

Audit Committee

Meeting held 14 November 2013

PRESENT: Councillors Ray Satur (Chair), Joe Otten (Deputy Chair), Anders Hanson, Steve Jones and Martin Lawton.

Co-opted Independent Members
Rick Plews.

Officers in attendance

Eugene Walker (Director of Finance), Allan Rainford (Deputy Director of Finance, Strategic Finance), John Mothersole (Chief Executive) Kayleigh Inman (Senior Finance Manager, Internal Audit), Stephen Bower (Finance Manager, Internal Audit), David Phillips (Senior Manager, KPMG), Edward Highfield (Director of Creative Sheffield), Bev Coukham (Director of Business Strategy), Ellie Fraser (Customer Accounts Team Manager), Richard Garrad (Corporate Risk Manager) and Dave Ross (Principal Committee Secretary).

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillor Sioned-Mair Richards and Mrs Beryl Seaman.

2. MRS BERYL SEAMAN

2.1 Councillor Ray Satur (Chair of the Committee) reported that this would have been Beryl Seaman's last meeting as she was standing down as a co-opted member of the Committee at the end of the year but was unfortunately unable to attend. He thanked her for her hard work and the dedication she had shown to the Committee.

2.2 **Resolved:** That the Committee places on record its thanks and appreciation to Beryl Seaman for her contribution to the work of the Committee and offers her its best wishes for the future.

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 25 September 2013 were approved as a correct.

Matters Arising

4.2. Digital Region Limited

4.2.1 The Director of Finance reported on behalf of the Chief Executive and indicated that the terms of reference for the review of the Digital Region project had been redrafted and were due to be agreed shortly by the Chief Executives of the four South Yorkshire local authorities. KPMG would be undertaking the review. The first stage would examine the headline issues with the second stage focussing on specific issues. The timescales for the review had not been confirmed.

4.2.2 In response to a question from a member of the Committee, the Director of Finance confirmed that the final review report would be submitted to this Committee.

4.2.3 **Resolved:** That the information now reported is noted.

4.3 South Yorkshire Trading Standards

4.3.1 The Director of Finance reported on behalf of the Chief Executive and indicated that negotiations were still continuing with the other South Yorkshire local authorities regarding South Yorkshire Trading Standards and there were revised terms of settlement. The Chief Executive would provide a written update to members of the Committee in two weeks' time.

4.3.2 **Resolved:** That the information now reported is noted.

5. SOUTH YORKSHIRE DIGITAL REGION: PROGRESS ON MANAGEMENT RESPONSE

5.1 The Director of Finance and the Director of Creative Sheffield submitted a joint report providing progress on the management response to the recommendation from the External Auditor's ISA 260 report that "the Council should ensure it has appropriate arrangements to manage the closure of Digital Region Limited (DRL) to reduce the financial impact on the Council".

5.2 Arising from the decision to close DRL, the joint report outlined a number of work streams for DRL and the City Council and also set out the financial position.

5.3 Officers responded to questions from members of the Committee relating to the Council as a customer of DRL and European funding clawback.

5.4 **Resolved:** That the Committee notes the report and the steps being taken to manage the closure of Digital Region Limited to reduce the financial impact on the Council.

6. ANNUAL AUDIT LETTER 2012/13

6.1 The Senior Manager, KPMG introduced the Annual Audit Letter 2012/13 that summarised the findings from the audit of the Council's financial statements and

value for money conclusion for 2012/13. He referred to the unqualified opinion on the financial statements, that the certificates to close the 2011/12 and 2012/13 audit cannot be issued before the work on the two objections was completed and the 40% reduction in audit fees.

6.2 He also reported that John Prentice (Director, KPMG) had been the Council's External Auditor for 5 years and would become the External Auditor for Leeds City Council from the end of the year. Steve Clark would be the Council's new External Auditor.

6.3 Councillor Ray Satur (Chair of the Committee) thanked John Prentice for the assistance and exemplary support he had given the Committee.

6.4 The Senior Manager responded to question from members of the Committee relating to the two objections to the 2011/12 financial statements.

6.5 **Resolved:** That the Committee:-

(a) notes the Annual Audit Letter 2012/13; and

(b) places on record its thanks to John Prentice (Director, KPMG) for his contribution to the work of the Committee as the Council's External Auditor and offers him its best wishes.

7. PROGRESS ON INTERNAL AUDIT REPORTS WITH A HIGH OPINION

7.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director of Finance giving details of progress made against the recommendations in Internal Audit reports that had been given a high opinion and identifying those audits that should be removed from future reports.

7.2 The Director of Business Strategy (Communities) and the Customer Accounts Team Manager attended the meeting and provided further information with regard to the implementation of the recommendations for the audit of Self Directed Support (Direct Payments). This included the achievements since the audit was undertaken and a detailed action plan. 21 of the 22 recommendations had been completed but needed to be verified by Internal Audit.

7.3 Officers responded to questions from members of the Committee relating to the audit of Self Directed Support (Direct Payments).

7.4 **Resolved:** That the Committee:-

(a) notes the contents of the report now submitted and the information now reported;

(b) agrees that the audits relating to Marketing Sheffield, Cash Handling Appointeeships in Residential Homes and the Register Office are removed from future progress reports; and

- (c) requests that the Internal Audit follow-up review of Self Directed Support (Direct Payments) is undertaken as soon as possible.

8. PROGRESS ON COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDITING STANDARDS

- 8.1 Further to the report submitted to the meeting of the Committee on 17 April 2013 on the Public Sector Internal Auditing Standards (PSIAS) which came into force on 1 April 2013, the Senior Manager (Internal Audit) introduced a report of the Assistant Director of Finance summarising the progress made to ensure compliance with the PSIAS and highlighting the additional work still required. Attached to the report was the completed PSIAS checklist. The aim of the Standards was to promote further improvements in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 8.2 The Senior Manager reported that reference to External Audit in the Standard relating to 'conducting a review of the effectiveness of its internal audit at least annually' in Appendix A (page 66) would be removed and captured as part of the Peer Review process. She also reported that the Declaration of Endorsement would be prepared by the end of the year.
- 8.3 Officers responded to questions from members of the Committee relating to the external assessment, Continual Professional Development and ethics and information technology governance.
- 8.4 **Resolved:** That the Committee:-
- (a) notes the contents of the report now submitted and the progress made in implementing the Public Sector Internal Auditing Standards; and
- (b) endorses the work undertaken to ensure compliance with the Standards.

9. EXCLUSION OF PUBLIC AND PRESS

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

10. STRATEGIC RISK MANAGEMENT

- 10.1 The Corporate Risk Manager gave a presentation on the:-
- Council's current Risk Management arrangements and the measures being implemented to further strengthen and improve those arrangements,
 - Risk Management trend analysis since the information reported to the

Committee on 17 April 2013 and

- current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks.

10.2 **Resolved:** That the Committee:-

- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being undertaken to strengthen those arrangements;
- (b) notes the improving trend in the management of risks;
- (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks; and
- (d) requests the Corporate Risk Manager to:
 - (i) circulate the latest Corporate Risk Register report to members of the Committee and
 - (ii) include the Corporate Risk Register report with the future reports to the Committee on Strategic Risk Management.

11. **WORK PROGRAMME**

11.1 The Director of Legal and Governance submitted a report setting out a proposed work programme for the Committee for 2013/14.

11.2 **Resolved:** That the Committee approves the work programme.

12. **DATES OF FUTURE MEETINGS**

12.1 It was noted that:-

- (a) if there were no urgent items of business, the meeting of the Committee arranged for 12 December 2013 would be cancelled; and
- (b) meetings of the Committee would be held on the following dates at 6.00 p.m.:-
 - 9 January 2014
 - 13 February 2014 (additional meeting if required)
 - 13 March 2014 (additional meeting if required)
 - 10 April 2014

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