

Audit Committee

Meeting held 21 July 2015

PRESENT: Councillors Steve Jones (Chair), John Campbell, Tony Damms, Dianne Hurst and Joe Otten.

Officers in attendance

John Mothersole (Chief Executive)
Eugene Walker (Interim Executive Director, Resources)
Gillian Duckworth (Director of Legal and Governance)
David Phillips (Interim Director of Finance)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Clair Sharratt (Acting Senior Finance Manager, Strategic Finance)
Sue Sunderland (Director, KPMG)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Rob Frost and Sioned-Mair Richards and Co-opted Independent Members Rick Plews and Liz Stanley.

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. APPOINTMENT OF DEPUTY CHAIR

4.1 **Resolved:** That Councillor Joe Otten be appointed as Deputy Chair of the Committee for 2015/16.

5. MINUTES OF PREVIOUS MEETING

5.1 28 April 2015

5.1.1 The minutes of the meeting of the Committee held on 28 April 2015 were approved as a correct record.

5.2 20 May 2015

5.2.1 The minutes of the meeting of the Committee held on 20 May 2015 were approved as a correct record with the start time of meetings provisionally changed to 5.00 p.m., subject to consultation with the Co-opted Independent Members.

6. ANNUAL GOVERNANCE STATEMENT 2014/15

- 6.1 Gillian Duckworth, Director of Legal and Governance, submitted a report that contained the Annual Governance Statement (AGS) for 2014/15 that formed part of the Council's Statutory Accounts. The report explained that the Council had approved and adopted a Code of Corporate Governance and the AGS explained how the Council complied with that Code. Two key elements of the governance arrangements were the Council's internal control arrangements and how it demonstrated these arrangements to its citizens and service users.
- 6.2 The Director stated that the report was used to highlight non-compliance and there were no significant control weaknesses to report this year. She referred to the governance issues set out in the report relating to the Transparency Code, Reports in Relation to Rotherham Council and the Assessment of Child Sexual Exploitation Services (CSE) in Sheffield, Fraud Risk Management, Information Governance, Adult Social Care, Capital Project Management and Human Resources People Management. Although these were not being highlighted as areas with serious control weaknesses, the report was acknowledging that they were areas where governance issues had been raised and were being addressed and monitored.
- 6.3 In response to a question from a Member of the Committee regarding sickness monitoring and the myView system, the Director indicated that there was a non-compliance issue in 2013/14 but not in 2014/15. There were new systems and procedures in place from April 2015 and the issues relating to the myView system were being addressed. These arrangements would be monitored during the year.
- 6.4 The Director responded to a further question relating to the review of Sheffield's use of Scrutiny Committees and the extent of Member development that would be carried out in 2015/16, arising from the report on the Assessment of CSE Services in Sheffield, and indicated that a training package had been put in place immediately.
- 6.5 The Chair of the Committee commented that the issues relating to Adult Social Care would be addressed by the Committee during the year.
- 6.6 **Resolved:** That the Committee:-
- (a) notes the Annual Governance Statement 2014/15 that forms part of the Statutory Annual Accounts and that this has been signed by the Council Leader, Chief Executive and the Interim Executive Director, Resources; and
 - (b) requests the Director of Legal and Governance to submit a progress report to the Committee in six months' time on the issues raised in the report.

7. SUMMARY OF THE 2014/15 STATEMENT OF ACCOUNTS

- 7.1 Clair Sharratt, Acting Senior Finance Manager (Strategic Finance), introduced a report of the Interim Executive Director, Resources that provided a summary of the

2014/15 Statement of Accounts. The report also explained the core statements and a number of the key notes to the accounts and gave details of the key issues for 2014/15 relating to net worth and usable reserves. The Statement of Accounts was subject to audit by KPMG, the Council's auditors, and their findings would be submitted to the September meeting of the Committee. There was a period for public inspection of the accounts from 13 July to 7 August.

7.2 The Acting Senior Finance Manager also referred to the Government's intention to bring forward the deadline for preparing the draft accounts to 31 May and the final accounts to 31 July from 2017/18.

7.3 Officers responded to questions relating to the deficit on the Income and Expenditure Statement of £109.3m and explained the treatment of capital charges and pensions' evaluation in the accounts and that there was a move to international reporting standards and having a number of items on an accruals base. The Government allowed local authorities to 'reverse out' non-cash items.

7.4 In response to a question relating to the increase in usable assets and whether they could be used towards frontline services, officers stated that capital could not be used towards revenue and the Housing Revenue Account (HRA) reserves could only be used for HRA purposes. The Council had one of the lowest amounts of un-earmarked reserves and the General Fund Balance of £11.186m was low for an organisation of this Council's size. Officers also responded to further questions relating to the pension forecast for 2016/17.

7.5 At the request of the Chair, there was discussion on whether to have a Member training session on the Accounts.

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

(a) notes the report; and

(b) requests the Acting Senior Finance Manager (Strategic Finance) to arrange a training session on the Accounts for members of the Committee in early September 2015.

8. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2013/14 AND COMPLETED ACTION PLAN

8.1 Sue Sunderland, Director KPMG, submitted the 2013/14 annual report for the certification work that KPMG had undertaken on the grant claims and returns in relation to the Housing Benefit Subsidy and the Pooling of Housing Capital Receipts. Appended to the report were the action plan, follow up from the recommendations from the work and the agreed action plan.

8.2 In response to a question from a member of the Committee, the Director indicated that there would be further standard testing of the Housing Benefit Subsidy claim.

8.3 **Resolved:** That the report is noted.

9. PROGRESS ON HIGH OPINION AUDIT REPORTS

9.1 Kayleigh Inman, Senior Finance Manager (Internal Audit), introduced a report providing an update on progress made against recommendations in audit reports that had been given a high opinion and proposing that two audits were removed from the action tracker. She indicated that :-

- Service officers were to attend the September meeting of the Committee to report on the progress in implementing the outstanding recommendations from the Markets Service audit report.
- Audit officers would be attending meetings of the City Wide Learning Body and the Schools Forum and would be contacting the Chair of Governors to progress the outstanding recommendations from school themed reviews.
- Further to the attendance of service officers at the meeting of this Committee in November 2014, there were three recommendations still outstanding from the Parking Services audit for which there was a revised implementation date. There would also be a further full review undertaken by Internal Audit.

9.2 The Chair of the Committee highlighted the mixed picture in terms of progress and the areas that required follow up. He referred to the questions in relation to the Markets service submitted by Liz Stanley (Independent Co-opted Member) who was unable to attend the meeting. The Senior Finance Manager agreed to circulate a written response to those questions to members of the Committee.

9.3 The Senior Finance Manager responded to questions relating to the audits of Schools Attendance, Waste Management Contract, Short Term Intervention Team and Markets Service and indicated that:-

- Attendance by Internal Audit officers at the City Wide Learning Body etc. would capture a larger population of schools and provide the opportunity to stress the importance of implementing the recommendations. The item would remain on the tracker until satisfactory progress had been made.
- The outstanding recommendations relating to the audit of the Waste Management Contract would be followed up and remain on the tracker.
- A large amount of the work relating to the implementation of the recommendations from the audit of the Short Term Intervention Team was included in the Adult Social Care Recovery Programme. This item would remain on the tracker and be included in the progress report to the meeting of the Committee in January 2016.
- The Markets Service Business Plan needed to be validated and there would be an opportunity at the next meeting of the Committee to ask service officers questions on the Plan.

9.4 In response to a question on the Statutory Responsibilities Health Check, the Director of Legal and Governance indicated that the Annual Governance Statement process had been reviewed and the changes would be fully implemented by April 2016. This included services confirming their statutory responsibilities.

9.5 **Resolved:** That the Committee:-

- (a) notes the report;
- (b) agrees that the audits relating to the Adoption Service and Subject Access requests are removed from the action tracker;
- (c) notes that the Director of Capital & Major Projects and Head of Markets would be attending the next meeting of the Committee and submitting a report on progress in implementing the outstanding recommendations from the audit of the Markets Service; and
- (d) notes that there would be a progress report on the High Opinion Audit reports to the meeting of the Committee in January 2016.

10. UPDATE ON THE FINANCE SERVICE ACTIONS ARISING FROM THE KPMG REPORT ON ADULT SOCIAL CARE

10.1 David Phillips, Interim Director of Finance, introduced a report providing assurance that the issues raised within the KPMG report "Adult Social Care – Financial Grip" were being appropriately addressed within the Finance Service. The report provided an update on the key finance actions that had been identified relating to:

- Improvements to monthly monitoring and reporting
- A detailed review of the forecasting process
- A review of finance business partnering activity across Communities
- Communications around Communities' financial performance
- A review of financial governance

10.2 The report also provided an update on the finance input into a number of other initiatives which would support and facilitate better financial management within the Communities Portfolio and across the Council as a whole.

10.3 The Interim Director referred to the improved key performance indicators that had been developed that would enable management to monitor and control value for money and joint working with the Clinical Commissioning Group.

10.4 **Resolved:** That the Committee notes the report.

11. UPDATE ON THE ADULT SOCIAL CARE CHANGE PROGRAMME

11.1 David Phillips, Interim Director of Finance, introduced a report that provided an update on the Adult Social Care Change Programme and included the progress to date and the next steps for each workstream (Information Advice and Carers, Prevention, Assistive Technology and Equipment, Enablement and Intermediate Care, Assessment, Support, Planning and Review, Long Term Care and Enabling workstreams). He stated that Adult Social Care was not included as a significant control weakness in the Annual Governance Statement for 2014/15 but that there

was further work to do and this would be undertaken jointly with the health service. There would be a further progress report to the next meeting of the Committee.

- 11.2 The Chief Executive suggested that, rather than providing a generic update, the progress reports should focus on the risks associated with the service and the actions being taken to address these. He also stated that the Government had deferred the introduction of the lifetime cap on care costs in England until 2020.
- 11.3 In response to a question from the Chair of the Committee, the Interim Executive Director, Resources indicated that the circumstances had significantly changed since the original closed report was considered by this Committee last year. He outlined the reasons for the delay in making the report publicly available and that there was a need to publish that report and focus on what needs to be monitored. The Director of Legal and Governance added that there were still a number of issues to be resolved and publication of the report would be discussed with the Chair of the Committee.
- 11.4 The Director, KPMG commented that their value for money work this year would focus on the progress on Adult Social Care and this would be included in the Report to Those Charged with Governance to be submitted to the next meeting of this Committee.
- 11.5 **Resolved:** That the Committee notes:-
- (a) the report and that the update report to be submitted to the September meeting of the Committee would focus on the risks associated with the Adult Social Care service and the actions being taken to address these; and
 - (b) that consideration was being given by the Monitoring Officer to publication of the closed report on Adult Social Care considered by the Committee in July 2014 and this would be discussed with the Chair of the Committee.

12. WORK PROGRAMME

- 12.1 The Director of Legal and Governance submitted a report providing details of the Committee's draft work programme to April 2016.
- 12.2 **Resolved:** That the Committee approves the work programme with the addition of a progress report on the Annual Governance Statement to be submitted to the meeting in January 2016.

13. DATES OF FUTURE MEETINGS

- 13.1 It was noted that, subject to consultation with the Committee's Co-opted Independent Members, meetings of the Committee would be held at 5.00 p.m. on the following dates:
- 24 September 2015
 - 12 November 2015

Meeting of the Audit Committee 21.07.2015

- 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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