

Audit Committee

Meeting held 31 January 2013

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

Co-opted Independent Members
Beryl Seaman and Rick Plews.

Officers in attendance

John Mothersole (Chief Executive), Laraine Manley (Executive Director, Resources), Alistair Griggs (Director of Modern Governance), Eugene Walker (Director of Finance), Lynne Bird (Director of Legal Services), Steve Gill (Chief Internal Auditor), Laura Pattman (Assistant Director Finance, Business Partnering, Children Young People and Families) Helen Molteno and Linda Hunter (Finance Managers, Internal Audit), David Phillips (Senior Manager, KPMG), Simon Green (Executive Director, Place), Brendan Moffett (Director, Marketing Sheffield) and Dave Ross (Principal Committee Secretary).

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1. APOLOGIES FOR ABSENCE

1.1 There were no apologies for absence.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 13 December 2012 were approved as a correct record.

Matters Arising

3.2 The Committee received and noted an update from Phil Burrell (Capita) and Peter White (Senior Consultant, Client Lead, Resources) on the outstanding pension queries that indicated that 1900 data records had been accepted by the South Yorkshire Pensions' Authority. 300 more complex records had required manual intervention and these had now been cleared and submitted to the Pensions' Authority. The result was that the backlog of pensions' queries had been cleared.

4. PROGRESS ON ICT AUDIT

4.1 The Director of Information Services introduced a report of the Executive Director, Resources providing an update on the response by the Council's Business Information Solution (BIS) team to issues raised by the External Auditor in their annual audit report of 2011/12 on the management of ICT User

accounts. The central finding of the External Auditor's report highlighted the lack of clarity in policy terms and Council direction to the IT partner, Capita IT Sheffield, on suspension and deletion of dormant User accounts and this had been the focus of activity by BIS and Capita IT Sheffield and had resulted in a comprehensive action plan. The Director indicated that all the actions set out in the Appendix to the report would be completed by 30 April 2013.

- 4.2 **Resolved:** That the Committee requests the Director of Information Services to (i) continue to progress the issues highlighted by the External Auditor in line with the actions set out in the report and (ii) circulate to members of the Committee (A) details of the actions that had been completed and (B) the period of grace a member of the Council has after losing their seat at a local election in terms of closing their email account/returning IT equipment etc.

5. EXTERNAL AUDIT PLAN 2012/13

- 5.1 David Phillips (Senior Manager, Public Sector Audit, KPMG) introduced the External Audit Plan 2012/13 that described how KPMG would deliver the audit of the financial statements for the Council and also set out the approach to value for money work for 2012/13. He outlined the key risks that they would focus on during the audit of the financial statements and these related to the Council's savings plans, Highways PFI, Digital Region Limited, property, plant and equipment and pensions' costs and liabilities. He also gave details of the audit approach and the audit fee.
- 5.2 The Chief Executive and the Senior Manager, KPMG responded to questions from members of the Committee relating to the procurement process for Digital Region, assets/borrowing, elector challenge and the use of off-shore audits.
- 5.3 **Resolved:** That the External Audit Plan 2012/13 be noted and the Director, KPMG and his Audit Team be thanked for producing the Plan.

6. DELIVERING INTERNAL AUDIT ACTIVITY

- 6.1 The Chief Internal Auditor reported on progress made against the new auditable areas introduced for the 2012/13 audit plan and indicated that the risk management audits would be going ahead in February/March 2013.
- 6.2 The Director of Finance reported on the impact of the budget reductions on the Finance and Audit Teams. He informed the Committee that Steve Gill, Chief Internal Auditor, would be taking early retirement in March 2013 and Laura Pattman, Assistant Director Finance (Business Partnering, Children Young People and Families (CYPF)), would include in her role, responsibility for Internal Audit from 28 March. A Finance Manager would be also be appointed as the Audit Lead. Details of the new Finance Management structure were circulated at the meeting.
- 6.3 Councillor Ray Satur, the Chair of the Committee, stated that it was with deep personal regret that he had to announce that Steve Gill was taking early retirement. He indicated that he had joined the authority in 1986 as a trainee

accountant and was appointed to the post of Chief Internal Auditor in 1998. Councillor Satur also stated that Steve Gill had been involved in establishing the Audit Committee. He thanked him for his work for the Council and offered him his best wishes for the future.

- 6.4 Councillor Steve Jones also thanked Steve Gill for all his work for the Council.
- 6.5 In reply, Steve Gill thanked members for their kind words and stated that it had been a pleasure working for the Committee. He also highlighted how the development of the Committee was an achievement for the Council.
- 6.6 The Chief Executive, the Executive Director, Resources, Director of Finance and Chief Internal Auditor responded to questions from members of the Committee relating to the new structure for Internal Audit, seeking an assurance that there would be adequate challenge from the Audit function and whether the new Audit structure was compliant with the Public Sector Internal Auditing Standards.
- 6.7 **Resolved:** That the Committee:-
- (a) notes the information now reported;
 - (b) places on record its thanks to Steve Gill, Chief Internal Auditor, for his contribution to the work of the Council and this Committee and offers him best its wishes for his retirement and the future;
 - (c) requests the Director of Finance to circulate a note to members of the Committee on how the Council will comply with the Public Sector Internal Auditing Standards, if the Standards are mandatory; and
 - (d) requests the Assistant Director Finance (Business Partnering CYPF and Internal Audit) to submit a report to the Committee in January 2014 reviewing the operation of the new Internal Audit structure.

7. PROGRESS ON HIGH OPINION AUDIT REPORTS

- 7.1 The Chief Internal Auditor submitted a report providing progress made against recommendations in audit reports given a high opinion. In particular he referred to the audit reports relating to Marketing Sheffield and the Register Office.
- 7.2 The Director of Legal Services indicated that, in relation to the Register Office audit report, 24 of the 29 recommendations had been actioned, there was a new management team in place and the service was in a stronger position going forward.
- 7.3 The Chief Internal Auditor, Director of Legal Services, Executive Director, Resources and the Director of Modern Governance responded to questions from members of the Committee relating to the audit reports on the Register Office and Performance Monitoring Process (Deputy Chief Executive's) and monitoring of the recommendations in audit reports.

7.4 **Resolved:** That this Committee:-

- (a) notes the contents of the report;
- (b) requests the Director of Performance and Communications to confirm that the outstanding actions on the Performance Monitoring Process (Deputy Chief Executive's) Audit Report had been completed; and
- (c) requests the Assistant Director Finance (Business Partnering CYPF and Internal Audit) to include an action tracker to monitor outstanding actions in future progress reports on High Opinion Audits.

8. **ANNUAL GOVERNANCE STATEMENT 2011/12 - PROGRESS REPORT**

8.1 The Director of Modern Governance submitted a report giving details of progress made in mitigating the control weaknesses in the specific areas identified in the 2011/12 Annual Governance Statement (AGS). He outlined the approach for preparation of the AGS and the arrangements for work on the 2012/13 AGS.

8.2 In response to a question from a member of the Committee, the Chair indicated that there was a commitment to the AGS being written in plain language.

8.3 **Resolved:** That the Committee:-

- (a) notes the contents of the report; and
- (b) requests that the Annual Governance Statement 2012/13 is considered at two meetings of the Committee.

9. **EXCLUSION OF PUBLIC AND PRESS**

9.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business to be considered on Marketing Sheffield on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

10. **MARKETING SHEFFIELD PROGRESS REPORT**

10.1 Further to the request at the meeting of the Committee on 13 December 2012, the Executive Director, Place submitted a report aiming to provide assurance that significant progress was being made in response to the 2012 Marketing Sheffield audit recommendations. The Executive Director outlined the progress that had been made and referred to the follow-up audit work being undertaken by Internal Audit.

10.2 **Resolved:** That the Committee:-

- (a) notes the contents of the report and the steps being taken to progress the

recommendations from the 2012 Marketing Sheffield Audit report; and

- (b) requests the Director, Marketing Sheffield to circulate to members of the Committee the Independent review of MADE 2012 by Sheffield Hallam University Business School.

11. WORK PROGRAMME

- 11.1 The Director of Modern Governance submitted a report setting out the Committee's proposed Work Programme until April 2013.

Resolved: That the Committee:-

- (a) approves the Work Programme with the inclusion of an item for 2013/14 on how the Council pursues value for money; and
- (b) requests the Director of Legal Services to provide members of the Committee with the details of the Council's approach to consultation that is available on the Intranet.

12. DATE OF NEXT MEETING

- 12.1 It was noted that meetings of the Committee had been arranged for Thursday 14 March, if required, and Wednesday 17 April 2013 at 6.00 p.m.

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