

Audit and Standards Committee

Meeting held 26 November 2020

PRESENT: Councillors Sioned-Mair Richards (Chair), Simon Clement-Jones (Deputy Chair), Angela Argenzio, Adam Hurst, Mohammed Mahroof and Howard (Independent Co-Opted Member)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Josie Paszek due to a badly broken arm and the Committee sent its best wishes for a speedy recovery.

2. EXCLUSION OF THE PRESS AND PUBLIC

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

3. DECLARATIONS OF INTEREST

3.1 No declarations of interest were made.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 15th October 2020 were approved as a correct record.

5. INFORMATION MANAGEMENT ANNUAL REPORT

5.1 Mark Gannon, Director of Business Change and Information Solutions and Catherine Hodgkinson, Senior Information Management Officer, attended the meeting and presented the report.

5.2 Mark Gannon informed the Committee that the Annual Report was retrospective and would not show the impact of Covid-19. This would be reflected in the next year's report.

5.3 Information Management was a complex landscape, subject to law and codes of practise, mainly General Data Protection Regulations (GDPR), Freedom of Information (FOI) and Regulation of Investigatory Powers (RIPA). The Council also had a strong network of Caldicott Guardians who were responsible for protecting the confidentiality of people's health and care information and making sure it is used properly.

5.4 GDPR covered mainly Data Protection (DP) and this was an ongoing and ever-

changing field. Constant vigilance was needed and the area was under constant review, to reflect guidance from the Information Commissioner's Office and caselaw. The most commonly received request under data protection law was that of Subject Access Requests. 2019/2020 was the first year in which the Council achieved a target of 85% of requests being responded to within the statutory time period. This was a major improvement on previous years, especially within the context of a higher volume of requests received than in previous years.

- 5.5 FOI included a number of obligations to which the Council must respond. 93% of FOI requests received were responded to on time. A number of internal reviews had been requested.
- 5.6 The Council was also working on improving how open data was published. Officers were encouraged to publish as much as possible, as this could reduce the amount of FOI requests received.
- 5.7 231 data security incidents had been logged in 2019/20. Officers were encouraged to report data breaches, no matter how small. Only five data breaches had needed to be reported to the Information Commissioner's Office (ICO).
- 5.8 RIPA powers were very specific and were used infrequently. Only 3 applications were granted in 2019/20. The use of RIPA was independently assessed on a three year rolling programme and the last inspection had had a positive outcome. A correction to the report was noted. At paragraph 8.5 of the report, it was reported that the Council had conducted two surveillance activities under the Directed Surveillance Authorisations. However, the Committee was advised that this figure should have read 'three' surveillance activities.
- 5.9 Councillor Angela Argenzio stated that she was pleased that training was mandatory and asked that the list of officers be placed on the Members intranet. A progress report was requested on the GDPR Action Plan. She further asked whether there were any worries regarding Brexit and DP and whether any departments were resistant to sharing open data.
- 5.10 Mark Gannon noted that Catherine Hodgkinson was currently working on a status report on GDPR and that Brexit was causing some concerns regarding where data is stored and contract assessments. Catherine Hodgkinson confirmed that ICO guidance prioritised suppliers processing personal data and assurances were being sought from suppliers that they would remain compliant with any regulations. It was also noted that there was no resistance to data migration, but it possibly wasn't given enough focus.
- 5.11 Councillor Simon Clement-Jones asked what the Council would use its RIPA powers for. Catherine Hodgkinson explained that RIPA could only be used in very limited circumstances, mainly in Trading Standards cases. All authorisations were approved by the relevant Executive Director and a magistrate. The authorisations were also time limited.
- 5.12 Councillor Mohammed Mahroof asked whether the Council suffered from Council

House Tenancy Fraud and Linda Hunter confirmed that this was not a known problem, but this would be confirmed to Members.

- 5.13 Councillor Adam Hurst asked how the Council got to know about fraud. It was explained each department could have different types of fraud. There was a dedicated team within Internal Audit who responded to any referrals or whistleblowing cases. This team also regularly met with fraud teams from Core Cities and South West Yorkshire Group and identified common themes and potential fraud areas.
- 5.14 **RESOLVED:** That the annual information governance update be noted.

6. ANNUAL GOVERNANCE STATEMENT

- 6.1 Gillian Duckworth, Director of Legal and Governance attended the meeting and presented the report.
- 6.2 The Council is required to produce and have signed off, as part of its annual accounts, an Annual Governance Statement (AGS). The statement is intended to identify any significant control weaknesses and also to set out how the Council intends to address any weaknesses identified.
- 6.3 The AGS covered the 2019/20 period, so the majority of the impact of Covid-19 and how governance has changed will be covered in the 2020/21 AGS.
- 6.4 Areas of weakness included SEND performance. A lot of work had been done to improve performance and this year had seen an increase in demand which has slowed progress, however, there was confidence that SEND performance was now showing an improvement. The second area of weakness was a failure to meet ombudsman response time. This would be referred to EMT to agree a strategy to improve performance.
- 6.5 The Chair asked who monitored ombudsman performance and Gillian Duckworth explained that there is a dedicated Ombudsman team within customer services but that it was Directors that were required to take action, EMT considered the reports and an annual monitoring report is submitted to Audit and Standards Committee.
- 6.6 Councillor Adam Hurst asked whether an organisation without a good reputation with the ombudsman was at more of a risk of maladministration. Gillian Duckworth explained that each case was considered by the Ombudsman on its own merit, but there could be a reputational risk.
- 6.7 Councillor Mohammed Mahroof raised concerns around SEND performance and felt that the process needed to be sped up. The Chair felt that this was an issue for Scrutiny Members to raise with the relevant Cabinet Member. Gillian Duckworth noted that it was a serious issue which was why it was raised in the AGS.

- 6.8 **RESOLVED:** that the contents of the Statement and that this has been signed by the Council Leader, Chief Executive and the Executive Director of Resources and that the statement forms part of the Annual Accounts, be noted.

7. ANNUAL INTERNAL AUDIT OPINION REPORT

- 7.1 Linda Hunter, Senior Finance Manager, attended the meeting and presented the report. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section.
- 7.2 The annual Internal Audit report to Committee is to highlight the work that has been undertaken by Internal Audit during the year and it supports the Council's AGS. The report illustrates the resources, structure, professional standards and Key Performance Indicators (KPI).
- 7.3 Councillor Angela Argenzio asked how the public could be reassured that Internal Audit were strict enough. Linda Hunter replied that Internal Audit had access to the Audit and Standards Committee to refer concerns upwards, they had access to EMT, were Members of relevant professional bodies (i.e. CIPFA and MIIA) and have professional standards (i.e. PSIAS) to which they must adhere. Also Internal Audit are independently reviewed at least every 5 years as part of the PSIAS requirements.
- 7.4 **RESOLVED:** That the content of the report and the opinion of the Senior Finance Manager be noted.

8. REPORT OF THOSE CHARGED WITH GOVERNANCE (ISA 260)

- 8.1 Stephen Clark and Hayley Clark from Ernst and Young, the Council's external auditors, attended the meeting and presented the report.
- 8.2 Stephen Clark informed the Committee that the external audit had been challenging this year. Ernst and Young and the Council had had to adapt and continue to work together in a positive way and he extended his thanks to Dave Phillips and the team.
- 8.3 Key risks included property, plant and equipment value and commercial income which had been hit by the pandemic. Pensions was also a challenging issue as the valuation was subject to market volatility.
- 8.4 There were also Value for Money (VFM) issues, which had been well managed to date. These would continue to be scrutinised and there would be pressures on spending going forward.
- 8.5 Hayley Clark explained that for property, plant and equipment there had been a formula error in the spreadsheet and a further error, but both netted each other off. There were still a number of other matters to close out.

- 8.6 Some additional work on pensions was taking place following the reports back from Deloitte (the external auditor of South Yorkshire Pensions Authority), as there was a query still outstanding. There were also some queries on PFI schemes to close down.
- 8.7 Additional work on Going Concern has been carried out, the cash flow forecast had been looked at which required mandatory consultation. This consultation was not expected to change the outcome.
- 8.8 Two risks had been identified under the VFM work. West Bar regeneration and Heart of the City. The 2019/20 arrangements were satisfactory, but they may need to be looked at again in the future.
- 8.9 Dave Phillips, Head of Strategic Finance, said that it had been a challenging year for everyone. He thanked both the Council's account team and the external audit team for working well and being no less thorough and providing professional challenge. It was hoped to complete the audit by Christmas for sign off by the Chair of Audit and Standards Committee.
- 8.10 Councillor Simon Clement-Jones asked a question that although the Council was in a sound financial position at the moment, what did the Council need to look out for over the coming months? Stephen Clark agreed that the Council was in a sound position currently, but even a large Council could tip quickly. Poor decisions could include reckless, ill-informed decisions or no decisions. However, Sheffield City Council had a history of trying to make good decisions and he encouraged the Committee to look out for poor decisions.
- 8.11 Councillor Angela Argenzio commented that it was important that the Council made decisions, but it should also try to build up reserves. Stephen Clark explained that the Council would need to make choices. It was important to take the advice of professional officers. The reserves were not too bad currently and it would be important to make judicious use of reserves and examine decisions. Be risk aware and have exit plans.
- 8.12 Councillor Mohammed Mahroof said that it was important to keep asking about West Bar and Heart of the City and thanked Ernst and Young for the reassurances. Stephen Clark replied that it was right to look at city centre issues. The high street had changed and the Council would need to be visionary in its approach.
- 8.13 **RESOLVED:** That the report be noted.

9. STATEMENT OF ACCOUNTS 19/20

- 9.1 Dave Phillips, Head of Strategic Finance, attended the meeting and presented the report.
- 9.2 Dave Phillips explained that Committee had seen the draft Statement of Accounts

in June and Members had had training with an external trainer. There were a couple of uncorrected items. In the changes to PFI, there were a couple of transactions that had been entered the wrong way round. Discussions were still ongoing on how to treat Covid-19 grants, but this would not change the Council's position. Due to some work that was still ongoing, it was requested that approval be given to delegate authority to the Chair of the Audit and Standards Committee to sign off the Statement of Accounts when complete.

9.3 Councillor Simon Clement-Jones asked where the Council was at with regard to its reserves. Dave Phillips replied that the Council had a very small surplus last year and the current position was reasonable. The pandemic had created very significant lost income and additional expenditure, but there would be Government financial support in 2020/21 and 2021/22, but the Council would be under pressure after that.

9.4 Councillor Simon Clement-Jones asked why short-term investments had increased. Dave Phillips explained that a £30 million COVID-related grant had been received at the end of March 2020, which had increased the short-term investment balance at the year end, until the funds are needed to meet COVID related expenditure. The Council's cash position was relatively robust currently and for the foreseeable future.

9.5 Members asked questions regarding what assets had been sold during 2019/20 and why short-term debtors had been lower. Officers undertook to supply details to the Committee.

9.6 The Chair thanked officers on behalf of the Committee and noted that it had been a difficult year.

9.7 **RESOLVED:** That (1) Audit and Standards Committee note the Memo to those Charged with Governance (ISA 260) 2019/20; and

(2) Audit and Standards Committee delegates approval of the Statement of Accounts for 2019/20 to the Chair of the Committee and to request that delegated approval also be given to the Chair of the Audit and Standards Committee to conclude the audit by signing the Letter of Management Representations.

10. RESPONSE FROM EMT REGARDING THE OUTSTANDING AUDIT RECOMMENDATIONS

10.1 Linda Hunter, Senior Finance Manager, explained that the Outstanding Audit Recommendations had been reported to EMT twice. 27 recommendations were outstanding over nine reports. EMT had written to the relevant Directors. Six recommendations had now been implemented. EMT had looked at why the recommendations had been delayed and would now monitor the progress with the remaining recommendations.

10.2 15 recommendations were now outstanding for IT areas. Some of these had been unavoidable due to other work pressures, for example the COVID pandemic.

Significant effort had been made by the IT team implementing new systems to enable remote working and equipment rolled out to over 6000 staff. There was also the major insourcing of Capita which had an impact on the availability of resources.

- 10.3 Four were outstanding on the fraud e-learning, but this package has now been designed and the next stage is for the Development Hub to check the format and layout prior to publication. Individual services were still looking and assessing their own fraud risks and mitigations, for example, the Enforcement Agent no longer collected cash.
- 10.4 Councillor Angela Argenzio said that with regard to the insourcing of IT, the Committee had been reassured that resources were in place to manage this and felt that the department was using the pandemic as an excuse when things had not gone well.
- 10.5 Eugene Walker, Executive Director – Resources, informed the Committee that the Capita transfer had gone very well and the Capita staff who had transferred in had integrated very well. During the pandemic 6000 laptops had been rolled out to staff across the Council, Contact Centre staff had been given equipment to work from home. There had been a need to quickly change processes which had been made difficult by Covid-19. Capita had made some moves difficult and some negotiations had stretched out over six months.
- 10.6 The Chair said that staff had worked very hard and she was impressed by the staff response to the pandemic.
- 10.7 Councillor Adam Hurst felt that there were issues with IT before the pandemic, but the department had done a good job. It was very difficult to bring resources back in house.
- 10.8 Eugene Walker acknowledged that there were some longer term issues to be worked on. Gillian Duckworth reminded Members that an update report on the insourcing of IT was due at the next meeting of the Committee.
- 10.9 **RESOLVED:** That the update be noted.

11. WORK PROGRAMME

- 11.1 Abby Brownsword, Principal Committee Secretary, presented the report.
- 11.2 As the January agenda looked very full, it was proposed that the Committee utilise the February committee date.
- 11.3 The Annual Audit Letter 2019/20 and the Universal Credit update could be moved to February. The review of the Code of Conduct and the review of Standards Complaints could also be moved to a future meeting.
- 11.4 Dave Phillips noted that due to change in deadlines, the Formal Response to

Audit (ISA 260) Recommendations would be moved to the April meeting.

11.5 The Chair informed Committee that she had invited the new CEO to attend a meeting of the Committee in the New Year.

11.6 **RESOLVED:** That (1) the work programme be noted; and
(2) changes to the work programme be made as detailed above.

12. DATES OF FUTURE MEETINGS

21.1 Future meetings of the Audit and Standards Committee would be held on:

Thursday 21st January 2021

Thursday 18th February 2021

Thursday 18th March 2021 (additional meeting, if required)

Thursday 15th April 2021

Thursday 10th June 2021

Thursday 29th July 2021