

Audit Committee

Meeting held 28 April 2015

**PRESENT:** Councillors Ray Satur (Chair) and Josie Paszek.

Co-opted Independent Members

Rick Plews

Officers in attendance

John Mothersole (Chief Executive)

Gillian Duckworth (Director of Legal and Governance)

David Phillips (Interim Director of Finance)

Kayleigh Inman (Senior Finance Manager, Internal Audit)

Stephen Bower (Finance Manager, Internal Audit)

Richard Garrad (Corporate Risk Manager)

Sue Sunderland (Director, KPMG)

Simon Dennis (Senior Manager, KPMG)

Carol Tague (Principal Committee Secretary)

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**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Sioned-Mair Richards and John Campbell and Liz Stanley (Independent Co-opted Member).

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3. MINUTES OF PREVIOUS MEETING**

The minutes of the meeting of the Committee held on 8 January 2015 were approved as a correct.

**4. CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2013/14**

It was **agreed** that this item would be deferred for consideration until the next meeting of the Audit Committee, provisionally scheduled for 16 July 2015, so that it could be considered alongside the completed action plan.

**5. EXTERNAL AUDIT PLAN 2014/15**

5.1 The Director, KPMG introduced the External Audit Plan 2014/15 that described how KPMG would deliver the financial statements audit work for the Council and also set out the approach to value for money work.

5.2 In presenting the report, the Director highlighted that no significant risks had been identified as part of the initial risk assessment for the financial statements

of the Council and outlined the key risks of Adult Social Care and Savings Plans identified through the initial risk assessment for the VFM conclusion.

5.3 The Director, KPMG reassured Members that whilst no significant risks had been identified in relation to the financial statements, the audit process was robust and had been quality reviewed to ensure this. Good working relationships were in place, with open dialogue and access to information. She added that whilst that it had not been necessary to call upon the Chair of the Audit Committee for support, it was reassuring that independent access to the Chair was available if required.

5.4 **Resolved:** That the Committee:-

(a) notes the External Audit Plan 2014/15; and

(b) asks that the Director of KPMG's comments regarding the value of the working relationship be passed on to the Management Team.

## **6. ANNUAL AUDIT FEE LETTER 2015/16**

6.1 The Director, KPMG reported that the Audit Commission had set 2015/16 scale fees based on a reduction of 25% on those in 2014/15. The 2015/16 claim for housing benefit subsidy to the Department for Work & Pensions would also be certified as part of their work under the code.

6.2 Members of the Committee were reassured that the fee reduction would not see a reduction in the scope or quality of the audit and the approach would remain the same. The fee reduction was linked to the cessation of the Audit Commission and the contributions to fund them as a body, as well as the combining and spread of contract values.

6.3 **Resolved:** That the Committee notes the Annual Audit Fee Letter for 2015/16.

## **7. INTERNAL AUDIT PLAN 2015/16**

7.1 The Senior Finance Manager (Internal Audit) presented a report which set out the Internal Audit Plan planning methodology and programme of work for 2015/16. The Plan summarised a risk based programme of work that demonstrated that the Council had made provision to discharge its statutory responsibilities. It was noted that the planned audit time was broadly in line with that for 2014/15 and that a block of resource had been dedicated to reviewing the Council's capital programme to ensure that revised processes were embedded.

7.2 The Senior Finance Manager responded to questions from members of the Committee. It was noted that the partnership for technical ICT support for 2015/16 was not being renewed due to the impending introduction of a new financial system. However, Internal Audit were providing input into the development of governance controls for the various work streams of the implementation project.

7.3 It was confirmed that the Committee would receive a report on progress against the Plan in September 2016 however any major changes would be reported on an exception basis throughout the year.

7.4 The Chair referred to a number of written questions received from Liz Stanley, Independent Co-opted Member, in relation to this and the following item (Protecting the Public Purse Annual Fraud Report). It was agreed that these would be forwarded to the Senior Finance Manager for response.

7.5 **Resolved:** That the Committee:-

(a) in respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice, endorses the programme of audit work for 2015/16 set out in the appendix to the report now submitted; and

(b) requests that the Committee Member questions submitted in writing, be forwarded to the Senior Finance Manager for a response and this be subsequently be forwarded to all Members of the Committee.

## **8. PROTECTING THE PUBLIC PURSE ANNUAL FRAUD REPORT**

8.1 The Finance Manager (Internal Audit) submitted a report informing the Committee of the key recommendations contained in the Audit Commission's 'Protecting the Public Purse 2014' report and to provide an update on fraud investigation activity within the Council during 2014/15 and beyond. Attached to the report was the completed checklist for those responsible for governance.

8.2 The report summarised the key fraud risks contained in the 'Protecting the Public Purse' and incorporated the Council's perspective in these areas.

8.3 **Resolved:** That the Committee:-

(a) notes the contents of the report;

(b) notes the completed checklist for those responsible for governance as indicated in Appendix A of the report; and

(c) requests that the Committee Member questions submitted in writing, be forwarded to the Senior Finance Manager for a response and this be subsequently be forwarded to all Members of the Committee.

## **9. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

9.1 The Finance Manager (Internal Audit) submitted a report that highlighted that the Audit Committee can demonstrate to the External Auditors and a wider audience that it had exercised the required oversight in order to meet the requirements of the International Standards on Auditing. This report drew together much of the work that had been undertaken by the Committee in the past year.

9.2 It was highlighted that in addition to the systems outlined in Paragraph 23 (Page 134), relevant officers were also asked to attend the Committee.

9.3 It was noted that the Senior Finance Manager met with the Chief Executive prior to Audit Committee meetings at least twice per year to discuss the high opinion action tracker and that she had full and open access to the Chief Executive and his team.

9.4 **Resolved:** That the Committee confirms that:-

(a) that the report gives an accurate reflection of the reports that it has received and considered throughout the year; and

(b) it has an overview of the Council's systems of internal control so that it is assured that it is fulfilling the requirements of 'those charged with governance' under the International Auditing Standards.

## **10. WORK PROGRAMME**

10.1 The 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 as outlined.

## **11. INDEPENDENT CO-OPTED MEMBER - EXTENSION OF TERM OF OFFICE**

11.1 The Director of Legal and Governance reported that further to the decision of the Council meeting on 4 September 2013 extending the maximum term for the appointment of co-opted Independent Members of the Audit Committee for 5 years, it was recommended that the term of office for Rick Plews be extended to 17 May 2016.

11.2 The Chair took the opportunity to thank Rick Plews for his contribution to the Committee and enthusiasm in the role and welcomed the different perspective to Local Government offered by the co-opted Independent Members.

11.3 **Resolved:** That the Committee recommends to the Annual General Meeting on 20 May 2015 that the term of office for Rick Plews, be extended to 17 May 2016.

## **12. EXCLUSION OF PUBLIC AND PRESS**

**Resolved** that the public and press be excluded from the meeting before discussion takes place on the following item 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 paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended.

### **13. STRATEGIC RISK MANAGEMENT**

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 14 November;
- the current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks.
- a comparison of the risk management arrangements and risks currently being addressed by the Council and other single tier authorities.

The Corporate Risk Manager and Chief Executive responded to questions from members of the Committee relating to reputational risk and business continuity. Members were reassured that risks were not just being recorded and there were reasonable stretch targets within the system to provide challenge.

**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;
- (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks; and
- (d) notes the favourable comparison between Sheffield's risk management arrangements and those of other comparable authorities.

### **14. DATES OF FUTURE MEETINGS**

It was noted that subject to approval at the Annual General Meeting on 20 May 2015, meetings of the Committee would be held at 6.00 pm on:-

- 16 July 2015
- 24 September 2015
- 12 November 2015
- 10 December 2015 (additional meeting if required)
- 14 January 2016
- 11 February 2016 (additional meeting if required)
- 10 March 2016 (additional meeting if required)
- 14 April 2016
- 14 July 2016

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