

Audit Committee

Meeting held 26 September 2012

PRESENT: Councillors Ray Satur (Chair), Steve Jones, Martin Lawton, Sioned-Mair Richards and Joe Otten (Deputy Chair).

Co-opted Independent Members
Beryl Seaman and Rick Plews.

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1. MARKETING SHEFFIELD

1.1 Resolved that:-

- (a) for the reasons now reported by the Chair, the report be withdrawn from consideration; and;
- (b) the Director of Marketing Sheffield be requested to submit a report to the next meeting of the Committee providing details of the action that was taking place to address the outstanding actions from the recommendations in relation to the Marketing Sheffield element of the Internal Audit report on Creative Sheffield - Application of Procedures.

2. APOLOGIES FOR ABSENCE

2.1 An apology for absence was received from Councillor Anders Hanson.

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 Councillor Martin Lawton declared a personal interest in the item relating to the Statement of Accounts and the External Auditor's Annual Governance Report 2011/12 as a Director of the Manor Castle Development Trust Ltd and a member of the South Yorkshire Pensions Authority.

4.2 Councillor Joe Otten declared a personal interest in the item relating to Digital Region as he previously worked for the Electoral Reform Services.

5. MINUTES OF PREVIOUS MEETING

5.1 The minutes of the meeting of the Committee held on 1 August 2012 were approved as a correct record.

5.2 Matters Arising – Item 5 (Progress Report on Human Resource/Payroll Procedures)

5.2.1 The Committee noted information received from the Director of Human Resources that, in respect of dealing with the backlog of pension queries, 2035 had been completed, 42 were in progress and 2657 had to be completed. The latest estimated completion date was March 2013.

5.2.2 It was also reported that the briefing note requested at the last meeting to reflect on the comments in the External Auditor's IT Risk Assessment Summary Report relating to recommendation 2 on disabling the user ICT accounts of Council staff leaving the Council, would be circulated to Members of the Committee the following week.

5.3 **Resolved** that:

(a) the information now reported be noted; and

(b) the Director of Human Resources be informed that the Committee is concerned at the position now reported on dealing with the backlog of pensions queries and requests that efforts be made to bring forward the estimated completion of March 2013 and that the Committee is kept informed of progress on this issue.

6. ANNUAL GOVERNANCE STATEMENT 2011/12

6.1 The Director of Modern Governance submitted the Council's Annual Governance Statement (AGS) which formed part of the Council's Statutory Accounts. The Statement explained how the Council complied with the Code of Corporate Governance. It also identified significant control weaknesses in three areas (relating to Museums Sheffield, HR Data Reliability Concerns and Improving Compliance with Payment Card Industry Regulations) and the action being taken to address those weaknesses.

6.2 The Director stated that Sheffield took a more detailed approach to producing its AGS than a number of other local authorities. The AGS process had also been audited by Internal Audit and they had commented that it was low risk and well managed.

6.3 The Directors of Modern Governance and Finance responded to questions from members of the Committee relating to the written assurances provided by Service Directors that they are adhering to the Council's corporate policies.

6.4 **Resolved** that:

(a) the Committee notes the contents of the Annual Governance Statement and that it has been signed by the Leader of the Council, the Chief Executive and the Executive Director of Resources and that the Statement forms part of the Annual Accounts; and

- (b) the Director of Modern Governance and his Team are thanked for their work in preparing the Annual Governance Statement.

7. STATEMENT OF ACCOUNTS AND THE EXTERNAL AUDITOR'S ANNUAL GOVERNANCE REPORT 2011/12

Statement of Accounts

- 7.1 Clair Sharratt (Finance Manager, Strategic Finance) introduced a report of the Director of Finance containing the Statement of Accounts and the External Auditor's Annual Governance Report (AGR) and providing details of matters arising from the external audit of the 2011/12 Accounts. She explained that Appendix 2 of the AGR contained the corrected errors since the summary of the Accounts was considered by this Committee at its meeting on 1 August 2012. The majority of the corrections were presentational and did not affect the bottom line budget position. The uncorrected errors were detailed in Appendix 3.

Annual Governance Report

- 7.2 The External Auditor introduced his Annual Governance Report that summarised the findings from the 2011/12 audit of the accounts and which was substantially complete. The report included the messages arising from his audit of the Council's Financial Statements and the results of the work he had undertaken to assess the Council's arrangements to secure value for money in the use of resources. He proposed to issue an unqualified value for money conclusion which confirmed the Authority had satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.
- 7.3 He reported on the correspondence he had received from eight local government electors and that this may give rise to objections to the Council's accounts. In the interim, he was considering whether any of the matters raised might have an impact on his audit opinion and or conclusion.
- 7.4 The External Auditor also outlined the key audit risks and findings relating to Digital Region Ltd, Trading Standards, Housing Revenue Account Reform, implementation of the new capital accounting system, the valuation of property, plant and equipment, heritage assets and pensions accounting.
- 7.5 David Phillips (Senior Audit Manager, Audit Commission) gave details of the significant weakness in internal control, significant findings from the audit and other matters that are significant to the oversight of the Authority's financial reporting process, the Whole of Government Accounts, Value for Money, audit fees, the draft independent auditor's report and the corrected errors.
- 7.6 Officers responded to questions on the Accounts and the AGR from members of the Committee relating to Trading Standards, Invest to Save, reserves, the increase in short term debt and Schools Traded Services.
- 7.7 **Resolved** that:

- (a) the Committee accepts the Annual Governance Report 2011/12;

- (b) the Statement of Accounts for 2011/12 be approved;
- (c) the Chair of the Committee be requested to sign (i) the Letter of Management Representations at Annex B to Accounts to conclude the audit and (ii) the Statement of Accounts;
- (d) the Director of Finance be requested to submit a report to a meeting of this Committee on the underlying performance in relation to the Traded Services;
- (e) the thanks of this Committee are conveyed to (i) the Director of Finance and his Team for producing the Statement of Accounts and (ii) the External Auditor and his staff for producing the Annual Governance Report; and
- (f) the Committee notes and concurs with the congratulations from the External Auditor to Clair Sharratt (Finance Manager, Strategic Finance) for her work on the Accounts, particularly in respect of the implementation of the new Capital Accounting System.

8. SOUTH YORKSHIRE DIGITAL REGION

- 8.1 At the request of the Committee at its meeting on 1 August 2012, the Chief Executive submitted a report providing an update on the latest progress of the Digital Region Broadband project, of which Sheffield City Council was a shareholder and customer. The report outlined the background to Digital Region Limited (DRL) and alternative options of closure and a new business model. He indicated that there may be a viable route going forward of developing a new model in collaboration with a major telecommunications company and to procure a new supplier who would maintain the network with responsibility for operating costs, sales, marketing and revenues. However, this was a clear area of risk and the alternative, should an alternative model not be found, was closure.
- 8.2 The Chief Executive referred to the risk profile and that the five partners in DRL were the four South Yorkshire local authorities and the Department for Business, Innovation and Skills.
- 8.3 The Chief Executive, Director of Creative Sheffield and the Director of Finance responded to questions from members of the Committee relating to the benefits of Digital Region, the new business model and the procurement process, termination costs and the financial implications.
- 8.4 **Resolved** that the report now submitted be noted.

9. CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2012

- 9.1 Linda Hunter (Finance Manager, Internal Audit) outlined the Chief Internal Auditor's Annual Report 2011/12 that highlighted the work that had been undertaken by Internal Audit during the year and which supported the Council's Annual Governance Statement. The report included an executive summary of audit opinion and information on Internal Audit resources and structure, the planning processes for audits, audit reporting, performance targets, counter fraud

work, risk management and the Annual Governance Statement.

9.2 **Resolved** that:

- (a) the contents of the report now submitted and the opinion of the Chief Internal Auditor be noted; and
- (b) the Chief Internal Auditor and his Team be thanked for producing the report.

10. DELIVERING INTERNAL AUDIT ACTIVITY

10.1 Linda Hunter (Finance Manager, Internal Audit) stated that that there had been no issues to report to date but a progress report on delivering Internal Audit activity would be submitted to the next meeting of the Committee.

10.2 **Resolved** that the Chief Internal auditor be requested to submit a written report on progress in delivering Internal Audit activity to the next meeting of the Committee.

11. HIGH OPINION AUDIT REPORT RECOMMENDATIONS - FINANCIAL MANAGEMENT INFORMATION FROM TRUSTS

11.1 Further to the request at the meeting of the Committee on 1 August 2012, the Director of Culture and Environment introduced a report of the Executive Director, Place that provided information on the three outstanding actions arising from the recommendations in the High Opinion Audit Report on Financial Management Information from Trusts.

11.2 In response to an issue raised by a member of the Committee, it was noted that all Trusts had agreed to provide the necessary additional information rather than "most Trusts" as stated in the report.

11.3 **Resolved** that the report now submitted be noted.

12. EXTERNAL APPOINTMENTS

12.1 Arising from a request from the meeting of the Committee on 15 May 2012 that "the Deputy Chief Executive be requested to review the role of Councillors on all Trust Boards", the Director of Modern Governance submitted a report containing guidance on the appointment of Members and Officers to external organisations. He stated that the guidance had been considered by the Executive Management Team and no comments had been received from the Whips and three political Group Leaders.

12.2 The Committee discussed issues relating to the appointment of members of the public to charitable Trusts, the approval route for the report and the role of Cabinet Members on external organisations.

12.3 **Resolved** that:

- (a) the draft guidance document entitled 'Appointments to External

Organisations: What, Why, Who and How?' be approved, subject to the rewording of the paragraph on Cabinet Members to indicate that they should not be allowed to serve on external organisations where it related to their area of responsibility;

- (b) it is the view of the Committee that the provisions of the guidance should be adhered to;
- (c) the Director of Modern Governance be requested to (i) submit the guidance to Cabinet and Council, as appropriate and (ii) undertake a survey in a year's time on how useful the guidance had been for those serving on external organisations; and
- (d) the Director of Legal Services be requested to consider whether separate guidance is required for the appointment by the Council of members of the public to Charitable Trusts.

13. WORK PROGRAMME

13.1 The Principal Committee Secretary (Democratic Services) introduced a report setting out the Committee's Work Programme for 2012/13.

13.2 **Resolved** that the Committee's Work Programme now submitted be approved with the addition of a report from the Director of Marketing Sheffield to the next meeting of the Committee providing details of the action that was taking place to address the outstanding actions from recommendations in relation to the Marketing Sheffield element of the Internal Audit report on Creative Sheffield - Application of Procedures.

14. DATE OF NEXT MEETING

14.1 **Resolved** that the next meeting of the Committee scheduled for 22 November 2012 be rearranged and an additional meeting be arranged for March 2013.