

Audit Committee

Meeting held 13 November 2014

PRESENT: Councillors Ray Satur (Chair), Joe Otten (Deputy Chair), John Campbell and Sioned-Mair Richards.

Co-opted Independent Members

Rick Plews.

Officers in attendance

Eugene Walker (Interim Executive Director, Resources)

Laura Pattman (Assistant Director of Finance, Business Partnering and Internal Audit)

Kayleigh Inman (Senior Finance Manager, Internal Audit)

Sue Sunderland (Director KPMG)

Edward Highfield (Director of Creative Sheffield)

Daniel Ladbury (Assistant Director of Capital and Major Projects)

Dave Caulfield (Director of Regeneration and Development Services)

Paul Fell (Parking Services Manager)

Richard Garrad (Corporate Risk Manager)

Gillian Duckworth (Interim Director of Legal and Governance)

Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillor Josie Paszek and Liz Stanley.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest from members of the Committee.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 25 September 2014 were approved as a correct record.

4. INDEPENDENT REVIEW OF SOUTH YORKSHIRE DIGITAL REGION PROJECT

4.1 The Director of Creative Sheffield introduced a report of the Interim Executive Director, Resources that presented the findings from the independent review undertaken by KPMG of the South Yorkshire Digital Region Project and considered the implications and lessons learned. The report also provided an update on the close down of Digital Region. Appended to the report were the Review Report and the Cabinet report from September 2008. The review examined:

- The original business case
 - Governance arrangements
 - Information flows and decision making
 - Risk management; and
 - Procurement arrangements and specialist advice
- 4.2 The Director stated that the project risks were set out in the business case and the Council's analysis of those risks as part of the decision making process were felt to have been more robust than other stakeholder authorities. The key findings from the Review report had been accepted by the Leaders of the four South Yorkshire local authorities. In conclusion, the Council knowingly entered into considerable commercial risks. However, technological advances, market conditions and delays in obtaining European approvals all contributed to making the project fail commercially.
- 4.3 The Director of Creative Sheffield and Interim Executive Director, Resources responded to questions from members of the Committee.
- 4.3.1 On the issue of sales and marketing targets and why officers felt that the BT price would come down, the Director indicated that there were not enough major Internet Service Providers (ISPs) on the network and there were issues on the cost and difficulties with the equipment. At the time, officers felt close to signing a deal with a major ISP and that Ofcom would force BT to reduce its price. In respect of the involvement with Ofcom, the correspondence was kept by DRL Limited.
- 4.3.2 In terms of the lessons learnt and how these were being shared, the Director indicated that the Review Report had been discussed by the South Yorkshire Leaders and the conclusions from the consideration by the other South Yorkshire Audit Committees could be circulated to members of this Committee. The Council's internal procedures, Programme Boards etc. would now apply different levels of rigour to that in 2007. The Interim Executive Director stated that an immediate lesson had been learnt with regard to the BDUK broadband programme in that the Council was not taking the risk.
- 4.3.3 In response to a question on Member involvement in the decision making process, the Director indicated that the key decisions were taken by Members and there were Cabinet Member briefings. However, there could have been more Member briefings during the trading period. The Interim Executive Director added that the project started with high level involvement of the Leader and the Chief Executive but during the mid-part of the project there was not clear Cabinet Member leadership.
- 4.3.4 A Member asked if there was any course of action that could have saved the project. The Interim Executive Director indicated that there had been sufficient attempts to seek to save the project.
- 4.3.5 A member asked how the lessons learned would be applied to ensure they did not recur. The Interim Executive Director indicated that safeguards were in place,

there was an improved Commercial Services function and prioritisation of projects. At the time of the Digital Region project, advice was given and decisions taken. That process has since been strengthened, particularly in dealing with risk. It was not possible to entirely close off the possibility of taking a risky decision but any risks would be carefully assessed. There would also be very tight arrangements for setting up any future arm's length company.

4.3.6 In response to further questions, the Interim Director of Legal and Governance stated that the Directors of Legal Services in the four South Yorkshire local authorities worked together and were now aware what was taking place on joint projects. For example, on the BDUK broadband project all the authorities had obtained legal advice and understood the risks and liabilities and there was an Inter-Authority agreement. It may be possible to include a requirement in future agreements that there was consideration by all the authorities' Audit Committees. The Interim Executive Director added that they had tried to have a standard reporting template for Digital Region but it was reported differently as each Council had its own governance arrangements. Joint projects in the future would be via the Combined Authority and this would ensure consistency. That Authority also had its own Audit Committee.

4.3.7 In terms of the recommendations in the review report, the Interim Executive Director highlighted the need to ensure Cabinet Member and senior officer ownership and devolving responsibility to a Special Purpose Vehicle.

4.3.8 Members of the Committee made the following points:

- There was a need to keep a central record of the lessons learned.
- Progress reports on joint projects should be considered by the local authorities at the same time.
- There should be the same accountability procedures in each authority and they should have the same degree of rigour and robustness.

4.4 **Resolved:** That the Committee:-

- (a) notes the report and comments now made on the wider implications and lessons learned from the independent review report on the Digital Region South Yorkshire Broadband Project; and
- (b) requests that the conclusions on the review report from the other 3 South Yorkshire Councils' Audit Committees are circulated to members of this Committee for information.

5. **REVISED APPROACH FOR CAPITAL DELIVERY AND REPORTING**

5.1 Following a request from the meeting of the Committee on 17 July 2014, the Assistant Director of Capital and Major Projects introduced a report of the Executive Director, Place that provided an overview of the progress that had been achieved to date in improving the delivery and management of the capital programme and summarised the key works that were in development to further improve the delivery of the capital programme.

- 5.2 The Assistant Director gave details of the progress achieved to date on the Capital Delivery Partner, Project Delivery Process, Capital Gateway Process and the three year Capital Improvement Plan. He also outlined the ongoing and planned improvements in respect of the Capital Programme Office, Capital Delivery Service Restructure, Capital Project Reporting and Monitoring and the consolidation of delivery teams.
- 5.3 The Assistant Director and Interim Executive Director, Resources responded to questions from members of the Committee
- 5.3.1 On whether the improvements were over-processed, the Assistant Director indicated that it was difficult to monitor performance without processes and the aim was to streamline and rationalise those processes and build in rigour.
- 5.3.2 A member asked why the consolidation of delivery teams had not taken place. The Assistant Director stated that a number of internal and external audit reviews had recommended consolidation. However, one of the difficulties had been for services to place trust in a different model. A move to a strong sponsorship model and strong delivery team would help them to implement that change. The Interim Executive Director added that there was now consistent forecasting of financial spend and the Assistant Director was putting in place consistent processes and was on a steady improvement path. Over the last year this had been an area of Member and officer priority and information on the delivery of the capital programme was included in the monthly budget monitoring report to the Cabinet.
- 5.4 **Resolved:** That the Committee:-
- (a) notes the report and the progress that has been achieved to date in improving the delivery of the capital programme;
 - (b) notes and supports the planned activity for implementing further and continual improvements in the delivery of the capital programme; and
 - (c) requests the Interim Director of Legal and Governance to include progress in improving the delivery and management of the capital programme in the Annual Government Statement Progress Report to this Committee in January 2015.

6. EXCLUSION OF PUBLIC AND PRESS

- 6.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following items of business to be considered 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 Paragraphs 2, 3 and 4 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended:-
- Parking Services Audit Progress Against Outstanding Actions – Paragraph 2 relating to information which is likely to reveal the identity of an individual

and Paragraph 4 relating to information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the Council or a Minister of the Crown and employees of, or office holders under, the Council.

- Strategic Risk Management – Paragraph 3 relating to the financial or business affairs of any particular person, including the authority holding that information.

7. PARKING SERVICES AUDIT - PROGRESS AGAINST OUTSTANDING ACTIONS

- 7.1 The Director of Regeneration and Development Services introduced a report of the Executive Director, Place that provided an update on progress in addressing the outstanding actions identified in the 2014 follow up audit to the 2013 Internal Audit of Parking Services Income. The appendices to the report included the 2013 and 2014 Audit reports and an action tracker. The Parking Services Manager also attended the meeting for this item.
- 7.2 The Director explained that not all the recommendations from the 2013 audit had been implemented and there had been a maximum focus in addressing this and progress was set out in the action tracker. One of the lessons learnt had been that the audit process was critical to the business role of the service. He acknowledged that if the recommendations from the 2013 audit had been addressed then the service would not have had to deal with some of the subsequent issues.
- 7.3 The report also set out the change management process for Parking Services and the Director referred to the additional resources that had been invested to drive that process. The focus had been on the process, quality assurance and long term business needs of the service.
- 7.4 The Director reported on the positive progress that had been made but he acknowledged that more of the recommendations should have been actioned. Of the 18 recommendations identified in the follow-up report that had not been completed, ten had now been completed, six were on track to be completed in November/December and two had slipped but were due to be completed in early December 2014. He highlighted the significant amount of effort that had gone into dealing with the recommendations.
- 7.5 Officers responded to questions from members of the Committee.
- 7.5.1 The Director stated that the process for implementing the recommendations should have been undertaken quicker. Going forward, there was a quality assurance role and officers were driving the change process.
- 7.5.2 The Director indicated that officers had focussed on the high risk audit recommendations, how income was monitored and the trends. There was previously a focus on the day to day operation. Long term monitoring and a risk management plan had been put in place and there was a focus on areas

susceptible to fraud. In terms of the slow progress in implementing the recommendations, the Parking Services Manager indicated that when additional resources had been brought in there was faster progress. The Director added that it was about being clear as a manager what were the top priorities.

7.5.3 The Assistant Director of Finance (Business Partnering and Internal Audit) responded to a question on whether she was satisfied with the direction of travel. She stated that Internal Audit had not validated any of the information in the progress report in order to be satisfied that the follow up audit had been taken into account. She would have preferred that the recommendations in the 2013 audit report had been implemented in a timely fashion and should have been prioritised. The Director of Regeneration and Development Services commented that there had been ongoing dialogue with Internal Audit and regular briefings.

7.5.4 In respect of the Civil Enforcement Officers' handbook, the Director indicated that rather than just providing the handbook, it was about training and upskilling staff.

7.6 **Resolved:** That the Committee:-

- (a) notes the report and progress made to date on the outstanding actions from the follow-up audit of Parking Services Income;
- (b) endorses the actions of Regeneration and Development Services in the ongoing work to fully address the 2013 Parking Services Income Audit Report recommendations; and
- (c) notes that progress on the implementation of the audit recommendations would be included in the High Opinion Audit Tracker to be considered by the Committee at its meeting on 8 January 2015.

8. STRATEGIC RISK MANAGEMENT

8.1 The Corporate Risk Manager submitted a report and gave a presentation that assessed:

- the Council's current Risk Management arrangements and the measures being implemented to further strengthen and improve those arrangements;
- the Risk Management trend analysis since the previous report to the Committee on 10 April 2014; and
- the current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks.

8.2 Appended to the report was the Corporate Risk Management Plan for Quarter 1.

8.3 The Corporate Risk Manager responded to questions from members of the Committee relating to reputational risk and business continuity plans.

8.4 **Resolved:** That the Committee:-

- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
- (b) notes the improving trend in management of risks; and
- (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks.

9. **ANNUAL AUDIT LETTER 2013/14**

9.1 The Director, KPMG submitted the Annual Audit Letter 2013/14 that summarised the key findings from their 2013/14 audit of the Council's Financial Statements and Value for Money conclusion. She also suggested submitting a report to the Committee on progress with the audit and non-audit work undertaken by KPMG.

9.2 **Resolved:** That the Committee:-

- (a) notes the contents of the Annual Audit Letter 2013/14; and
- (b) requests the Director, KPMG to submit a progress report on audit and non-audit work to the January 2015 meeting of the Committee.

10. **WORK PROGRAMME**

10.1 The Interim Director of Legal and Governance submitted a report providing details of the Committee's work programme to April 2015.

10.2 **Resolved:** That the Committee approves the work programme with the addition of (a) an External Audit Progress Report in January 2015 and (b) consideration of any issues arising from report on the Assessment of Child Sexual Exploitation Services in Sheffield at a future meeting of the Committee.

11. **DATES OF FUTURE MEETINGS**

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

- 11 December 2014 (additional meeting if required)
- 8 January 2015
- 12 February 2015 (additional meeting if required)
- 12 March 2015 (additional meeting if required)
- 9 April 2015

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