

Audit Committee

Meeting held 14 January 2016

PRESENT: Councillors Steve Jones (Chair), John Campbell, Tony Damms, Joe Otten (Deputy Chair) and Josie Paszek.

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

Eugene Walker (Interim Executive Director, Resources)
Dave Phillips (Interim Director of Finance)
Richard Jones (Assistant Director of Finance)
Kayleigh Inman (Senior Audit Manager, Internal Audit)
Tim Cutler (Partner, KPMG)
Alison Ormston (Senior Manager, KPMG)
Gillian Duckworth (Director of Legal and Governance)
Dave Ross (Principal Committee Secretary)

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1. APPOINTMENT OF CHAIR

1.1 In the absence of the Chair (Councillor Steve Jones) at the start of the meeting, the Deputy Chair (Councillor Joe Otten) Chaired the meeting for items 1 to 9.

2. APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Councillors Dianne Hurst and Rob Frost.

3. EXCLUSION OF PUBLIC AND PRESS

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

4. DECLARATIONS OF INTEREST

4.1 There were no declarations of interest.

5. MINUTES OF PREVIOUS MEETING

5.1 The minutes of the meeting of the Committee held on 12 November 2015 were approved as a correct record.

Matter Arising

5.2 In response to a question from a member of the Committee, it was noted that the Committee's Terms of Reference had last been reviewed in 2010.

5.3 **Resolved:** That the Director of Legal and Governance be requested to review the Terms of Reference for consideration at the meeting of the Committee on 14 April 2016.

6. UPDATE ON THE ADULT SOCIAL CARE PROGRAMME

6.1 The Interim Executive Director, Resources, introduced a progress report of the Director of Business Strategy, Communities that provided an overview of the completed and ongoing management improvement actions in Adult Social Care. The report gave details of a management update regarding the interventions and change processes that had been undertaken throughout the Communities and Resources Portfolios and further actions that were planned. This included the actions taken in respect of Strategic Planning, Leadership and Direction, Financial Control and Responsibility, Partnership and Change Management, Management and Performance Management Information and general cultural issues.

6.2 The Interim Executive Director explained that the Committee had received a number of update reports previously and that there had been a significant number of changes since the original report to the Committee in July 2014 in terms of the landscape and context. It was therefore proposed to return to reporting through the normal audit reporting cycle.

6.3 Officers responded to questions from members of the Committee:-

6.3.1 In respect of actions where there had been no progress and a request for an indication of the type of controls that were in place, the Senior Audit Manager commented that, for example, on the Short Term Intervention Team, a number of the original recommendations had been superseded and the focus was on the current structure for the Team. The Interim Director of Finance indicated that there were 28 audits in the Internal Audit Plan and this demonstrated the amount of Internal Audit efforts in these areas. It was proposed to circulate a summary for members of the Committee on audits being carried out in the 2015/16 Plan in the Communities Portfolio.

6.3.2 The Assistant Director of Finance agreed to inform members of the Committee if all the reassessments had been undertaken. This was in response to a question on the model of Self Directed Support and personalisation that had been undertaken and reference in the subsequent report on the agenda indicating that whilst the new Resource Allocation System tables to support the setting of personalised budgets was underway, they had not been implemented, pending a full financial assessment.

6.3.3 On the issue raised on how was performance of the service in the delivery of care affected by this process and what had been the impact, the Interim Executive Director indicated that the key point was to improve the balance of the quality of the service as well as the financial position. A significant amount of performance monitoring information had been submitted to various meetings, including the Executive Management Team, to improve how quickly people were assessed. There had been improvements to the way the service was delivered and managed and in the monitoring of the financial position. It was agreed that information would

be circulated to members of the Committee on the impact of that process.

6.3.4 On the general cultural issues and whether morale was moving in a positive direction, the Interim Executive Director commented that the employee opinion scores had previously been the lowest in the Communities Portfolio but these were now improving and there was a significant amount of work being undertaken on rebuilding the teams.

6.4 **Resolved:** That the Committee:-

- (a) agrees that as it was sufficiently appraised of management action in relation to Adult Social Care it would accept the report as the final progress report and to return to business as usual Internal Audit monitoring processes;
- (b) notes the improvement work that had been undertaken to date with regard to Adult Social Care; and
- (c) requests that the following information is circulated to members of the Committee:-
 - (i) a summary of audits being carried out in the 2015/16 Internal Audit Plan in the Communities Portfolio (Senior Audit Manager);
 - (ii) data on the current performance and impact of the improvements in Adult Social Care (Interim Executive Director/Director of Business Strategy, Communities); and
 - (iii) confirmation that all the reassessments in relation to Self Directed Support had been undertaken (Assistant Director of Finance).

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

7.1 The Assistant Director of Finance introduced the report that intended to provide the Committee with assurance that the issues raised in the KPMG review report were being appropriately addressed within the Finance Service. He had been in post since January 2015 and had drawn up a list of actions linked to the recommendations in the KPMG report and these were designed to link to the ongoing work within Finance to address the financial management issues within Communities as well as wider work across the Communities Portfolio. The report provided a brief update on the actions to date from July 2015 and January 2016 relating to:

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

7.2 Officers responded to questions from members of the Committee:-

- 7.2.1 In terms of KPMG's view on the report, Tim Cutler, Partner, KPMG indicated that this was outside of the scope of the audit and it was not an area that they would routinely examine.
- 7.2.2 In respect of further improvements, the Assistant Director of Finance referred to the new Resource Allocation Tables that were to be implemented, pending an assessment of the full financial impact that would be addressed as a priority. There would be checks on whether people went over or under their personal budgets.
- 7.3 **Resolved:** That the Committee notes the report and that progress will be dealt with through the business as usual Internal Audit monitoring processes.

8. PROGRESS AGAINST HIGH OPINION AUDIT REPORTS

- 8.1 The Senior Audit Manager introduced a report providing an update on progress made against recommendations in audit reports that had been given a high opinion and proposing that six audits were removed from the action tracker.
- 8.2 Officers responded to questions from members of the Committee:-
- 8.2.1 In respect of Schools using independent payroll services, it was noted that the Governing Bodies and Head Teachers had been made aware of the recommendations from the audit and they were responsible for their implementation. Internal Audit would follow up any recommendations to be implemented centrally within the Council.
- 8.2.2 Regarding the high number of recommendations that had been deferred and whether there were any broader issues to address, the Senior Audit Manager referred to the changes in senior management at a service level and that an allowance had been made for that to take effect but implementation was still being monitored and those audits would remain on the tracker. The Interim Executive Director referred to significant management changes in three of the areas (Short Term Intervention Team, Car Parking and Markets) but this had had a positive impact. With regard to the External Funding Corporate Review, the changes were being implemented and were making a difference.
- 8.2.3 On the Markets Service, the Senior Audit Manager indicated that the risks would be considered as part of the 2016/17 Internal Audit planning process. The Interim Executive Director commented that there was new management in the Service.
- 8.3 **Resolved:** That the Committee notes the report and agrees that the following audits are removed from the action tracker:-
- Markets Service
 - Assisted Cycle Purchase Scheme
 - Blue Badges Assessment Process
 - School Attendance Multi Agency Support Teams
 - Schools Using Independent Payroll Services

- Short Term Intervention Team

9. SUMMARY OF THE KEY RECOMMENDATIONS MADE IN THE MEDIUM-HIGH OPINION AUDIT REPORTS FROM 2014/15

- 9.1 As requested at the meeting of the Committee held on 12 November 2015, the Senior Audit Manager submitted a report providing a summary of the key recommendations and executive summaries for the medium-high opinion audit reports issued by Internal Audit in 2014/15.
- 9.2 The Senior Audit Manager responded to questions from members of the Committee. Regarding what was the trigger for an audit being given a high or medium-high rating, it was suggested that the methodology that was used could be circulated to members of the Committee for information. There were no audits that were not making progress but there may be some with slippage of the implementation dates.
- 9.3 There was discussion on whether a tracker report, possibly by exception, could be submitted to the Committee on the progress of the medium-high audits.
- 9.4 **Resolved:** That the Committee:-
- (a) notes the report; and
 - (b) requests the Senior Audit Manager to (i) circulate to members of the Committee the methodology for assigning audit opinions based on the residual risk rating and the number and priority level of the recommendations and (ii) report by exception to the Committee on medium-high opinion audits where sufficient progress had not been made.

(Note: Councillor Steve Jones entered the meeting at this point in the proceedings and Chaired the remainder of the meeting).

10. EXTERNAL AUDITOR ARRANGEMENTS FROM 2018/19

- 10.1 Tim Cutler, Partner, KPMG introduced a briefing paper on considerations for the local government sector in appointing their external auditor. This resulted from the closure by the Government of the Audit Commission on 31 March 2015 who were previously responsible for appointing external auditors to local government. The existing contract for external audit appointments has been extended by one year to include the audit of the 2017/18 financial year.
- 10.2 Alison Ormston, Senior Manager, KPMG stated that the paper set out the issues the Council should consider and one of these was that the new regulations required the Council to have an Audit Panel that would be responsible for recommending who the external auditor should be. The Panel must include a majority of independent non-elected members, an independent Chair and should be established by January 2017. The paper also set out procurement options and other factors to consider in appointing the external auditor.

- 10.3 Tim Cutler added that he would circulate the CIPFA guidance that had been issued that week on Audit Panels. If a sector-led approach was adopted then an Audit Panel was not required.
- 10.4 The Interim Director of Finance reported that the process had started and this included discussion with the Core Cities. The Interim Executive Director of Resources commented that it would make sense for a joint procurement with the Sheffield City Region but this would depend on whether there was a joint South Yorkshire procurement.
- 10.5 In terms of the timescales and deadlines, it was noted that the new external auditor had to be appointed by 31 December 2017. Tim Cutler suggested not leaving the appointment too late as some interested firms may have taken up other contracts.
- 10.6 Members discussed the need to be kept informed and Tim Cutler indicated that he would provide further information as it became available.
- 10.7 **Resolved:** That the Committee:-
- (a) notes the briefing paper;
 - (b) agrees that there would be further consideration of the arrangements for the appointment of the external auditor at the Committee meeting on 14 July 2016; and
 - (c) requests that the CIPFA guidance on Audit Panels is circulated to members of the Committee.

11. WORK PROGRAMME

- 11.1 The Director of Legal and Governance submitted a report providing details of the Committee's work programme to July 2016 and referred to the additional items agreed earlier in the meeting.
- 11.2 **Resolved:** That the Committee approves the work programme with the addition of items on the Review of the Committee's Terms of Reference in April and further consideration of the Arrangements for the Appointment of the External Auditor in July 2016.

12. DATES OF FUTURE MEETINGS

- 12.1 It was noted that meetings of the Committee will be held at 5.00 p.m. on:-
- 11 February 2016 (additional meeting if required)
 - 10 March 2016 (additional meeting if required)
 - 14 April 2016
 - 14 July 2016