

SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 18 April 2019

PRESENT: Councillors Josie Paszek (Chair), Dianne Hurst, Pat Midgley, Mohammed Mahroof and Martin Phipps

Co-Opted Member

Liz Stanley

Representing Ernst and Young

Stephen Clark

Hayley Clark

Council Officers

Gillian Duckworth, Director of Legal and Governance

Dave Phillips, Head of Strategic Finance

Kayleigh Inman, Senior Finance Manager, Internal Audit

Eugene Walker, Executive Director, Resources

Ryan Keyworth, Director of Finance and Commercial Services

1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Simon Clement-Jones.

2. EXCLUSION OF THE PRESS AND PUBLIC

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

3. DECLARATIONS OF INTEREST

3.1 Councillor Pat Midgley declared a personal interest in any items relating to grants, as a member of the Manor and Castle Development Trust.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the previous meeting of the Committee held on 24 January 2019 were approved as a correct record.

5. INTERNAL AUDIT TACTICAL PLAN 2019/20

5.1 The Senior Finance Manager (Internal Audit) submitted a report presenting the Internal Audit planning methodology and programme of work for 2019/20.

5.2 In introducing the report, Kayleigh Inman, Senior Finance Manager (Internal Audit), commented that the plan was based on issues reported by Portfolios, the Corporate Risk Register and discussions with Executive Directors regarding emerging risk areas.

- 5.3 The first call list of priority issues was outlined at the end of the plan. These were of medium priority but there were also four high priority issues included. The first call list would be reviewed either mid-year or at the end of the year depending on need. If there were any significant changes to the plan a further report would be submitted to the Committee in November.
- 5.4 Councillor Dianne Hurst commented that she welcomed the principal of Business Partnering and believed this to be a proactive and ambitious way of dealing with resources.
- 5.5 In response to a question from the Committee regarding managing resources, Kayleigh Inman commented that resources were focused on increasing risks and this was looked at from both a reactive and proactive perspective.
- 5.6 In response to a question regarding project management reviews and grant certificate sign offs, Kayleigh Inman stated that the Audit team validated what grants had been spent on. Eugene Walker, Executive Director, Resources added that the Government had outlined which grants needed to be ratified by the Internal Audit team but he didn't believe this was a good use of the team's resources and would be better spent on more pro-active work.
- 5.7 In response to a question regarding risk management, Eugene Walker commented that it was important to ensure teams worked together which would make it easier for managers to comply.
- 5.8 Kayleigh Inman stated that risks were identified via a number of different means such as the Corporate Risk Register, the Annual Governance Statement and Cabinet reports identifying new projects and funding streams.
- 5.9 **RESOLVED:** That the Committee endorses the programme of work for 2019/20 as outlined in the report.

6. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

- 6.1 The Head of Strategic Finance submitted a report enabling the Committee to demonstrate to the External Auditors and the wider audience that it had exercised the required oversight to meet the requirements of the International Standards on Auditing. The report drew together much of the work undertaken by the Committee in the past year.
- 6.2 Liz Stanley commented that she believed she was coming to the end of her term as an independent co-optee and did not believe the regulations allowed for this to be extended. Gill Duckworth, Director of Legal and Governance, confirmed that she would clarify this and report back to the Committee. Councillor Pat Midgley welcomed the role of independent co-optees on the Committee and commented that this demonstrated to the public the transparency of the Committee.
- 6.3 **RESOLVED:** That the Committee:-

- (a) confirms that the report gave an accurate reflection of the reports that they had received and considered throughout the year; and
- (b) confirms that they now had an overview of the Council's systems of internal control so that they were now assured that they were fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

7. AUDIT PLANNING REVIEW

- 7.1 The Committee considered a report of Ernst and Young attaching its Audit Plan which sets out how the Company intends to carry out its responsibilities as auditor.
- 7.2 Steve Clark, Ernst and Young, introduced the report. He commented that Michael Green had now left Ernst and Young and had been replaced by Hayley Clark who would attend future meetings of the Committee. One of the significant risks identified had been regarding valuation of properties and Ernst and Young were working to try and gain an understanding of valuations.
- 7.3 The Local Government Pension Scheme was a risk due to the high number of estimates which it entailed. In terms of value for money, there was one significant risk regarding securing financial resilience. Ernst and Young were undertaking work to understand how the Authority was mitigating against this risk.
- 7.4 Regarding the handover in external auditing from KPMG, it was hoped that matters would be concluded in the near future and Steve Clark did not think it would lead to any significant changes in accounting treatment.
- 7.5 Ernst and Young had already begun to consider risks arising from Lender Option Borrower Options (LOBO's). Following a previous objection in relation to this the external auditors had compiled a report which stated that the City Council had no issue in relation to this and this could be circulated to Members.
- 7.6 **RESOLVED:** That the Committee:-
 - (a) notes the report; and
 - (b) requests that an item on Treasury Management be included on the Work Programme for future meetings of the Committee.

8. WORK PROGRAMME

- 8.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for the period April-July 2019.

RESOLVED: That:-

- (a) training for Members of the Committee be arranged for June and dates be circulated for this;

- (b) feedback on the national report regarding Standards in Public Life be included within the annual Standards report to be submitted to this Committee;
- (c) the start time of the July meeting of the Committee be moved to 4:30pm;
- (d) an item on Treasury Management (including LOBO's) be submitted to the June meeting of the Committee; and
- (e) clarification be sought on Liz Stanley's term of office as a co-opted Member of the Committee.

9. DATES OF FUTURE MEETINGS

9.1 It was noted that meetings of the Committee would be held on:-

- 13 June 2019 (5:00p.m.)
- 25 July 2019 (4:30p.m.)