

Audit and Standards Committee

Meeting held 14 June 2018

PRESENT: Councillors Josie Paszek (Chair), Simon Clement-Jones (Deputy Chair), Dianne Hurst, Mohammed Mahroof, Pat Midgley and Martin Phipps.

Co-Opted Independent Member
Liz Stanley

Representative of Ernst and Young
Michael Green

Representative of KPMG
Matt Ackroyd

Council Officers
Eugene Walker, Executive Director, Resources
Gillian Duckworth, Director of Legal and Governance
Kayleigh Inman, Senior Finance Manager (Internal Audit)
Stephen Bower, Finance Manager (Internal Audit)
Clair Sharratt, Senior Finance Manager (Strategic Finance)
Ruth Matherson, Finance Manager (Strategic Finance)
Sarah Cottam, Principal Committee Secretary

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1. EXCLUSION OF THE PRESS AND PUBLIC

1.1 No items were identified where it was proposed to exclude the public and press.

2. APOLOGIES FOR ABSENCE

2.1 An apology for absence was received from Councillor Alan Law.

3. DECLARATIONS OF INTEREST

3.1 Councillor Martin Phipps declared a personal interest in agenda item 7 (see item 6 of these minutes) on Internal Audit Annual Fraud Report as an employee of Capita Employee Services.

4. MINUTES OF PREVIOUS MEETINGS

4.1 The minutes of the previous meetings of the Committee, held on 12 April and 16 May 2018, were approved as correct records.

5. SUMMARY OF STATEMENT OF ACCOUNTS

5.1 The Executive Director, Resources submitted a report providing the Committee

with a summary of the 2017/18 Statement of Accounts, which explained the core statements and a number of key notes to the accounts.

- 5.2 Ruth Matheson, Finance Manager (Strategic Finance), introduced the report. It was advised that this was the first set of accounts subject to the new statutory deadlines. The report was governed by accounting standards and legislation.
- 5.3 Public inspection of the accounts was currently underway and a full set of the accounts had been published on the Council's website.
- 5.4 Members were offered training by an independent consultant that could help assist with their role on the Committee.
- 5.5 **Resolved:** That (1) the Committee notes the core statements and the key notes to the Statement of Accounts for 2017/18 and, (2) agrees to receive training by an independent consultant to assist them in their role on the Committee.

6. INTERNAL AUDIT ANNUAL FRAUD REPORT

- 6.1 The Head of Strategic Finance submitted a report to the Committee. Stephen Bower, Finance Manager (Internal Audit), informed the Committee of the outcomes of the work undertaken by Internal Audit on fraud and corruption in 2017/18 and the proposed work for 2018/19.
- 6.2 The report also included the full suite of updated policies that cover the various elements of the fraud and corruption framework for the Council. All of the policies relating to fraud had been updated during the year and were appended for Members to review and endorse.
- 6.3 The suite of policies gave a consistent approach for the identification of fraud risks and their mitigation. There was also a process to allow managers to investigate potential fraud effectively, in line with other relevant policies and procedures.
- 6.4 The Committee were advised that the Cabinet Office is responsible for the National Fraud Initiative (NFI). This was a biennial process where data is supplied from other Council's and third parties such as DWP and banks and building societies, any data matches identified would then be submitted to the Council for investigation. This process was tracked by Internal Audit and the outcomes were outlined within the report.
- 6.5 CIPFA produced an annual fraud and corruption tracker report which correlated data from Councils and pulled together an overall picture of fraud in local government across the Country.
- 6.6 Councillor Mahroof felt it would be beneficial to know what the figures were for Sheffield in respect of fraudulent tenancies. The Executive Director, Resources advised that a three year trend of known cases of fraudulent tenancies in Sheffield could be supplied.
- 6.7 The Finance Manager (Internal Audit) outlined the suite of policies and advised

that once these were approved, an e-learning package would be launched and rolled out on a mandatory basis to all staff within the Council which would help support the implementation of the anti-fraud policies across the Council.

6.8 **Resolved:** That the Committee:-

- i) notes the content of the report;
- ii) endorses the suite of Council Policies to cover the anti-fraud framework of the Council as outlined in appendix B-H of the report; and
- iii) notes the completed checklist for those responsible for governance as outlined in appendix A of the report.

7. ANNUAL AUDIT FEE LETTER 2018/19

7.1 Ernst and Young (External Auditors) submitted the Annual Audit Fee Letter 2018/19 to the Committee.

7.2 Michael Green, External Auditor (EY), advised the Committee that a recent procurement exercise, as per the Public Sector Audit Appointments Ltd (PSAA), appointed Ernst and Young as the Council's external auditors for the next five years. This had created a saving of 23%.

7.3 The Chair of the Committee welcomed Ernst and Young as the Council's new external auditor and looked forward to working with them over the next five years.

7.4 **Resolved:** That the Committee notes the Annual Audit Fee Letter 2018/19.

8. UPDATE ON 2016/17 ACCOUNTS OBJECTIONS

8.1 Matt Ackroyd, External Auditor at KPMG, updated the Committee on the 2016/17 accounts objections.

8.2 Two objections had been raised around Private Finance Initiative (PFI) loans and Lenders Option, Borrowers Option (LOBO) loans.

8.3 In respect of the LOBO loans, the objection had now been dealt with and a response had been provided to the objector. No further comments had been received, so this objection was now closed.

8.4 Several authorities had received the same/or very similar objections to the PFI loans. KPMG were awaiting national legal advice from the National Audit Office (NAO) before any local work could progress. This advice had now been received but at a time when the audit work for 2017/18 was commencing, therefore the work around the objection was being progressed as fast as possible given the resource constraint of also trying to audit the financial statements. KPMG were aiming to close the objection by September's meeting of the Audit and Standards Committee, but this would be subject to progress of work.

8.5 Accounts audit work for 2017/18 was underway and currently on track to complete for Audit and Standards Committee in July and the 31 July sign-off deadline.

8.6 **Resolved:** That the Committee notes the update from KPMG.

9. **WORK PROGRAMME**

9.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for July 2018.

9.2 Sarah Cottam, Principal Committee Secretary, outlined the programme and advised that a new programme for the remainder of the municipal year was currently being compiled and would be submitted to the next meeting.

9.3 **Resolved:** That the Committee's work programme for July 2018 be approved.

10. **DATES OF FUTURE MEETINGS**

10.1 It was noted that the meetings of the Committee would be held at 5.00 p.m. on:-

- 26 July 2018;
- 20 September;
- 15 November;
- 20 December (additional meeting if required);
- 24 January 2019;
- 21 February (additional meeting if required);
- 21 March (additional meeting if required);
- 18 April;
- 13 June;
- 25 July.