and lower fees than are likely to result from local negotiation.
- c) Any conflicts of interest at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon.
- d) The appointment and subsequent audit is demonstrably independent of the Council.
- e) Utilise PSAA expertise in compiling the tender, to undertake all the procurement process, so there would be no costs or resource requirements from the Council. Also PSAA commit to the on-going contract management, QA of contract delivery, and agreement of additional fee requests. Given the Council's current budgetary position, FCS officers would prefer not to devote time to an external audit appointment process.
- f) PSAA manage any subsequent fee disputes, and can apply their knowledge from other clients to determining a reasonable fee.
- g) Supports the LA collective national procurement process.

Disadvantages/risks

- a) Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- b) In order for the national process to be run, Councils have to indicate that they wish to opt-in by end January 2022.
- c) The re-procurement exercise in 2017 resulted in very considerable reductions in audit fees. However the auditing firms have not been able to deliver audits for these fees, resulting in increases in fees. Appointing as part of a smaller group or individually might make the firms more reluctant to ask for fee increases, or at least the Council might have more influence over fee negotiations as these would be directly with the firm.

Option Two Procure individually

9. Legislation requires that to procure individually the Council must set up an Auditor Panel. The panel must consist of wholly or a majority of independent members as defined by the Act, and must be chaired by an independent member. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input in assessing bids and choosing to which firm to award the contract for the Council's external audit. The new independent auditor panel would be responsible for selecting the auditor.

Advantages/benefits

- a) Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have some local input to the decision.

Disadvantages/risks

- a) Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on-going expenses and allowances.
- b) The Council will not be able to take advantage of the benefits of scale and reduced fees that could be available through joint or national procurement contracts.
- c) The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members. Hence our members do not control the process or appointment.
- d) The external audit market has become very challenging, with firms unable to recruit staff. Often audited bodies nationally in the public and private sector have found that they have at most one bidder for their audit. Consequently single-procurement risks having very little or no choice of audit provider.

Option Three Procure jointly

10. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act, and the Council would need to liaise with other public authorities locally to assess the appetite for such an arrangement. Soundings with other local authorities so far have indicated that they are not keen to opt for a joint procurement, as they doubt the benefits would be worth the additional time and procurement costs needed.

Advantages/benefits

- a) The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- b) There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- a) The decision-making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used, or possibly only one elected member representing each council, depending on the constitution agreed with the other bodies involved.
- b) There will be the usual delays and time needed to negotiate and agree joint provision with other LA bodies, with the danger if agreement is not met, that the Council is then too late to opt-in to the PSAA arrangements.
- c) The choice of auditor could be complicated if individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work, such as consultancy or advisory work for a council. Where these issues occur, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council, then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.
- d) The problems in obtaining a range of auditing firms prepared to bid, as discussed under Option Two, are unaltered by this arrangement.
- e) Lack of enthusiasm for this approach from other LAs contacted.

11. For the last procurement exercise, after considering the above factors, the Committee decided that opting in to the PSAA national procurement exercise was the best approach. 98% of other local authorities (and Fire, Police etc bodies) decided likewise, so PSAA was the overwhelming choice of the sector. There have been some frustrations arising from this decision, mainly that the auditing firms have not been able to honour the prices at which they tendered. However given the current fragility of the audit market, the considerable time and effort involved in tendering individually or in a small group, the additional demonstrable independence of the national process, and the benefits of acting as a collective sector in the audit market, it is the view of officers that we should again opt-in to the PSAA process.

The Way Forward

12. The Audit and Standards Committee is requested to indicate whether it endorses opting in to the national PSAA procurement, or whether wishes

officers to explore the alternative options. If PSAA is chosen, then this route must be endorsed by Full Council by end January 2022.

Financial Implications

13. There are no financial implications arising from the recommendations set out in this report, other than (i) the potential procurement and ongoing Audit Panel costs unless PSAA is chosen, and (ii) the normal ongoing costs of paying for the subsequent external audits.

Equal Opportunities Implications

14. There are no equal opportunities implications arising from the recommendations set out in this report.

Property Implications

15. There are no property implications arising from the recommendations set out in this report.

Recommendations

16. It is recommended:

- Option One PSAA re-procurement is adopted.

David Phillips
Head of Strategic Finance

23 September 2021

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Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 23rd September 2021

Subject: Work Programme

Author of Report: Sarah Cottam, Democratic Services
(Tel - 0114 273 4015)

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 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 2021-22

Date	Item	Author
21 October 2021	Annual Ombudsman Report	Corleen Bygraves-Paul (Service Delivery Manager)
	Final Accounts Audit Progress	Ernst and Young (External Auditor)
	National scheme for local auditor appointments from April 2023	Dave Phillips (Head of Strategic Finance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
16 December 2021	Statement of Accounts 20/21	Dave Phillips (Head of Strategic Finance)
	Education Healthcare Plan Update	Andrew Jones (Director of Education and Skills)
	Report of those Charged with Governance (ISA 260)	(External Auditor) Ernst & Young
	Whistleblowing Policy Review	Claire Corneile (Head of HR)
	Progress on High Opinion Audit Reports	Linda Hunter (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
20 January 2022	Formal Response to Audit (ISA 260) Recommendations	Dave Phillips (Head of Strategic Finance)
	Annual Audit Letter 2020/21	Ernst and Young (External Auditor)
	Review of Members' Code of Conduct	Gillian Duckworth (Director of Legal and Governance)
	Review of Standards Complaints Procedure	Gillian Duckworth (Director of Legal and Governance)

Audit and Standards Work Programme 2021-22

	Annual Standards Report	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
24 February 2022	(Additional meeting if required)	
24 March 2022	Compliance with International Auditing Standards	Dave Phillips (Head of Strategic Finance)
	Certification of Claims and Returns Annual Report 2020/21	External Auditor (EY)
	External Audit Plan 2021/22	External Auditor (EY)
	Annual Audit Fee Letter 2021/22	External Auditor (EY)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
June 2022	Audit Training	External Facilitator (Gary Bandy)
16 June 2022	Summary of Statement of Accounts	Dave Phillips (Head of Strategic Finance)
	Internal Audit Annual Fraud Report	Linda Hunter (Senior Finance Manager)
	Internal Audit Plan 2022/23	Linda Hunter (Senior Finance Manager)
	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)

21 July 2022	Work Programme	Gillian Duckworth (Director of Legal and Governance)

IMPORTANT INFORMATION FOR REPORT WRITERS

The Audit and Standards Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sheffield City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Committee also cover Standards and is primarily responsible for promoting and maintaining high standards of conduct by councillors, independent members, and co-opted members. It is responsible for advising and arranging relevant training for members relating to the requirements of the code of conduct for councillors. The Committee also monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

The Committee is not an operational committee, so is not focussed on the day to day running of your service. However, its focus is on risk management and governance, so it will want to understand how you manage your key risks, and how you are responding to new challenges and developments. In particular the Committee will be interested in the progress on implementing agreed recommendations from inspection and audit reports, and will want to review your services' outputs and actions in response. You can expect some challenge if deadlines for implementing agreed actions have been missed. Please ensure breakdowns of information are included in your report, as the Committee is interested in the key facts and figures behind areas.

Most Audit and Standards papers are public documents, so use everyday language, and use plain English, don't use acronyms, or jargon and explain any technical terms. Assume the reader knows little about your subject.

Think about how the paper will be interpreted by those who read it including the media.

Use standard format - don't subvert it.

Ensure – You convey the key message in the first paragraph not the last.

The report should include –

Audit and Standards Work Programme 2021-22

- ***Summary***
- ***Recommendation (s)***
- ***Introduction***
- ***Background***
- ***Main body of the report (in. legal, financial and all other relevant implications)***

(report templates are available from Democratic Services)