

SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 25 July 2019

PRESENT: Councillors
Mark Jones (Chair), Simon Clement-Jones (Deputy Chair),
Angela Argenzio and Mohammed Mahroof

Co-Opted Member
Liz Stanley

Ernst and Young (External Auditors)
Stephen Clark and Hayley Clark

Council Officers
Gillian Duckworth – Director of Legal and Governance
Dave Phillips – Assistant Director of Finance
Kayleigh Inman – Senior Finance Manager, Internal Audit
Ruth Matheson – Finance Manager
Helen Molteno – Finance Manager
Tim Sharp – Risk Advisor
Abby Brownsword – Principal Committee Secretary

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Adam Hurst and Alan Law and Eugene Walker (Executive Director of Resources).

2. EXCLUSION OF THE PRESS AND PUBLIC

2.1 The Chair (Councillor Mark Jones) stated that the report at that agenda item 12 (Strategic Risk Management) (See minute no. 12 below) were not available to the public and press because they contained exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person. Accordingly, the public and press would be excluded from the meeting during consideration of that item of business.

3. DECLARATIONS OF INTEREST

3.1 No declarations of interest were made.

4. MINUTES OF PREVIOUS MEETING

4.1 Further to minute no. 5 – Annual Standards Report 2018-19, the Chair informed

the Committee that an Ethical Standards Workshop had been arranged and would take place on 25th September 2019.

- 4.2 **RESOLVED:** That subject to Liz Stanley being removed from the list of Councillors present at the meeting, the minutes of the meeting of the Committee held on 13th June 2019 were approved as a correct record.

5. ANNUAL GOVERNANCE STATEMENT

- 5.1 The Director of Legal and Governance submitted a report providing the Annual Governance Statement for 2018/19 which formed part of the Council's Statutory Accounts.
- 5.2 Three significant governance issues had been identified which were: performance of the Special Educational Needs and/or Disabilities Service; managers' compliance with Human Resources requirements; and early payment of suppliers in Adult Social Care without adhering to the Financial Regulations. Actions taken with regard to the issues were outlined in the report.
- 5.3 **RESOLVED:** That the Committee notes the contents of the Annual Governance Statement and that this had been signed by the Council Leader, Chief Executive and the Executive Director, Resources and that the Statement formed part of the Annual Accounts.

6. INTERNAL AUDIT ANNUAL REPORT 2018/19

- 6.1 The Assistant Director of Finance submitted a report to the Committee. Kayleigh Inman, Senior Finance Manager (Internal Audit) informed the Committee that the report provided an overview of the performance of Internal Audit for the year 2018/19 and gave an opinion on the adequacy of the Council's systems of internal control and supported the Council's Annual Governance Statement.
- 6.2 It was noted that the Assistant Director of ICT Service Delivery would attend the January meeting of the Committee to give an update on the insourcing of ICT.
- 6.3 Councillor Simon Clement-Jones queried whether the Council had adequate resources to carry out the number of audits required and the Senior Finance Manager explained that there was no standard minimum number of audits, so there was a need to balance risk and profile areas to ensure adequate coverage across the Portfolios.
- 6.4 **RESOLVED:** That the Committee notes the content of the report and the opinion of the Senior Finance Manager.

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

- 7.1 Stephen Clark, Ernst and Young, submitted a report from the external auditors

summarising the key findings in relation to Ernst and Young's 2018-19 external audit at Sheffield City Council. As it was the first year that Ernst and Young had audited the Council, it had been a large audit that had gone smoothly and he thanked the Council's officers for their help and support.

- 7.2 Hayley Clark, Ernst and Young, reported on a number of significant risks including mis-statements due to fraud or error, inappropriate capitalisation of expenditure and completeness of liabilities and valuation provisions, valuation of investment properties and property plant and equipment and accounting for the valuation of the Local Government Pension Scheme. However, the external auditors were satisfied with the City Council's responses to these risks and therefore Ernst and Young had concluded that they would be able to sign an unqualified financial statements opinion before the deadline of 31st July 2019. Ernst and Young also anticipated issuing an unqualified value for money opinion.
- 7.3 The report also included the Management Representation Letter.
- 7.4 Councillor Simon Clement-Jones expressed concerns regarding the level of the Council's reserves and the Council's reserves strategy and appropriateness for the next four years. Stephen Clark explained that the Council had good Value for Money arrangements and a good Medium Term Financial Strategy, however there were significant pressures on reserves, particularly in relation to Adult and Children's Services. The challenge was to manage the demand but the arrangements that the Council had put in place were appropriate. The Head of Strategic Finance stated that the Council had taken tough decisions to maintain services and that there was still uncertainty around the level of funding to be expected from Government in future.
- 7.5 **RESOLVED:** That the Committee notes the report, now submitted.

8. STATEMENT OF ACCOUNTS

- 8.1 The Assistant Director of Finance submitted a report communicating to Members any relevant matters arising from the external audit of the 2018/19 Statement of Accounts.
- 8.2 Ruth Matheson, Finance Manager, reported that the Council had met the statutory deadline for submitting its draft statement of accounts. Training had been provided for Members in considering the Statement of Accounts. The accounts had been audited and the external auditor's report highlighted three adjusted audit differences and some more minor changes as a result. It was therefore requested that the Chair of the Committee and the Executive Director of Resources (as the Section 151 Officer) sign off the accounts. If the accounts were signed off they would be published on the Council's website by 31st July 2019.
- 8.3 In response to a question regarding Investment Properties, it was explained that these were the advertising hoardings and were assets the Council held as they may go up in value.

8.4 Councillor Mohammed Mahroof raised concerns regarding the affordability of termination benefits paid to staff and it was explained that although redundancies had the potential to have an impact on the Council's financial position, the budget was usually underspent. Redundancies were carefully assessed against strict criteria to ensure affordability and savings. The Council was coping with increases in demand with the same amount of staff. It was also the case that larger amounts paid out to staff were to those with longer service and/or higher up the pay scale which also resulted in larger savings for the Council.

8.5 **RESOLVED:** That the Committee:-

(a) accepts the report to those charged with Governance (ISA 260) 2018/19; and

(b) approves the Statement of Accounts for 2018/19 and authorises the Chair of the Committee to conclude the audit by signing the Letter of Management Representations and the Statement of Accounts for 2018/19.

9. **PROGRESS REPORT ON IMPLEMENTATION OF AGREED INTERNAL AUDIT RECOMMENDATIONS**

9.1 The Senior Finance Manager (Internal Audit) submitted a report which informed Members of the Committee of progress made against recommendations in audit reports that had been given a high opinion.

9.2 Four new reports had been added to the tracker which would be followed up in the usual manner. These were: Software Licensing, Hardware Asset Management, Controcc Early Payment to Care Providers and Enforcement Agent Review. Four items were now complete and could be removed from the tracker.

9.3 Updates had been provided on all 28 recommendations due for implementation. Of these, 16 had been implemented, 12 were ongoing. None were considered to be outstanding.

9.4 The Chair asked a question regarding Clean Air Zones and it was explained that a review was to take place on air quality which would be brought before the Committee, if necessary.

9.5 **RESOLVED:** That the Committee:-

(a) notes the contents of the report; and

(b) agrees to the removal of the following items from the tracker:

- Housing Responsive Maintenance Van Stock Controls (Place)
- Housing Benefits Accuracy Rectification Plan (Corporate)
- IT Resilience/Recovery (Corporate)
- Pro-Active Fraud Work – Appointeeships (People)

10. CHILDCARE DISQUALIFICATION

- 10.1 The Director of Legal and Governance submitted a report which provided the Committee with information on changes to the Childcare Disqualification Regulations and recommended an amendment to the Officer Code of Conduct. A revised Appendix A showing the proposed changes to the Officer Code of Conduct was circulated at the meeting.
- 10.2 The proposed changes were as a result of the introduction of the Childcare (Disqualification) and Childcare (Early Years Provision Free of Charge) (Extended Entitlement) (Amendment) Regulations 2018, which removed the disqualification by association where childcare was provided in non-domestic settings.
- 10.3 **RESOLVED:** That the Committee:-
- (a) notes the information on legislative changes; and
 - (b) agrees the proposed changes to the Officer Code of Conduct as defined in the revised Appendix A circulated at the meeting.

11. EXCLUSION OF THE PRESS AND PUBLIC

- 11.1 **RESOLVED:** That the public and press be excluded from the meeting before discussion takes place on the following item of business (Strategic Risk Management) 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.

12. STRATEGIC RISK MANAGEMENT

- 12.1 The Corporate Risk Manager and the Risk Advisor introduced a report and gave a presentation providing an assessment of the Council's current Risk Management arrangements and the measures implemented to further strengthen and improve them and the current and emerging risks, their impact on service delivery and the controls in place to manage them.
- 12.2 The report and presentation covered the period from January to March 2019. The Corporate Risk Manager, Assistant Director of Finance and the Director of Legal and Governance responded to questions from Members of the Committee in relation to blue badges and invisible disabilities, Brexit and Terrorism and employee morale.
- 12.3 **RESOLVED:** That the Committee;
- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements; and

- (b) notes the current and emerging risks and endorses the actions being taken to mitigate those risks.

13. WORK PROGRAMME

- 13.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for the period September 2019 – July 2020.
- 13.2 The Assistant Director of Finance commented that the final reports of the Council's previous external auditors, KPMG, would be added to the agenda for the meeting to be held on 17th October 2019 if they had been received by the Council.
- 13.3 An Ethical Standards Workshop had been arranged and would take place on 25th September 2019.
- 13.4 An update on the insourcing of ICT would be added to the meeting to be held on 23rd January 2020.
- 13.5 The Internal Audit Annual Report needed to be added to the meeting to be held on 23rd July 2020.
- 13.6 **RESOLVED:** That the Committee's work programme for the period September 2019 – July 2020 be approved subject to the inclusion of an additional item on the insourcing of ICT at the meeting to be held in January 2020 and the inclusion of the Internal Audit Annual Report in July 2020.

14. DATES OF FUTURE MEETINGS

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

Thursday 17th October 2019
Thursday 19th December 2019 (additional meeting, if required)
Thursday 23rd January 2020
Thursday 20th February 2020 (additional meeting, if required)
Thursday 19th March 2020 (additional meeting, if required)
Thursday 16th April 2020
Thursday 11th June 2020
Thursday 23rd July 2020