

Audit Committee

Meeting held 25 September 2013

PRESENT: Councillors Ray Satur (Chair), Joe Otten (Deputy Chair), Anders Hanson, Steve Jones and Sioned-Mair Richards.

Co-opted Independent Members
Beryl Seaman and Rick Plews.

Officers in attendance
John Mothersole (Chief Executive), Eugene Walker (Director of Finance), Allan Rainford (Deputy Director of Finance, Strategic Finance), Mike Thomas (Senior Finance Manager), Lynne Bird (Director of Legal and Governance), Laura Pattman (Assistant Director Finance, Business Partnering and Internal Audit), Kayleigh Inman (Senior Finance Manager, Internal Audit), John Prentice (Director, KPMG), David Phillips (Senior Manager, KPMG) and Dave Ross (Principal Committee Secretary).

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Martin Lawton.

2. EXCLUSION OF PUBLIC AND PRESS

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

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 9 July 2013 were approved as a correct record.

5. STATEMENT OF ACCOUNTS 2012/13 AND EXTERNAL AUDITOR'S REPORT (ISA 260)

5.1 The Deputy Director of Finance introduced a report of the Executive Director, Resources that communicated any relevant matters arising from the audit of the 2012/13 Statement of Accounts. Appended to the report were the Statement of Accounts and the External Auditor's Report to Those Charged with Governance (ISA 260). The Deputy Director indicated that the overall financial position had not changed to that indicated in the Summary of the Accounts considered by the Committee on 9 July 2013. An unqualified opinion was expected from the

external audit of the Accounts.

External Auditor's Report to those Charged with Governance (ISA 260)

- 5.2 The Council's External Auditor, John Prentice, Director KPMG, introduced his 'Report to Those Charged with Governance' (ISA 260) that summarised the key issues identified during the audit of the Council's financial statements for the year ended 31 March 2013 and his assessment of the Council's arrangements to secure value for money in its use of resources. He highlighted the headline messages and anticipated issuing an unqualified audit opinion and value for money conclusion by 30 September 2013. A certificate could not be issued to close the 2012/13 audit before the work on the objections to the 2011/12 accounts was completed in approximately 8 weeks' time.
- 5.3 Mr Prentice outlined the proposed audit opinion and audit differences, the key risks affecting the financial statements (these included the Council's savings plans, Digital Region Limited and the Highways Private Finance Initiative), accounts production and audit process, the control environment, completion of the audit, specific value for money risks, the key issues and recommendations from the audit relating to Digital Region and the follow-up of the recommendations from the 2011/12 audit.
- 5.4 In respect of the outstanding objection to the accounts relating to the former South Yorkshire Trading Standards Unit, the Chief Executive outlined the current legal position with the other three local authorities and indicated that he would be able to confirm the course of action to be taken at the next meeting of the Committee.
- 5.5 In response to questions from Members of the Committee relating to Digital Region and the recommendations in the External Auditor's report, the Chief Executive indicated that he did not wish for the proposed independent review to affect the winding up of the organisation. The review should involve the four South Yorkshire local authorities and the Government. It was not possible at this time to provide details of potential timescales as the terms of reference for the review had not yet been drafted. However, the Chief Executive would be in a position to provide further information to the next meeting of the Committee.
- 5.6 Officers responded to further questions from members of the Committee relating to earmarked reserves and the control environment.

Statement of Accounts

- 5.7 In response to questions from members of the Committee on the Communities' budget position and Adult Social Care, the Chief Executive indicated that the Directors of Resources and Communities were implementing a recovery plan and this would bring significant challenges. There was also a review of care packages. Service pressures and reductions in NHS funding were affecting other budget areas and this had been exacerbated by poor forecasting of care packages and not taking account of available resources and projecting the cumulative impact. A number of care packages would not have been agreed at

the original level and there had been an over provision of care packages compared to the available budget. There were further additional related issues in respect of demographics and people being transferred from hospital to community care.

5.8 The Chief Executive further stated that an Internal Audit led review was taking place on the issues relating to Adult Social Care and the final report would be made available to members of the Committee.

5.9 Officers responded to questions from members of the Committee relating to short term debtors, the Council's liability under admitted body status with the South Yorkshire Pensions Authority, the Comprehensive Spending Review, the Commercial Estates and Transport Services trading operations, the Housing Revenue Account surplus, the un-earmarked reserve and the deficit on Schools Accounts.

5.10 **Resolved:** That the Committee:-

- (a) accepts the Report to those Charged with Governance (ISA 260) 2012/13;
- (b) approves the Statement of Accounts for 2012/13;
- (c) requests the Chair of the Audit Committee to sign (i) the Letter of Management Representations to conclude the audit and (ii) the Statement of Accounts;
- (d) requests that, arising from the recommendations in the External Auditor's ISA 260 report relating to Digital Region:-
 - (i) the Director of Finance and Director of Creative Sheffield submit a report to the 14 November 2013 meeting of the Committee on progress on the management response to the recommendation that "the Council should ensure it has appropriate arrangements to manage the closure of Digital Region Limited to reduce the financial impact on the Council " and
 - (ii) the Chief Executive reports to the 14 November 2013 meeting outlining the process and timescales for the independent review of the Digital Region project;
- (e) requests the Deputy Director of Finance to circulate to members of the Committee further information on the difference in the accounting surplus/deficit figures in the Statement of Accounts for Commercial Services and Transport Services in 2011/12 and 2012/13;
- (f) requests the Chief Executive to report to the meeting of the Committee on 14 November 2013 on the course of action being taken in relation to the former South Yorkshire Trading Standards Unit;
- (g) notes that the final report from Internal Audit on Adult Social Care would be circulated to members of the Committee in due course;

- (h) requests the Executive Director Resources/Executive Director Communities to circulate to members of the Committee further information on the financial impact for the Council of the reduction in NHS funding for Continuing Health Care;
- (i) thanks the Deputy Director Finance, Clair Sharratt (Finance Manager) and the Finance Team for their work on the Statement of Accounts; and
- (j) thanks the Director, Senior Audit Manager and the Audit Team at KPMG for their work on the Report to those Charged with Governance (ISA 260).

6. INTERNAL AUDIT ANNUAL REPORT 2013

6.1 The Senior Finance Manager (Internal Audit) introduced a report that highlighted the role of Internal Audit and the work undertaken during 2012/13 and which supported the Council's Annual Governance Statement. The report provided an executive summary of audit opinion and information on the planning process, audit reporting and services reviews. Appended to the report were the Internal Audit Charter, structure and Protocol and a client questionnaire.

6.2 Officers responded to questions from members of the Committee relating to the process where management did not agree to recommendations from Internal Audit reports and the reporting routes for the Senior Finance Manager acting as the Chief Audit Executive.

6.3 **Resolved:** That the Committee:-

- (a) notes the contents of the report now submitted and the opinion of the Chief Audit Executive (Senior Finance Manager);
- (b) approves the revised Internal Audit Charter as required by the Public Sector Internal Audit Standards; and
- (c) requests that arrangements are made for:-
 - (i) a private meeting to be held before meetings of the Committee with the External Auditor and Internal Audit to discuss any issues of concern, with the meetings held at the request of the External Auditor or the Committee and
 - (ii) a private meeting between the External Auditor and the Committee to be held at least once a year.

7. WORK PROGRAMME

7.1 The Director of Legal and Governance submitted a report that provided details of a proposed draft work programme for the Committee for 2013/14.

7.2 **Resolved:** That the Committee approves the work programme for 2013/14 with

the inclusion of items on Digital Region and South Yorkshire Trading Standards.

8. DATE OF NEXT MEETING

8.1 It was noted that meetings of the Committee would be held at 6.00 p.m. on:-

- Thursday 14 November
- Thursday 12 December (additional meeting if required)
- Thursday 9 January 2014
- Thursday 13 February (additional meeting if required)
- Thursday 13 March (additional meeting if required)
- Thursday 10 April

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