

# Audit and Standards Committee

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**Thursday 29 July 2021 at 5.00 pm**

**Town Hall, Sheffield, S1 2HH**

**The Press and Public are Welcome to Attend**

## **Membership**

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Councillors Sioned-Mair Richards (Chair), Simon Clement-Jones (Deputy Chair), Angela Argenzio, Mohammed Mahroof, Josie Paszek, Ben Curran and David Barker.

## **Independent Co-opted Members**

Alison Howard.

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## **PUBLIC ACCESS TO THE MEETING**

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The Audit and Standards Committee oversees and assesses the Council's risk management, control and corporate governance arrangements and advises the Council on the adequacy and effectiveness of these arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts and consider the Annual Letter from the External Auditor.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted members.

A copy of the agenda and reports is available on the Council's website at <http://democracy.sheffield.gov.uk>.

Recording is allowed at meetings of the Committee under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

Due to health and safety restrictions in place to ensure current social distancing rules in our meetings rooms, we are unable to guarantee entrance to observers. To observe the meeting as a member of the public, please click on the 'view the webcast' provided on the meeting page of the website.

If you require any further information, please contact Sarah Hyde in Democratic Services on 0114 273 4015 or email [sarah.hyde@sheffield.gov.uk](mailto:sarah.hyde@sheffield.gov.uk).

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**AUDIT AND STANDARDS COMMITTEE AGENDA  
29 JULY 2021**

**Order of Business**

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- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of the Press and Public**  
To identify items where resolutions may be moved to exclude the press and public.
- 4. Declarations of Interest** (Pages 5 - 8)  
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meeting** (Pages 9 - 16)  
To approve the minutes of the meeting of the Committee held on 22<sup>nd</sup> April 2021.
- 6. Review of Member Complaints Procedure** (Pages 17 - 24)  
Report of the Director of Legal and Governance.
- 7. Member Induction Evaluation** (Pages 25 - 32)  
Report of the Principal Committee Secretary
- 8. Summary of Statement of Accounts** (Pages 33 - 56)  
Report of the Head of Strategic Finance.
- 9. External Audit Plan 2020-21** (Pages 57 - 98)  
Report of the Ernst and Young
- 10. Annual Audit Letter 2019-20** (Pages 99 - 130)  
Report of Ernst and Young.
- 11. Work Programme** (Pages 131 - 138)  
Report of the Director of Legal and Governance.
- 12. Dates of Future Meetings**  
To note that meetings of the Committee will be held at 5.00 p.m. on:-  
  
23<sup>rd</sup> September 2021,  
21<sup>st</sup> October 2021,  
16<sup>th</sup> December 2021,  
20<sup>th</sup> January 2022,  
24<sup>th</sup> February 2022 (additional meeting if required)  
24<sup>th</sup> March 2022, (additional meeting if required)

28<sup>th</sup> April 2022,  
16<sup>th</sup> June 2022,  
21<sup>st</sup> July 2022.

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## ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest (DPI)** relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.
- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period\* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

\*The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –
  - under which goods or services are to be provided or works are to be executed; and
  - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) –
  - the landlord is your council or authority; and
  - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.
- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
  - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
  - (b) either -
    - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
    - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or
- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Audit and Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email [gillian.duckworth@sheffield.gov.uk](mailto:gillian.duckworth@sheffield.gov.uk).

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Audit and Standards Committee

Meeting held 10<sup>th</sup> June 2021

**PRESENT:** Councillors Sioned-Mair Richards (Chair), Simon Clement-Jones, Angela Argenzio, Mohammed Mahroof, Josie Paszek, David Barker, Ben Curran and Alison Howard (Independent Co-Opted Member)

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**1. APPOINTMENT OF CHAIR AND DEPUTY CHAIR**

- 1.1 The Committee were asked to note the appointment of the Chair Councillor Sioned-Mair Richards to Audit and Standards Committee for this municipal year which was approved at annual Council on 19<sup>th</sup> May 2021.
- 1.2 The Chair requested nominations for the position of Deputy Chair to the Audit and Standards Committee. Councillor Simon Clement-Jones was nominated by Councillor Mahommed Mahroof, seconded by Councillor Ben Curran.
- 1.3 **RESOLVED:** - (1) the committee notes the appointment of Councillor Sioned-Mair Richards as Chair to Audit and Standards Committee for this municipal year, and (2) that the committee agrees to appoint Councillor Simon Clement-Jones as the Deputy Chair of Audit and Standards for this municipal year.

**2. APOLOGIES FOR ABSENCE**

- 2.1 No apologies for absence were received at the meeting.

**3. EXCLUSION OF THE PRESS AND PUBLIC**

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

**4. DECLARATION OF INTEREST**

- 4.1 There were no declarations of interest made at this meeting.

**5. MINUTES OF PREVIOUS MEETING**

- 5.1 The minutes of the meeting held on 22<sup>nd</sup> April 2021 were approved as a correct record.

**6. AUDIT AND STANDARDS COMMITTEE TERMS OF REFERENCE**

- 6.1 The terms of reference were provided to Members of the Audit and Standards Committee in order to understand the remit of the Committee.

- 6.2 The Chair of the Committee advised that at point 22 of the terms of reference ‘*to discharge the functions of dealing with complaints against Councillors and Co-Opted Members as set out in the Procedure for Dealing with Complaints Regarding City, Parish and Town Councillors and Co-Opted Members*’, there had recently been some concerns over a complaint that was currently in the public domain and after discussed with the Leader, it was agreed that the Monitoring Officer Gillian Duckworth would carry out a review of the complaint procedures and report back to the Committee in July.
- 6.3 **RESOLVED:** - that **(1)** the Committee notes the terms of reference and understands the remit of the Committee and **(2)** agrees that the Monitoring Officer carry out a review of the member complaint procedures and report back to the next meeting in July.

## 7. INTERNAL AUDIT ANNUAL FRAUD REPORT

- 7.1 The Senior Finance Manager (Internal Audit) Linda Hunter submitted a report to Committee to inform Members of the outcomes of the work undertaken by Internal Audit on fraud and corruption during 2020/21 and the proposed work for 2021/22.
- 7.2 Key points raised from the report were internal audit had conducted 8 re-active investigations and assisted managers with a further 13 re-active investigations which arose in 2020/21. Internal audit also concluded investigation work on 2 re-active investigations and assisted managers with a further 10 investigations which had originated in 2019/20.
- 7.3 In 2020/21, 155 new cases were opened in term of Housing Tenancy and Right to Buy Fraud, which was a significant rise from the 65 new cases in the previous year. These cases were investigated by a separate fraud team in housing services including right to buy cases. The cases investigated included 10 cases of obtaining property by deception, 4 cases of right to buy fraud, including 1 by deception. There were 134 cases of unlawful subletting. Many of the ongoing cases were closed and this had resulted in 16 properties being recovered, 3 properties being abandoned and 11 others where the tenancy had been handed back. This allowed these properties to be re-let. There were 38 cases where no action was taken and a further 3 where there was no evidence. In relation to the right to buy cases, 3 cases had stopped prior to valuation with the properties valued at £270,000 and a discount of almost £64,0000 was also prevented.
- 7.4 The Senior Finance Manager (Internal Audit) also advised that Bank Mandate Fraud continued to be a significant issue, although the Council had robust controls in place to detect and prevent this. The Council was still targeted by organised criminal gangs who undertake phishing exercises.
- 7.5 It was advised that the number of Whistleblowing issues reported remained low. Work is being undertaken to promote this policy over the next few months.
- 7.6 The Senior Finance Manager (Internal Audit) advised that the Council’s internal audit department continued to have an active role in the prevention detection and

prosecution of fraud across the council. The Counter-Fraud Plan 2021/22 included 4 pieces of proactive work which would be mainly to follow up matches received as part of the national fraud initiative (NFI).

- 7.7 It was advised that the Governance Checklist for Fraud 2020/21, included yes and no answers to each checklist question and it was felt that after member suggestion it would be changed to Red/Amber/Green which would better reflect the status of each point in the checklist.
- 7.8 The Chair of the Committee advised that the Whistleblowing policy would be coming to a future meeting later in the year.
- 7.9 Member of the committee asked questions and the key points to note were-
- 7.10 Councillor Angela Argenzio requested that timeframes be included in the report which would give members an idea of the NFI data matches and completion dates. This was agreed by the Senior Finance Manager (Internal Audit).
- 7.11 How much was given out in grants in error and how much was still outstanding. In answer to this the Senior Finance Manager (Internal Audit) advised that there was £300,000 outstanding as of January 2021, however this had almost been recovered. It was advised that further overpayments had been discovered which again amounted to approximately £300,000. These overpayments are being recovered.
- 7.12 Councillor Argenzio asked how staff and councillors were made aware of the Whistleblowing policy. The Senior Finance Manager (Internal Audit) advised that the whistleblowing policy could be found within the officer code of conduct and this needed to be reminded to staff. It was advised that a Fraud e-learning module had recently been produced and launched on the Learning hub and is available to all staff and councillors.
- 7.13 Councillor Ben Curran ask if there was a figure for the total amount lost due to fraud. The Committee were advised that it was difficult to put a monetary value on this, as the council couldn't quantify fraud, however where possible officers would and figures will be included in future reports. Councillor Curran also asked if the Council had insurance against officer's dishonesty.
- 7.14 Councillor Simon Clement-Jones raised a question regarding the 10,000 data matches as mentioned in the report on page 31. It was asked how many of these were investigated and out of those investigated how many turned out to be something significant.
- 7.15 Councillor Sioned Mair-Richards asked whether the blue badges were part of the 'tell us once' form, this was a form used to inform the council of any changes in circumstances.
- 7.16 Councillor Mohammed Mahroof asked whether the Council benchmarked against other authorities in terms of tenancy fraud. Tenancy fraud was significant, and it was depriving people of accommodation, did the council have a zero-tolerance

policy, how well resourced was the Housing tenancy team and was the council missing sub-letting due to inadequate resourcing. Could the Committee be advised what happens when sub-letting fraud was detected and what rights do the sub-tenants have, as they had gone into an agreement not knowing it was an illegal arrangement. Councillor Mahroof also asked if the Council did a sample check on right to buy valuations carried out by the Local Authority and were these in line with market value or did another independent person do this if it did not fall in the remit of Internal Audit.

- 7.17 The Senior Finance Manager (Internal Audit) thanked the Committee for the questions and advised that for the questions she was unable to answer at this point time, she would find out the information from the relevant team and would send responses to all members of the committee after the meeting.
- 7.18 Councillor Sioned Mair-Richards thanked the Senior Finance Manager (Internal Audit) and advised that she was pleased to see that the Council planned to work with the Sheffield Universities to prevent overseas students becoming victims of unlawful subletting.
- 7.19 **RESOLVED:** - that the Committee **(1)** notes the content of the report with the agreement that the responses to the unanswered questions be circulated to members as soon as possible after the meeting, **(2)** notes the Council's policies in relation to fraud and corruption had been reviewed and the required governance arrangements for the council had been fulfilled, and **(3)** notes the completed checklist for those responsible for governance attached as an appendix to the report.

## **8 EXTERNAL ASSESSMENT – PEER REVIEW TERMS OF REFERENCE**

- 8.1 The Senior Finance Manager (Internal Audit) submitted a report presenting the External Assessment-Peer Review Terms of Reference.
- 8.2 In introducing the report, Linda Hunter, Senior Finance Manager (Internal Audit), advised that the Public Sector Internal Audit Standards (PSIAS) introduced the requirement for an external assessment to be conducted of the Internal Audit service. The requirement specified the assessment should be undertaken at least once every five years by a qualified, independent reviewer from outside of the organisation as part of an ongoing quality assurance and improvement programme.
- 8.3 Similar to the previous review, members of the Core Cities group have elected to adopt the internal self-assessment approach validated by an external peer reviewer, the key benefit to this approach was cost. If the review was to be carried out by CIPFA it could cost approximately £30,000. This approach would cost approximately £12,000 for work over a 5-day period.
- 8.4 The agreed schedule was-

- Manchester review Birmingham
- Bristol review Liverpool
- Birmingham review Sheffield
- Glasgow review Leeds
- Leeds review Manchester
- Sheffield review Nottingham
- Nottingham review Bristol
- Liverpool review Glasgow

8.5 Following the review, a report would be submitted to the Committee and Dave Phillips, Head of Strategic Finance/ Deputy Section 151 Officer would be the sponsor.

8.6 Councillor Ben Curran commented that he had natural scepticism around peer reviews and asked what reassurances could be given to the committee. It was advised that the Local Governance Association (LGA) pushed peer reviews and the Head of Strategic Finance advised that the previous peer reviews had been very thorough. The review can be expensive if carried out by an external reviewer, but he did comment that the next review would be carried out by an independent external reviewer.

8.7 **RESOLVED:** - that the Committee – **(1)** endorse the Terms of Reference programme of work attached to the report in order to comply with professional best practice (including PSIAS) and **(2)** agrees and endorses that the Deputy Sector 151 Officer is the appropriate sponsor of the external assessment.

## **9. CLOSING CERTIFICATE FOR THE 19/20 EXTERNAL AUDIT**

9.1 The Head of Strategic Finance, Dave Phillips submitted a report to communicate to the Committee that the Council had now received the external auditor's opinion and the certificate concluding the 2019/20 external audit.

9.2 As reported to the previous meeting, the Audit of the Council's 2019/20 Statements of Accounts had been ongoing since Summer 2020. Audit deadlines had been extended and had been delayed due to the pandemic and remote working.

9.3 During the external audit process, the Committee had been kept up to date, and the Council's external Auditors Ernst and Young (EY) findings had been received and shared with Members throughout the Audit.

9.4 The Head of Strategic Finance advised that there had been a number of national reviews around the current challenges to the external audit market, with external auditors firms struggling to recruit and retain auditing staff across the country.

9.5 The External Auditors were now preparing for this year's audit. The statutory deadline to issue the audit opinion was September 2021, but it was expected to be later, but hopefully before 2022.

9.6 The Head of Strategic Finance advised that an email had been received by himself and the Section 151 Officer regarding the next external audit appointment from 2023/24, explaining that a consultation was taking place to allow Local Authorities to opt in to the next Public Sector Audit Appointments (PSAA) process to appoint auditors via their national procurement exercise. The alternative would be the Council procuring its own external auditors.. A report would be brought to the October 2021 meeting, with further agreement needed at full Council by the end of January 2022.

9.7 **RESOLVED:** - that the Committee notes the successful conclusion of the 2019/20 audit.

## 10. WORK PROGRAMME

10.1 The Committee considered a report of the Director of Legal and Governance that outlined the work programme for the remainder of the municipal year. Members were asked to identify any further items for inclusion.

10.2 The next meeting of the Audit and Standards Committee would consider -

- Review of the Members Complaints Procedure
- Summary of Statement of Accounts
- External Audit Plan 2021-21
- Annual Audit Letter 2019-20
- Work Programme

10.3 The Chair advised that an update had been received on the recent Member Inductions session that took place post-Election on 13<sup>th</sup> and 14<sup>th</sup> May 2021. Some key points to note from feedback received was –

- Initial feedback positive from both members and officers, but it was felt that there was a lot of information crammed into one session,
- Would be nice to meet people, rather than via Zoom

10.4 The chair advised that this would be circulated to the Committee, however a more detailed evaluation report was being produced.

10.5 It was advised that there would be a stage 3 to the training programme which would include sessions such as social media training, equality and diversity and public speaking.

10.6 It was asked if e-learning modules could be circulated to members.

10.7 The Director of Legal and Governance advised that the LGA and CFPS had given the Council a years' worth of free training and would initially be delivering training to the individual groups.

- 10.8 **RESOLVED:** - that **(1)** the work programme be noted; and **(2)** guidance on report writing be included in the new work programme.

## **11 DATES OF FUTURE MEETINGS**

- 11.1 Future meetings of the Audit and Standards Committee would be held on Thursdays at 5pm on:

29<sup>th</sup> July 2021

23<sup>rd</sup> September 2021

21<sup>st</sup> October 2021

16<sup>th</sup> December 2021

20<sup>th</sup> January 2022

24<sup>th</sup> February 2022 (Additional Meeting if required)

24<sup>th</sup> March 2022 (Additional Meeting if required)

28<sup>th</sup> April 2022

16<sup>th</sup> June 2022

21<sup>st</sup> July 2022

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## Audit and Standards Committee Report

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**Report of:** Director of Legal and Governance

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**Date:** 29<sup>th</sup> July 2021

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**Subject:** Review of the Member Complaints Process

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**Author of Report:** Stephen Bower, Internal Audit and Risk Manager

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### Summary:

This report is to highlight the findings of the work undertaken by internal audit in relation to an overview of the Standards Complaints process. This was requested by the Audit and Standards Committee at the last meeting on 10<sup>th</sup> June 2021.

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**Recommendations:** For the Audit and Standards Committee to note the report.

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### Background Papers:

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO - Cleared by:
<b>Legal Implications</b>
NO - Cleared by:
<b>Equality of Opportunity Implications</b>
NO - Cleared by:
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
None
<b>Relevant Cabinet Portfolio Member</b>
Councillor Julie Grocutt, Deputy Leader and Executive Member for Community Engagement and Governance
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

## **Review of the Member Complaints Process**

### **1.0 INTRODUCTION/BACKGROUND**

- 1.1 This report is to highlight the findings of the work undertaken by Internal Audit in relation to an overview of the member complaints process at Sheffield City Council. This was requested by the Audit and Standards Committee of the Council on 10<sup>th</sup> June 2021.
- 1.2 A meeting was held by Internal Audit with the Council's Monitoring Officer Gillian Duckworth to agree the terms of reference for the piece of work. The review has been conducted by Stephen Bower (who is one of the Internal Audit and Risk Managers) as a business partnering piece of work.
- 1.3 The review had a short time scale because feedback was requested for the July 2021 Audit and Standards Committee meeting.
- 1.4 The review did not examine the outcomes of any of the individual complaints (these are undertaken separately by the Monitoring Officer), but it was agreed that Internal Audit would review the application of the process within the Legal and Governance Services.

### **2.0 MAIN BODY OF THE REPORT**

Including Legal, Financial and all other relevant implications (if any)

#### **Complaints Process**

- 2.1 The member complaints process is documented in Section 5 of the Council's Constitution. This was used as the basis to undertake this piece of work.
- 2.2 The complaints process is restricted in that it can only consider the actions of members as outlined in the Members Code of Conduct and cannot cover other activities which may be reported under the process. The monitoring officer reviews all complaints at the earliest stage and will inform individuals where the matters raised cannot be considered under this process.
- 2.3 The Member's Code of Conduct and the members complaint process was last reviewed following a workshop by members of the Audit and Standards Committee working with the monitoring officer in September 2019. The workshop considered the good practice recommendations of a

report produced by the Committee for Standards in Public Life from January 2019.

2.4

The Audit and Standards Committee agreed the new complaints process to support the Members Code of Conduct in December 2019.

2.5

The complaint process was found to be clear and succinct and encompasses the seven principles of the Nolan committee report on the standards in public life.

2.6

The process outlines several clear expectations on time scales.

2.7

The process also requires, in accordance with the legislation, that an Independent Person (IP) is used to support the monitoring officer in undertaking her duties in response to the complaints process.

2.8

It is noted that all Members agreed and signed to uphold the Members Code of Conduct.

2.9

Although this process was found to be adequate it is noted that the process will continue to be reviewed annually to ensure that it remains relevant and robust.

#### **Management of the process**

2.10

The monitoring officer is directly responsible for the process and is supported by an IP for each case. The monitoring officer undertakes this process diligently and Sarah Hyde who works directly for the monitoring officer as a Democratic Service Team Manager manages the process on a day-to-day basis. She records the actions undertaken responding to complainants, in an appropriate manner. It should be noted that this correspondence was not examined as part of the review.

2.11

The number of complaints received by the council against members is relatively small (2020 a total of 31 complaints received) and many of these fall outside the remit of the process and as such are dealt with quickly and efficiently. The resources used are appropriate, however consideration is being made to business continuity arrangements to ensure that the process can continue should the current individual not be available.

#### **Documenting the process**

2.12

As the number of complaints received is small there is no dedicated system used to record all the complaints received, instead, the service has decided to use a standard Word document. This appears to be a reasonable solution due to the number of complaints.

2.13

The document records the following:

- A unique reference number
- The date received
- Complainant
- Subject matter
- Nature of complaint
- Highlight of the relevant part of the code
- The independent person supporting the monitoring officer
- A section to record the current actions and comments
- The outcome of the complaint
- The current status,

2.14

The record was found to be adequate and succinct to follow the process. The dates recorded on the system were not verified to supporting documents, but there is no reason to believe that they are not accurate.

2.15 **Complaint's audit testing**

In order to obtain a good overview of the process the audit review examined the current year and the past two years' complaints. The information relating to the complaints was made readily available to Internal Audit.

2.16

The total number of complaints received in 2019 was 22. The total number of complaints received in 2020 is 31 and in 2021 there are only 10 complaints being received so far.

2.17

In all cases the complaints register had been accurately completed and was up to date.

2.18

It was noted that in all cases the complaints except for those in the Covid pandemic period (noted below Section 2.27) had been responded to on a prompt basis. All the complaints were highlighted in a succinct and accurate manner. In all cases an IP had been nominated to support the monitoring officer in reviewing the case.

2.19

With the exception of complex cases which are noted separately the investigations had been undertaken within a reasonable time scale and the outcomes noted. It was noted that in 2019/20 the only cases which remained open are where the complaint could not be progressed as the member had not stood for re-election and therefore the complaint could not be continued. This was communicated to the complainant. All other cases for 2019/20 had been completed. For the cases in 2020/21 only one complex case remains outstanding. Of the ten cases reported so far in 2021/22 all but three cases have been resolved.

2.20 Although individual cases were not examined in depth it could be seen from the information that was provided to Internal Audit that they had been dealt with in an appropriate manner, the issues had been highlighted where it was felt that they related to the code of conduct, and these had been investigated and the outcomes noted appropriately. It should be noted that most complaints were dealt with at the lowest level.

### **Complex cases**

2.21 It is noted that over a period of time there may be a few complex cases. These fall into four distinct categories

- Cases involving more than one member,
- Cases between members,
- Cases where a number of different allegations are made or by a number of parties,
- Cases which cover a long period of time.

2.22 These cases are infrequent and often take longer to investigate and report on. The process relies on the prompt response of Members, which for a number of reasons can be delayed. Also, these cases can be difficult in that occasionally they may also include officers. It is difficult therefore for the monitoring officer to undertake these reviews internally for resourcing and other logistical issues.

2.23 These cases will be discussed with the IP and where appropriate external agencies are used to undertake the investigation.

2.24 This is normally a local legal company for which the council has contracts in place because it allows for independence and the appropriate resource to be made available. This would appear to be a reasonable use of resource however their complexity still often requires a considerable period of time for the investigation to be completed.

2.25 The monitoring officer and the IP are diligent in the following up these matters and examining if lessons can be learned for future cases.

2.26 It is recommended that where long and complex cases are being undertaken that the person who brings forward the complaint is informed of the potential delay and where this goes on for a considerable period that they are given adequate updates in progress.

### **Coronavirus pandemic delays**

- 2.27 At the start of the coronavirus lockdown's, it was not possible to deal with any complaints which were received due to resourcing issues and communication methods. Staffing and other resource requirements needed to undertake investigations were needed to support frontline services within the Council, also the methods of communication available were limited and difficult to use at this point. A decision was made those complaints would not be progressed for a short period of time. This was similar to investigations and other matters. From March 2020 to October 2020 any complaints received were held in abeyance. These complaints were not disregarded but were delayed in actioning.
- 2.28 The individuals raising the complaints were informed that their complaint was to be dealt with at the earliest opportunity once it was appropriate to do so. In October 2020 it was appropriate to commence work on these complaints and the monitoring officer and her support staff have diligently worked through these in a logical order.
- 2.29 The backlog of complaints for the most part has now been dealt with and only one of the more complex cases still ongoing. This action seems reasonable within the circumstances and the monitoring officer and her staff should be praised for the work undertaken.
- 2.30 It should also be noted that some of the investigations and correspondence during this time may have taken longer than normal due to the issues brought about by the coronavirus restrictions. These delays for the most part was insignificant.

### **Overall summary**

- 2.31 In summary the process was found to be well documented and well managed and other than for complex cases and for the Covid pandemic period the process was found to be working in an efficient and effective manner and time scales were being adhered to in an appropriate manner.
- 2.32 Going forward the process will need to be reviewed to ensure that it remains fit for purpose once the new committee structure has evolved. This is something that the monitoring officer is aware of and action is being taken.
- 2.33 For the more complex cases the only recommendations are that individuals are given regular updates on the progress of the cases. In addition, for the complex cases there should be a documented review on

file with the monitoring officer and IP to see if there any lessons that can be learned for the future.

2.34

Consideration should be made to ensure that there is continuity of service, should the Team Democratic Services Manager be unavailable.

2.35

The monitoring officer and her staff should be commended upon their actions that they have taken to ensure that the backlog caused under the Covid pandemic and restrictions have now been successfully cleared.

### **3.0 RECOMMENDATION**

3.1 To note the report.





## Audit and Standards Committee Report

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**Report of:** Head of Democratic Services

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**Date:** 29<sup>th</sup> July 2021

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**Subject:** Member Induction Evaluation

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**Author of Report:** Abby Brownsword

**Summary:**

This report sets out the results of the evaluation forms completed by Members following the new Member Induction Sessions held on 13<sup>th</sup> and 14<sup>th</sup> May 2021.

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**Recommendations:** To note the report.

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**Background Papers:**

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO - Cleared by: Paul Schofield
<b>Legal Implications</b>
NO - Cleared by:
<b>Equality of Opportunity Implications</b>
NO - Cleared by:
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
None
<b>Relevant Cabinet Portfolio Member</b>
Councillor Julie Grocutt, Deputy Leader and Executive Member for Community Engagement and Governance
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

## **Member Induction Evaluation**

### **1.0 INTRODUCTION**

1.1 This report sets out the results of the evaluation forms completed by Members following the new Member Induction Sessions held on 13<sup>th</sup> and 14<sup>th</sup> May 2021.

### **2.0 BACKGROUND**

2.1 Following the election on 6<sup>th</sup> May 2021, the Council had 14 new Councillors and an induction programme was set up for them. The attached evaluation report looks at how successful the 2 day induction event has been.

### **3.0 MAIN BODY OF THE REPORT**

Including Legal, Financial and all other relevant implications (if any)

3.1 See attached.

3.2 There are no legal, financial or other implications.

### **4.0 RECOMMENDATIONS**

4.1 To note the report

## Member Induction Evaluation Report

19<sup>th</sup> July 2019

### Report of the Principal Committee Secretary

This report is public

#### Purpose of the Report

This report sets out the results of the evaluation forms completed by Members following the new Member Induction Sessions held on 13<sup>th</sup> and 14<sup>th</sup> May 2021.

#### **1 Report Details**

- 1.1 All 14 newly elected Members were invited to the sessions and 13 Members attended all or part of the Sessions. Members were advised of the event by letter. 1 apology was received for all sessions.
- 1.2 Due to the Covid-19 pandemic, the sessions were held virtually via Zoom.
- 1.3 Copies of the presentations given at the event will placed on the Members Office 365 area and were emailed to the new Members.
- 1.4 4 Members completed an Evaluation Form.

#### **2 Conclusions**

- 2.1 The results of the completed evaluation forms were as follows:

##### Room and Administrative Arrangements

	Poor	Satisfactory	Excellent	No Reply
The Pre-event notification letter/agenda		3 (50%)	4 (100%)	
The meeting room		2 (50%)	2 (50%)	

No comments were received regarding the room and administrative arrangements

## 2.2 Length and content

	Disagree	Neither Agree nor Disagree	Agree	No Reply
The session was relevant to me as a Member			4 (100%)	
The presentation materials were useful			4 (100%)	
There was a good degree of engagement from Members		2 (50%)	2 (50%)	
The facilitators were able to hold Members' interest and answer their questions			4 (100%)	
The length and pace of the session was about right	1		3 (75%)	

## 2.3 Quality of the Sessions

	Poor	Satisfactory	Excellent	No Reply
<b>Day 1</b>				
Welcome to the Council			4 (100%)	
Getting Things Right		1	3 (75%)	
Handling Complaints and Enquiries		1	3 (75%)	
Revenues and Benefits		2 (50%)	2 (50%)	
How the Council and Decision Making Works		1	3 (75%)	
<b>Day 2</b>				
Amey and Streets Ahead			4 (100%)	

Sheffield City Council Housing Services			4 (100%)	
Supporting Councillors			4 (100%)	
Support for Councillors			4 (100%)	
Public Health and Emergencies			4 (100%)	
Waste Collection and Recycling			4 (100%)	

The following comments were received:

- All the sessions were relevant and useful.
- Whilst individual sessions were all very useful, I believe the balance of the two days needs looking at. Day 1 was too heavy, Day 2 was much better. However Day 2 the breaks were not balanced.
- Needed a lunch break of 30 mins. If a session run over would still get a break
- First day was a lot to take in. Second day was very informative and presentations were good.

#### 2.4 Usefulness of the Session

##### **What was the most useful element of the session?**

The following responses were received:

- Information provided by Housing Dept and Amey and Streets Ahead, very useful.
- Knowing how some elements of the council run and who and how to get in touch once we have some case work to deal with.
- It gave a clear overview of the scope of the areas the Council has responsibility for and where some of the pressure points are.
- Knowing who to contact going forward – e.g for IT issues, members casework etc.
- Information on declaring interests
- Information on the Council's responsibilities in relation to waste management, highways etc.

## 2.5 What could be improved?

The following responses were received:

- Perhaps a session on Council procedure could be held before the Annual Meeting
- As previously mentioned the two days would benefit from a better balance.
- It is difficult to make changes to Zoom but once it returns to personal meeting I think it would be easier to ask questions and get to know other councillors. Also, if sessions run over the person would be in the room and understand why the next session would be slightly delayed.

## 2.6 How do you feel you could put today's learning into practice and what will be the impact?

The following responses were received:

- It will help with aspects of casework and my understanding of how the Council operates. The impact will hopefully be a satisfactory resolution to any arising issues.
- I'm not sure about this as everything is so new but I'm sure things will fall into place and the items covered will become clearer and their relevance appreciated.
- I will use the presentations as a route map to a more detailed understanding to the workings of the Council and to assist me in finding areas of particular interest and specialisation. Hopefully this will allow me to make a greater contribution to the Council.
- Information received from Revenue & Benefits, Amey, Waste Management etc. will allow me to deal with casework enquiries more effectively and efficiently
- Information received regarding the structure of the Council will allow me to better understand my role and responsibilities

## 2.7 Would you recommend this session to a colleague?

Yes: **4 (100%)**

No: 0

No Reply: 0

**Any Additional Comments:**

The following comments were made:

- The first day was a lot to absorb and perhaps should have been a bit more spaced out with better breaks. Second day was better, good presentations and good insight into how the different departments operate.
- Induction Course Facilitator (Abby) was excellent and kept everything running to schedule.

## 2.8 Conclusion

Overall, the Induction Sessions were positively received, with new Members being able to take practical knowledge to assist them in their role.

Issues raised were:

- Length/timing of sessions and breaks
- A need for a Council session prior to Annual Council

It should be noted that the timing for Day 1 was purposefully contracted to provide additional time for Members to collect their equipment from Moorfoot. In the event, this was not necessary, but officer diaries meant that the sessions could not be changed.

Due to Covid-19 the sessions were held virtually and while this worked under the current circumstance, new Members would probably prefer to meet officers face to face. However, we did get much better attendance than normal, as with other training events that we have held.





## Audit and Standards Committee Report

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**Report of:** Eugene Walker

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**Date:** 29 July 2021

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**Subject:** 2020/21 Unaudited Statement of Accounts

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**Author of Report:** David Phillips

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**Summary:** The purpose of this report is to provide Members of the Audit and Standards Committee with a summary of the 2020/21 Unaudited Statement of Accounts and explain the core statements and a number of the key notes to the accounts.

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**Recommendations:** The Audit and Standards Committee is asked to note the core statements and the key notes to the Unaudited Statement of Accounts for 2020/21.

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**Background Papers:** None

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO
<b>Legal Implications</b>
NO
<b>Equality of Opportunity Implications</b>
NO
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human Rights Implications</b>
NO
<b>Environmental and Sustainability implications</b>
NO
<b>Economic Impact</b>
NO
<b>Community Safety Implications</b>
NO
<b>Human Resources Implications</b>
NO
<b>Property Implications</b>
NO
<b>Area(s) Affected</b>
None
<b>Relevant Cabinet Portfolio Leader</b>
Cate McDonald
<b>Relevant Scrutiny Committee if decision called in</b>
Not Applicable
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press Release</b>
NO

# AUDIT AND STANDARDS COMMITTEE – 29 JULY 2021

## STATEMENT OF ACCOUNTS 2020/21

### Purpose of the Report

1. The purpose of this report is to provide Members of the Audit and Standards Committee with a summary of the 2020/21 Statement of Accounts and explain the core statements and a number of the key notes to the accounts. A full set of the unaudited accounts is now available on the Council's website via the following link: [Statement of Accounts 2020/21](#). A full set of the final audited accounts is expected to be presented to the Audit and Standards Committee at the December 2021 meeting.
2. This report also outlines the approval process for the Statement of Accounts and the Audit and Standards Committee's role in this process.

### Introduction

3. The Statement of Accounts has been prepared in accordance with the IFRS (International Financial Reporting Standards) based Code of Practice on Local Authority Accounting in the United Kingdom and the statutory Accounts and Audit Regulations. This ensures that local authorities produce their Accounts in a standard way, which facilitates comparisons.
4. The Accounts and Audit Regulations 2015 sets out the procedures for certification, approval and publication of the Statement of Accounts. However, due to the impact of COVID19 on Local Authorities the Ministry of Housing, Communities & Local Government (MHCLG) has extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 financial year.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have therefore implemented new deadlines by amending the Accounts and Audit Regulations 2015. The revised deadlines applicable to local authorities are as follows:

- No later than 31 July 2021 – Unaudited accounts to be certified by the Executive Director of Resources.
- From July 2021 – The Statement of Accounts is subject to audit by the Authority's auditors, Ernst & Young, and their findings will be reported to

the Audit and Standards Committee in December 2021. During this time there is a period where the public can inspect the accounts and related documents (Monday 2 August 2021 to Monday 13 September 2021).

- No later than 30 September 2021 – Accounts to be re-certified by the Executive Director of Resources.
  - No later than 30 September 2021 – Audit and Standards Committee considers and approves the Statement of Accounts. Following approval, the Chair of the Audit and Standards Committee signs and dates the Statement of Accounts.
  - No later than 30 September 2021 – Publish, on the Council's website, the audited Statement of Accounts together with any certificate, opinion or report issued by the auditor.
5. It is worth noting that the timings of the process above can be affected if members of the public object to the accounts, and, if by 30 September 2021, the auditors have not determined whether these objections could have a material impact on the Council's accounts. In addition it is expected that the external audit process will run into November 2021, so the Council will not achieve its 30 September 2021 deadline, but the Statement of Accounts is due to be approved in December 2021.

## **Local Authority Accounting**

6. The presentation of local authority accounts differs greatly to that of the private sector. Many of these differences occur due to legislative requirements for local government accounts and the recognition of costs for the purposes of budgeting and calculating the Council Tax. These differences mainly relate to the way the Council is required to account (or budget) for capital and pension costs.
7. Local authorities account for the revenue impact of capital in line with IFRS on the face of the Comprehensive Income and Expenditure Statement (CIES). This means including figures relating to movements in the value/cost of assets, including depreciation, revaluation, disposal and impairment. These entries are reversed out and replaced with an allowance for the consumption of capital (Minimum Revenue Provision). These "adjustments between accounting basis and funding basis under regulation" are shown in Note 8 to the unaudited accounts.
8. In terms of pension costs, local authorities are required to comply with an International Accounting Standard called IAS 19 (*Employee Benefits*), which

means accounting for pension liabilities when local authorities are committed to them, not when they are actually paid out. This includes showing movements in the value of pension scheme assets and liabilities.

9. The Council complies with IAS 19 and recognises the Council's share of the net liability of the South Yorkshire Pension Scheme in the balance sheet. Within the CI&ES the 'Cost of Service' figures have been adjusted so they represent the true costs of pensions earned. As stated above, IAS 19 does not have any effect on the calculation of the Council Tax Requirement as the entries are reversed out, and replaced by the cash contributions to the Pension Scheme, in an adjustment between accounting basis and funding basis under regulation.
10. The report on the Council's Revenue Outturn position at the end of the 2020/21 financial year was taken to the Co-operative Executive on 21 July 2021. It was reported that there was an overall deficit on the General Fund of £0.2m, before carry forward requests.
11. In contrast to this deficit, the CIES reports a surplus of £149.9m. The inclusion of items relating to capital and pensions is the major reason for this difference. The table below shows the reconciliation from the outturn position to the eventual CI&ES surplus:

	<b>£000</b>
<b>Deficit on General Fund Revenue Account (per outturn report)</b>	<b>237</b>
Net contributions to revenue reserves	(100,015)
Deficit on Schools' Accounts	3,480
<b>Total Contribution to Reserves</b>	<b>(96,535)</b>
Removal of debt charges	(52,837)
Removal of pension contributions	(46,031)
<i>Items that do not affect Council Tax:</i>	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	45,244
Gains and losses on Revaluation of Non-Current Assets, Pension Assets and other items	0
<b>(Surplus) on Income &amp; Expenditure Statement</b>	<b>(149,922)</b>

12. The Statement of Accounts comprise several key statements:
- Comprehensive Income and Expenditure Statement – **Appendix 1**
  - Movement in Reserves Statement – **Appendix 2**
  - Balance Sheet – **Appendix 3**
  - Cash Flow Statement – **Appendix 4**
  - Expenditure and Funding Analysis Statement – **Appendix 5**
  - Key Notes to the Core Financial Statements – **Appendix 6**
  - Housing Revenue Account Income and Expenditure Account – **Appendix 7**
  - Collection Fund – **Appendix 8**

Comprehensive Income and Expenditure Statement – **Appendix 1**

13. This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (Council Tax). Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement – **Appendix 2**

14. This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.
15. The (Surplus) or Deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes, therefore an adjustment is made to the movement in reserves statement for adjustments between accounting basis and funding basis under regulation.
16. The "Net (increase) / decrease before transfers to earmarked reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet – **Appendix 3**

17. The Balance Sheet shows the value as at the Balance Sheet date of the

assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

18. Reserves are reported in two categories:

- Usable reserves - those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use;
- Unusable reserves - those that cannot be used to provide services. This category includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

#### Cash Flow Statement – **Appendix 4**

19. The Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents.

20. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

#### Expenditure and Funding Analysis Statement – **Appendix 5**

21. The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios / services.

22. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

#### Key Notes to the Accounts – **Appendix 6**

23. The notes to the accounts contain information in addition to that presented in the main statements. They provide narrative descriptions, disaggregation of

items presented in the statements and further information about items in the statements.

24. Attached at Appendix 6 are some of the key notes to the accounts, including the note on Officers' Remuneration (note 43). Full details are required for senior employees, who form part of the Executive Management Team, whose salary is above £50,000 per annum, and an additional summary disclosure is required of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances etc.) is above £50,000.
25. The Council's outturn position for 2020/21 reported a net deficit of £0.2m overall for the general fund revenue account. The Statement of Accounts is in line with the outturn report, but sets out the more detailed financial position for the Council in a format required by legislation. As well as the Expenditure and Funding Analysis Statement referred to earlier, the following note also shows the reconciliation between the outturn position and the Statement of Accounts CIES:
  - *Adjustments between accounting basis and funding basis under regulations* (Note 8) – this note details how the CIES has been adjusted in accordance with accounting practice, and the resources that are specified by statutory provision as being available.

#### Housing Revenue Account (HRA) – Appendix 7

26. The HRA Income and Expenditure Statement is ring fenced from the rest of the General Fund and shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.
27. Authorities charge rents to cover expenditure in accordance with regulations, which may be different from the accounting cost.

#### Collection Fund – Appendix 8

28. The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and business rates.



## Key Issues for 2020/21

### *Net worth*

29. The Council's net worth, as shown on the Balance Sheet (**Appendix 3**), has increased by the surplus from the CIES of £149.9m (or 12.9%) in 2020/21; the major factors being:
- a net increase in the Council's fixed assets (£187.8m);
  - a decrease in the Council's long-term debtors (£36m);
  - an increase in the Council's short-term investments (£74.5m);
  - an increase in the Council's short-term debtors (£101.9m), and
  - an increase in the Council's other current assets (£26.5m), offset by;
  - an increase in the Council's pensions' liability (£98.8m) due to the annual review by the actuary;
  - an increase in the Council's short-term creditors (£123m), and
  - a decrease in the Council's other liabilities (£17m).

### *Usable Reserves*

30. As shown in the Movement in Reserves Statement (**Appendix 2**), during the year, total usable reserves increased by £128.7m. The key reasons for the movement in this category of reserves are as follows:
- Earmarked General Fund Reserves increased by £80.2m during the year, predominantly the result of specific funding and the specific Retail Discount funding, both in relation to the Covid 19 pandemic. Schools Reserves also increased by £3.2m. Other reserve movements include a £16.6m increase in the balance of revenue grants and contributions, which is primarily due to £13.8m of Clean Air Zone funding carried forward for future use.
  - Reserves used to fund capital expenditure on assets increased by £28.2m.
  - The Council's usable reserves also includes £12.9m of Unallocated Reserves or General Fund Balances, which decreased by £0.3m in 2020/21.

## Financial Implications

31. There are no direct financial implications arising from the recommendations in this report.

## **Equal Opportunities Implications**

32. There are no specific equal opportunities implications arising from the recommendations in this report.

## **Property Implications**

33. There are no property implications arising from the recommendations in this report.

## **Recommendations**

34. The Audit and Standards Committee is asked to note the core statements and the key notes to the Statement of Accounts for 2020/21.

## APPENDIX 1 – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2019/20				2020/21	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	531,984	(258,681)	273,303	<i>Continuing Operations:</i>			
	176,415	(173,755)	2,660	People	599,298	(294,654)	304,644
	263,719	(77,410)	186,309	Schools	171,947	(168,467)	3,480
	7,910	(3,489)	4,421	Place (excluding HRA)	264,330	(74,728)	189,602
	163,402	(165,600)	(2,198)	Policy, Performance & Communications	6,612	(3,013)	3,599
	496	(1,276)	(780)	Resources	183,013	(164,845)	18,168
				Corporate	557	835	1,392
	<b>1,143,926</b>	<b>(680,211)</b>	<b>463,715</b>		<b>1,225,757</b>	<b>(704,872)</b>	<b>520,885</b>
	256,274	(149,994)	106,280	Housing Revenue Account (HRA)	104,848	(151,974)	(47,126)
	<b>1,400,200</b>	<b>(830,205)</b>	<b>569,995</b>	<b>(Surplus) / Deficit on Continuing Operations</b>	<b>1,330,605</b>	<b>(856,846)</b>	<b>473,759</b>
			15,414	Other Operating Expenditure	9		24,647
			93,010	Financing and Investment Income and Expenditure	10		98,531
			(544,765)	Taxation and Non-Specific Grant Income	11		(581,519)
			<b>133,654</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>15,418</b>
			(192,236)	(Surplus) / deficit on revaluation of non-current assets			(203,619)
			(46,828)	Re-measurements of the pension net defined benefit liability			38,279
			<b>(239,064)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(165,340)</b>
			<b>(105,410)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(149,922)</b>

## APPENDIX 2 – MOVEMENT IN RESERVES STATEMENT

2020/21										
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account Balance £'000	Earmarked Housing Revenue Account Reserve £'000	HRA Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Note	34	34	34	34	34	34	34	34	35	
<b>Balance at 31 March 2020</b>	<b>(13,151)</b>	<b>(258,605)</b>	<b>(7,651)</b>	<b>(3,478)</b>	<b>(76,851)</b>	<b>(66,677)</b>	<b>(26,429)</b>	<b>(452,842)</b>	<b>(710,275)</b>	<b>(1,163,117)</b>
<b>Movement in reserves during 2020/21:</b>										
Total Comprehensive (Income) and Expenditure	48,049	0	(32,636)	0	0	5	0	15,418	(165,340)	(149,922)
Adjustments between accounting basis and funding basis under regulations	8 (147,764)	0	8,416	0	1,410	1,108	(7,300)	(144,130)	144,130	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>(99,715)</b>	<b>0</b>	<b>(24,220)</b>	<b>0</b>	<b>1,410</b>	<b>1,113</b>	<b>(7,300)</b>	<b>(128,712)</b>	<b>(21,210)</b>	<b>(149,922)</b>
Transfers (to) / from earmarked reserves	33 100,015	(100,015)	24,089	(693)	(23,396)	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>300</b>	<b>(100,015)</b>	<b>(131)</b>	<b>(693)</b>	<b>(21,986)</b>	<b>1,113</b>	<b>(7,300)</b>	<b>(128,712)</b>	<b>(21,210)</b>	<b>(149,922)</b>
<b>Balance at 31 March 2021</b>	<b>(12,851)</b>	<b>(358,620)</b>	<b>(7,782)</b>	<b>(4,171)</b>	<b>(98,837)</b>	<b>(65,564)</b>	<b>(33,729)</b>	<b>(581,554)</b>	<b>(731,485)</b>	<b>(1,313,039)</b>

As at 31 March 2020		Notes	As at 31 March 2021
£000			£000
2,070	Intangible Assets	27	1,382
3,081,696	Property, Plant and Equipment	23	3,289,640
54,636	Heritage Assets	25	54,775
22,560	Investment Properties	26	19,160
195,841	Long term Debtors	16	159,570
<b>3,356,803</b>	<b>Long Term Assets</b>		<b>3,524,527</b>
45,500	Short Term Investments	14	120,000
1,176	Inventories		1,366
118,081	Short Term Debtors	17	219,947
134,145	Cash and Cash Equivalents	14 / 18	160,797
24,572	Assets Held for Sale	28	8,327
<b>323,474</b>	<b>Current Assets</b>		<b>510,437</b>
(18,568)	Short Term Borrowing	14	(16,977)
(181,236)	Short Term Creditors	19	(304,383)
(12,758)	Short Term Provisions	20	(11,570)
(14,535)	PFI / PPP Finance Lease Liability	14 / 24	(19,631)
(24,267)	Capital Grants Receipts in Advance	12	(46,199)
<b>(251,364)</b>	<b>Current Liabilities</b>		<b>(398,760)</b>
(864,968)	Long Term Borrowing	14	(855,567)
(14,826)	Long Term Provisions	20	(17,257)
(358,132)	PFI / PPP Finance Lease Liability	14 / 24	(340,777)
(941,074)	Pension Liability	45	(1,039,842)
(59,700)	Other Long Term Liabilities	21	(43,605)
(27,096)	Capital Grants Receipts in Advance	12	(26,117)
<b>(2,265,796)</b>	<b>Long Term Liabilities</b>		<b>(2,323,165)</b>
<b>1,163,117</b>	<b>Net Assets</b>		<b>1,313,039</b>
(452,842)	Usable Reserves	34	(581,554)
(710,275)	Unusable Reserves	35	(731,485)
<b>(1,163,117)</b>	<b>Total Reserves</b>		<b>(1,313,039)</b>

**APPENDIX 3 – BALANCE SHEET**  
**APPENDIX 4 – CASH FLOW STATEMENT**

2019/20		Notes	2020/21
£000			£000
(133,654)	Net surplus or (deficit) on the provision of services		(15,418)
298,052	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	36	272,861
(60,156)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	36	(59,633)
<b>104,242</b>	<b>Net cash flow from operating activities</b>		<b>197,810</b>
(129,647)	Investing activities	37	(50,335)
33,422	Financing activities	38	(120,824)
<b>8,017</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>26,651</b>
126,128	Cash and cash equivalents at 1 April	18	134,146
<b>134,145</b>	<b>Cash and cash equivalents at 31 March</b>	18	<b>160,797</b>

## APPENDIX 5 – EXPENDITURE AND FUNDING ANALYSIS STATEMENT

2020/21	Notes	Outturn Position Reported to Internal Management	Adjustments for Items Not Reported to Internal Management	Net Expenditure Chargeable to the General Fund and HRA Balances Under Statutory Funding Provisions	Adjustments between the Funding and Accounting Basis	Other Adjustments	Net Expenditure in the CI&ES
Note		£000	£000	£000	£000	£000	£000
					5		
People		305,141	(284)	304,857	(213)	0	304,644
Schools		0	(5,702)	(5,702)	9,182	0	3,480
Place (excluding HRA)		182,184	(419)	181,765	14,737	(6,900)	189,602
Policy, Performance & Communications		2,850	0	2,850	749	0	3,599
Resources		39,223	(46)	39,177	(21,009)	0	18,168
Corporate		(529,161)	(93,501)	(622,662)	144,323	479,731	1,392
Total General Fund (GF)		237	(99,952)	(99,715)	147,769	472,831	520,885
Housing Revenue Account (HRA)		0	(24,220)	(24,220)	(8,416)	(14,490)	(47,126)
<b>Net Cost of Services</b>	5	<b>237</b>	<b>(124,172)</b>	<b>(123,935)</b>	<b>139,353</b>	<b>458,341</b>	<b>473,759</b>
Other Income & Expenditure GF		0	0	0	0	(472,831)	(472,831)
Other Income & Expenditure HRA		0	0	0	0	14,490	14,490
<b>Other Income &amp; Expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(458,341)</b>	<b>(458,341)</b>
<b>Difference between General Fund (Surplus) / Deficit and CI&amp;ES (Surplus) / Deficit</b>	5	<b>237</b>	<b>(124,172)</b>	<b>(123,935)</b>	<b>139,353</b>	<b>0</b>	<b>15,418</b>
Opening General Fund and HRA Balance at 1 April		(282,885)					
(Surplus) / Deficit on General Fund and HRA Balance at 31 March		(123,935)					
Other Movements		23,397					
<b>Closing General Fund and HRA Balance at 31 March*</b>		<b>(383,423)</b>					

\* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

## **APPENDIX 6 – KEY NOTES TO THE CORE FINANCIAL STATEMENTS**

### **Note 43 – Officers’ Remuneration**

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees’ remuneration in two sections.

The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers (i.e. Chief Executive also known as the head of paid service, Director of Children’s Services, Director of Adult Social Services, Section 151 Officer, etc.) or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000. The remuneration paid to the Council’s senior employees is shown in the table below:



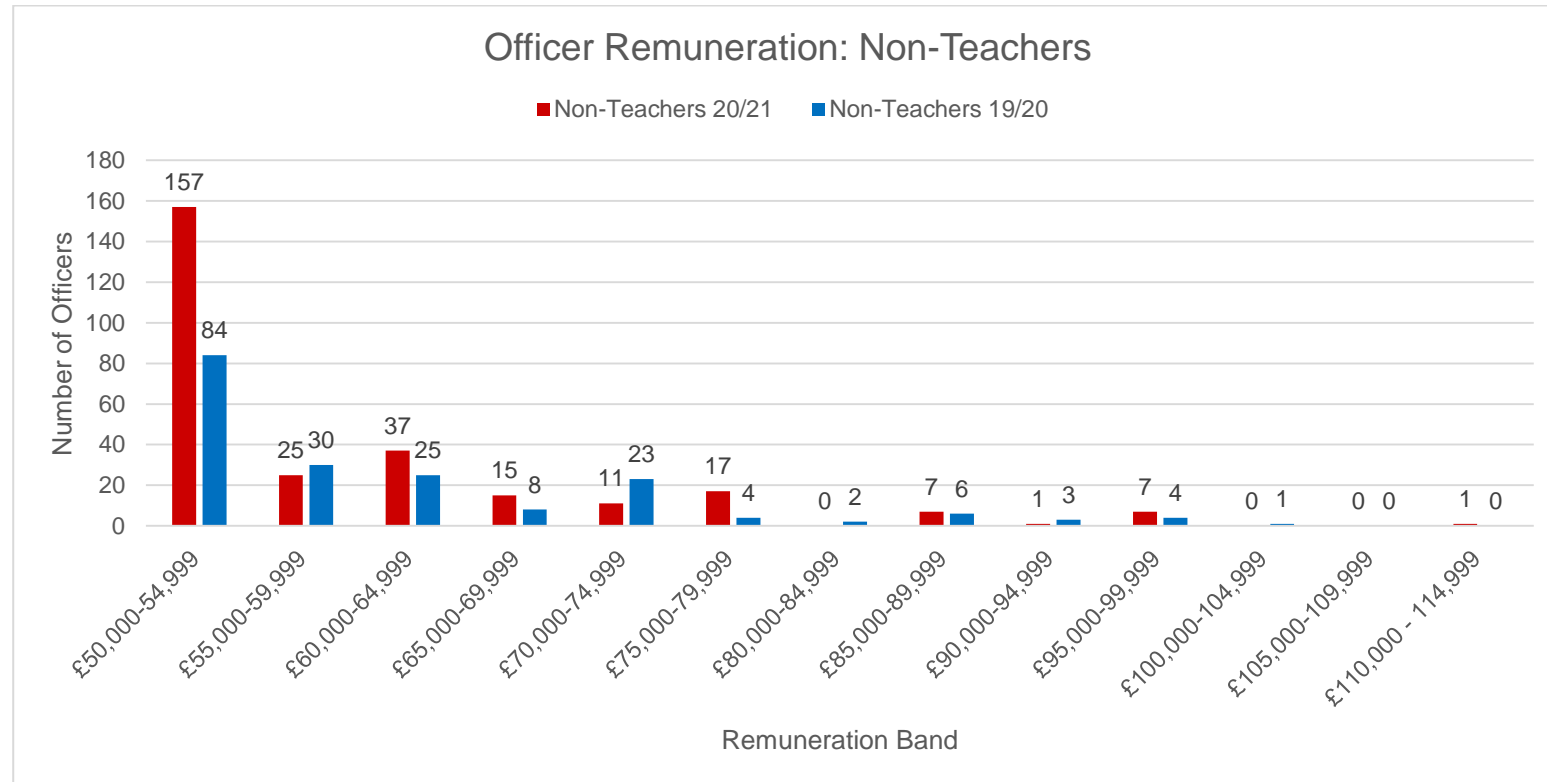
**2020/21**

<b>Post Holder Information</b>	<b>Note</b>	<b>Salary – including Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Total Remuneration exc Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration inc Pension Contributions</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Interim Chief Executive	<b>1</b>	134,069	0	134,069	0	134,069
Chief Executive – Kate Josephs	<b>2</b>	47,076	0	47,076	8,945	56,021
Executive Director – People – John Macilwraith		154,322	19	154,341	29,321	183,662
Executive Director – Place	<b>3</b>	113,516	0	113,516	21,568	135,084
Interim Executive Director – Place	<b>4</b>	30,157	0	30,157	5,730	35,887
Executive Director – Resources – Eugene Walker		149,295	0	149,295	28,419	177,714
Director of Public Health		125,261	55	125,316	18,007	143,323
Director of Policy and Performance		89,327	0	89,327	17,255	106,582
<b>Total</b>		<b>843,023</b>	<b>74</b>	<b>843,097</b>	<b>129,245</b>	<b>972,343</b>

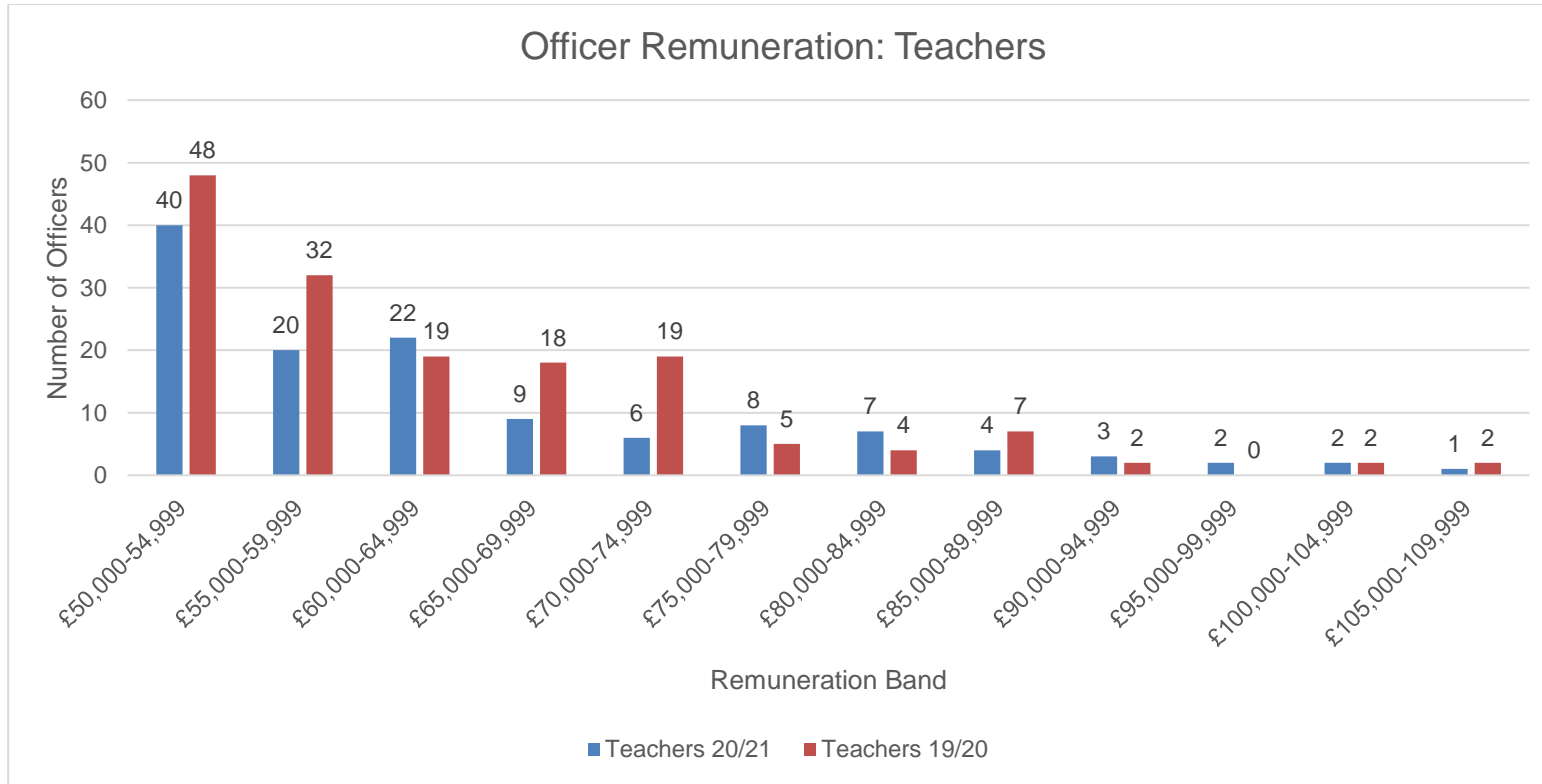
**Notes:**

1. The Interim Chief Executive took up office on 6th January 2020 (with a prior three-day handover period in December 2019), and stepped down at the full Council meeting on 7th October 2020. During the period between the Interim Chief Executive leaving and Kate Josephs starting position as the Chief Executive on 7th January 2021, the Chief Executive responsibilities were taken on jointly by The Executive Director - People and The Executive Director - Resources, neither of whom received additional remuneration for this role during the interim period.
2. The Chief Executive, Kate Josephs, took up office on 7th January 2021.
3. The Executive Director - Place left the position as of 31st December 2020.
4. The Interim Executive Director - Place took up position with effect from 6th January 2021.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:



Note: The large increase in the number of employees in the first banding is due to the 2.75% general pay-rise for local government employees in 2020/21. The pay rise has resulted in a significant number of employees' remuneration moving from just below to just above the lowest banding. As Central Government has not increased the starting reporting threshold for officers' remuneration in line with inflation, this banding will naturally include more employees year on year.



## Note 8 – Adjustments Between Accounting Basis and Funding Basis Under Regulations

2020/21								
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Notes							35	
<b>Reversal of items debited or credited to the CI&amp;ES:</b>								
Depreciation of Non-current assets	(56,980)	0	(23,740)	0	0	(80,720)	80,720	0
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES	(11,764)	10,091	0	0	0	(1,673)	1,673	0
Movements in fair value of Investment Properties	(3,400)	0	0	0	0	(3,400)	3,400	0
Capital grants and contributions credited to the CI&ES	38,966	0	0	0	(4,883)	34,083	(34,083)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	(2,417)	(2,417)	2,417	0
Revenue expenditure funded from capital under statute	(14,107)	0	0	0	0	(14,107)	14,107	0
Costs of disposal funded from capital receipts	(81)	0	0	81	0	0	0	0
Net gain / (loss) on sale of non-current assets	(17,804)	(1,702)	0	(20,666)	0	(40,172)	40,172	0
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements	1,247	0	0	0	0	1,247	(1,247)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(106,520)	0	0	0	0	(106,520)	106,520	0
Amount by which Council Tax and non-domestic rates income adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation	(71,431)	0	0	0	0	(71,431)	71,431	0
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements	(1,330)	0	0	0	0	(1,330)	1,330	0
<b>Insertion of items not debited or credited to the CI&amp;ES:</b>								
Statutory provision for repayment of debt (MRP)	52,809	0	0	0	0	52,809	(52,809)	0
Voluntary provision for repayment of debt (VMRP)	0	27	0	0	0	27	(27)	0
Revenue Contribution to Major Repairs Reserve	0	0	0	0	0	0	0	0
Transfer of Capital Receipts (<£10k) to the General Fund and HRA	(76)	0	0	76	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(3,324)	0	0	3,324	0	0	0	0
Employer's contribution to pension scheme	46,031	0	0	0	0	46,031	(46,031)	0
<b>Capital Financing:</b>								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	18,293	0	18,293	(18,293)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	25,150	0	0	25,150	(25,150)	0
<b>Total</b>	<b>(147,764)</b>	<b>8,416</b>	<b>1,410</b>	<b>1,108</b>	<b>(7,300)</b>	<b>(144,130)</b>	<b>144,130</b>	<b>0</b>

## APPENDIX 7 – HOUSING REVENUE ACCOUNT

<b>Housing Revenue Account Income and Expenditure Statement</b>			
<b>2019/20</b>		<b>Note</b>	<b>2020/21</b>
<b>£000</b>			<b>£000</b>
	<b>Expenditure:</b>		
39,656	Repairs and maintenance		38,149
49,340	Supervision and management		47,282
1,888	Rents, rates, taxes and other charges		2,587
161,791	Depreciation, impairment and revaluation losses / (gains) of non-current assets	8 / 9	13,649
193	Debt management costs		193
2,556	Movement in the allowance for Bad or Doubtful Debts		2,145
<b>255,424</b>	<b>Total Expenditure</b>		<b>104,005</b>
	<b>Income:</b>		
(141,586)	Dwelling rents	11	(144,151)
(1,385)	Non-dwelling rents - garages, garage sites, shops	11	(1,300)
(6,454)	Charges for services and facilities		(6,154)
(569)	Contributions towards expenditure		(369)
<b>(149,994)</b>	<b>Total Income</b>		<b>(151,974)</b>
<b>105,430</b>	Net (Income) / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		<b>(47,969)</b>
850	HRA share of Corporate and Democratic Core		843
<b>106,280</b>	<b>Net (Income) / Cost of HRA Services</b>		<b>(47,126)</b>
	<b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:</b>		
(1,059)	(Gain) or loss on sale of HRA non-current assets		1,702
13,022	Interest payable and similar charges		12,959
(325)	Interest and investment income		(171)
<b>117,918</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(32,636)</b>

### Movement on the Housing Revenue Account Statement

2019/20 £000		Note	2020/21 £000
<b>(8,327)</b>	<b>Balance as at 1 April</b>		<b>(7,646)</b>
0	Opening balance adjustment		(5)
117,918	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(32,636)
0	Other Comprehensive Income and Expenditure	1	0
(135,601)	Adjustments between accounting basis and funding basis under regulation	2	8,416
<b>(17,683)</b>	<b>Net (increase) / decrease before transfers to reserves</b>		<b>(24,220)</b>
18,364	Transfer to / from reserves	3	24,089
<b>681</b>	<b>(Increase) / decrease in year on the HRA</b>		<b>(131)</b>
<b>(7,646)</b>	<b>Balance as at 31 March</b>		<b>(7,782)</b>

## APPENDIX 8 – COLLECTION FUND

2019/20			2020/21			
Non-domestic Rates £000	Council Tax £000	Total £000	Notes	Non-domestic rates £000	Council Tax £000	Total £000
<b>Income:</b>						
0	(264,071)	<b>(264,071)</b>		0	(277,646)	<b>(277,646)</b>
(223,220)	0	<b>(223,220)</b>	1	(96,988)	0	<b>(96,988)</b>
<b>(223,220)</b>	<b>(264,071)</b>	<b>(487,291)</b>		<b>(96,988)</b>	<b>(277,646)</b>	<b>(374,634)</b>
<b>Expenditure:</b>						
<b>Precepts and Demands:</b>						
97,482	216,328	<b>313,810</b>		101,448	228,034	<b>329,482</b>
0	26,939	<b>26,939</b>		0	27,774	<b>27,774</b>
1,989	10,147	<b>12,136</b>		2,070	10,461	<b>12,531</b>
99,472	0	<b>99,472</b>		103,518	0	<b>103,518</b>
<b>198,943</b>	<b>253,414</b>	<b>452,357</b>		<b>207,036</b>	<b>266,269</b>	<b>473,305</b>
<b>Apportionment of Previous Years' Surplus:</b>						
3,834	4,531	<b>8,365</b>		4,441	3,795	<b>8,236</b>
0	509	<b>509</b>		0	426	<b>426</b>
78	213	<b>291</b>		91	178	<b>269</b>
3,911	0	<b>3,911</b>		4,532	0	<b>4,532</b>
<b>7,823</b>	<b>5,253</b>	<b>13,076</b>		<b>9,064</b>	<b>4,399</b>	<b>13,463</b>
<b>Charges to Collection Fund:</b>						
4,320	0	<b>4,320</b>		3,800	0	<b>3,800</b>
0	0	<b>0</b>		0	0	<b>0</b>
0	4,628	<b>4,628</b>		0	1,264	<b>1,264</b>
1,434	9,313	<b>10,747</b>	1	2,925	12,524	<b>15,449</b>
(8,650)	0	<b>(8,650)</b>		3,162	0	<b>3,162</b>
759	0	<b>759</b>		752	0	<b>752</b>
1,373	0	<b>1,373</b>		1,262	0	<b>1,262</b>
0	0	<b>0</b>		692	0	<b>692</b>
0	0	<b>0</b>		0	0	<b>0</b>
<b>206,002</b>	<b>272,608</b>	<b>478,610</b>		<b>228,693</b>	<b>284,456</b>	<b>513,149</b>
<b>Movement on the Fund</b>						
<b>(17,218)</b>	<b>8,537</b>	<b>(8,681)</b>		<b>131,705</b>	<b>6,810</b>	<b>138,515</b>
<b>(16,886)</b>	<b>(9,855)</b>	<b>(26,741)</b>		<b>(34,104)</b>	<b>(1,318)</b>	<b>(35,422)</b>
<b>(34,104)</b>	<b>(1,318)</b>	<b>(35,422)</b>		<b>97,601</b>	<b>5,492</b>	<b>103,093</b>





# Sheffield City Council Audit planning report

Year ended 31 March 2021

20 July 2021

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**Private and Confidential**

20 July 2021

Sheffield City Council.  
Town Hall.  
Pinstone Street.  
Sheffield

Dear Audit & Standards Committee Members,

**Audit planning report**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We will inform the Audit & Standards Committee if there any significant changes or revisions as part of our reporting to the Committee in the Autumn.

This report is intended solely for the information and use of the Audit & Standards Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 29 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully,

Janet Dawson

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Standards Committee and management of **Sheffield City Council** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, and management of Sheffield City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee and management of Sheffield City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Overview of our 2020/21 audit strategy



# Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Standards Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue recognition <ul style="list-style-type: none"> <li>Understatement of other income</li> </ul> Accounting for Covid-19 related government grants	Fraud risk	Change in risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on: <ul style="list-style-type: none"> <li>The completeness of other income (including fees and charges, dwelling rentals, social care income and other income).</li> <li>The recognition and treatment of additional grants received in year for Covid-19.</li> </ul>
Risk of fraud in expenditure recognition <ul style="list-style-type: none"> <li>Inappropriate capitalisation of expenditure</li> <li>Overstatement of expenditure</li> </ul>	Fraud risk	Change in focus	As set out above, under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider that this risk is more prevalent in the following areas; <ul style="list-style-type: none"> <li>Over the medium term we consider this is likely to occur through the capitalisation of expenditure that should be accounted for in the Comprehensive Income and Expenditure Statement (CIES); and</li> <li>Overstatement of expenditure to manage the financial position year on year.</li> </ul>
Property, Plant and Equipment - Valuation of Fair Value assets	Significant risk	Change in focus	The Council has a large and complex asset base that makes up a significant proportion of its balance sheet. The valuation process incorporates significant judgements, which if inappropriate could result in a material misstatement. We consider the significant risk to be focused on those PPE assets that are valued at fair value due to the higher degree of estimation involved by the property valuers in calculating the valuation of the assets at the balance sheet date.

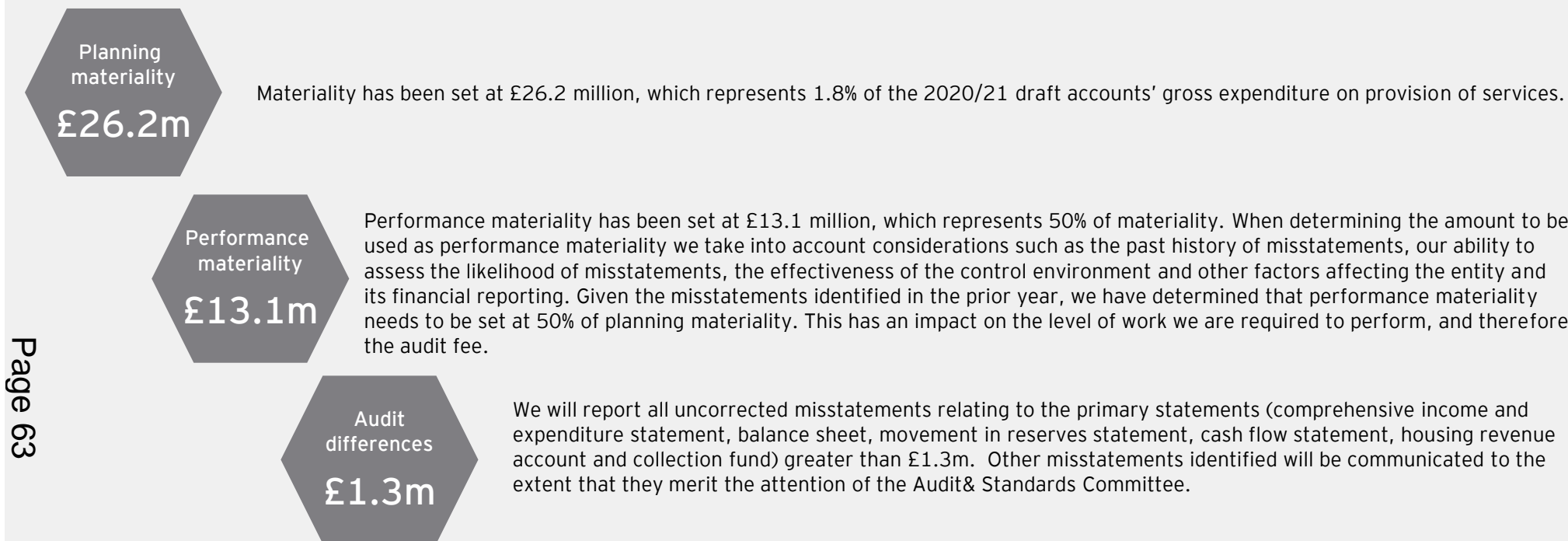
# Overview of our 2020/21 audit strategy

## Audit risks and areas of focus (continued)

Risk / area of focus	Risk identified	Change from PY	Details
Property, Plant and Equipment - Valuation of EUV, EUV-SH and DRC assets	Other financial statement risk (Higher inherent risk)	Change in risk and focus	Given their more formulaic nature and less reliance on market value, we do not consider there to be a significant risk associated with the valuation of PPE assets where the valuation methodology is Depreciated Replacement Cost (DRC), Existing Use Valuations (EUV) and Existing Use Valuation for Social Housing (EUV-SH). However, as there is still an element of judgment and estimation involved we do consider there to be a higher inherent risk.
Investment property valuation	Other financial statement risk (Higher inherent risk)	Change in risk and focus	Investment property assets are valued at fair value. Whilst there is a greater estimation risk associated with these assets, and more judgement exercised by property valuers, the Council's portfolio comprises of two assets, which in total are less than our planning materiality, but are still significant at a value of £19 million. As there is still an element of judgment and estimation involved we do consider there to be a higher inherent risk.
Local Government Pension Scheme	Other financial statement risk (Higher inherent risk)	No change in risk or focus	The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet.
PFI accounting treatment	Other financial statement risk (Higher inherent risk)	No change in risk or focus	The Council has a number of PFI and service concession arrangements which include several judgements made by management resulting in the accounting treatment shown in the financial statements. Such arrangements are complex and substantial in value and there is a risk that they have not been accounted for correctly.

# Overview of our 2020/21 audit strategy

## Materiality



# Overview of our 2020/21 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Sheffield City Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Sheffield City Council's audit, we will discuss these with management as to the impact on the scale fee.

There have been changes to the Value for Money approach in 2020/21, and there will be the need for additional work. We have set out below where we believe there is the potential to give rise to additional fee. We will discuss with management during the audit and report back to the Audit & Standards Committee.

- ▶ The 2020 Code has changed the scope of the value for money risk assessment and work required.
- ▶ Additional work that will be required to address the value for money risks if identified from the risk assessment.





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# 02 Audit risks



## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

### Misstatements due to fraud or error\*

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#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:
  - ▶ testing of journal entries and other adjustments in the preparation of the financial statements;
  - ▶ assessing accounting estimates for evidence of management bias; and
  - ▶ evaluating the business rationale for significant unusual transactions.

## Our response to significant risks (continued)

### Risk of fraud in revenue recognition

- ▶ **Accounting for Covid-19 related government grants**
- ▶ **Understatement of other income**

Page 67  
Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue recognition could affect the income accounts.

In 2020/21 the Council received income totalling £144m from dwellings accommodation, £116m from fees and charges, and £34m from other income, including social care income.

In addition the Council received COVID-19 funding amounting to £389m in 2020/21.

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on:

- ▶ The completeness of other income (including fees and charges, dwelling rentals, social care income and other income), where management may have understated income in the current financial year that should be accounted for in the CIES.
- ▶ The recognition and treatment of additional grants received in year for Covid-19. The Council has received a number of grants in 2020/21 as a result of the pandemic and there is a risk that the accounting treatment of these grants will not appropriately reflect the underlying terms and conditions of the grant agreement.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing and discussing with management any accounting estimates or judgements on income recognition for evidence of bias;
- ▶ Performing overall analytical review procedures to identify any unusual movements or trends for further investigation;
- ▶ Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically those that manually move income into the next year;
- ▶ Undertaking a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing;
- ▶ Performing a month by month trend analysis on rentals from dwellings income and performing a reconciliation between the dwelling rental income recognised and the rental system; and
- ▶ Sample testing the revenue and capital Covid-19 grants received by the Council to ensure the accounting treatment and recognition applied to grant income is appropriate.

## Our response to significant risks (continued)

### Risk of fraud in expenditure recognition:

- ▶ **Inappropriate capitalisation of expenditure**
- ▶ **Overstatement of expenditure**

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#### Financial statement impact

Misstatements that occur in relation to the risk of fraud in expenditure recognition could affect the expenditure accounts.

We consider the risk applies to capitalisation of expenditure and could result in a misstatement of cost of services reported in the CIES and PPE balances, and, through the overstatement of expenditure to manage the financial position year on year.

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider that this risk is more prevalent in the following areas;

- ▶ Over the medium term we consider this is likely to occur through the capitalisation of expenditure that should be accounted for in the CIES given the extent of the Council's capital programme; and
- ▶ Overstatement of expenditure to manage the financial position year on year.

We consider this to impact on the valuation of PPE balances as well as on the occurrence/existence of expenditure/creditor balances.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing and discussing with management any accounting estimates on expenditure recognition for evidence of bias;
- ▶ Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that move expenditure to PPE balance sheet general ledger codes and those that capture additional expenditure during the period leading up to the balance sheet date;
- ▶ Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any expenditure items that have been inappropriately capitalised;
- ▶ Performing sample testing on key accrual balances accounted for at the year end to ensure these transactions have been captured in the correct financial year;
- ▶ Performing overall analytical review procedures to identify any unusual movements or trends for further investigation; and
- ▶ Undertaking a monthly trend analysis using our data analytics tools to identify any unusual movements in balances for further analysis and testing.

## Our response to significant risks (continued)

### Property, Plant and Equipment - Valuation of Fair Value Assets

#### Financial statement impact

Errors in financial statements that occur in relation to the valuation of Property, Plant & Equipment could affect the Balance Sheet.

#### What is the risk?

Property, Plant and Equipment ( PPE) represent significant balances in the Council's accounts.

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. valuations are carried out by the Council's own specialist valuer or an external valuer is engaged for specific types and classes of assets. Valuers must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements.

We identified a number of audit findings in our PPE valuations procedures in the prior year. In addition, as the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated impacting on their valuation in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What will we do?

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. Also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Engage internal EY valuation specialists to review the approach of the Council valuer, consider assumptions underpinning the valuation and to provide expected valuations for a sample of assets valued during the year;
- ▶ Test accounting entries have been correctly processed in the financial statements; and
- ▶ Review the classification of assets and ensure the correct valuation methodology has been applied.
- ▶ Consider external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the area where relevant. Specifically we will consider if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><b>Property, plant and equipment - Valuation of EUV, EUV-SH and DRC assets</b></p> <p>Given their more formulaic nature and less reliance on market value, we do not consider there to be a significant risk associated with the valuation of PPE assets where the valuation methodology is Depreciated Replacement Cost (DRC), Existing Use Valuations (EUV) and Existing Use Valuation for Social Housing (EUV-SH). However, as there is still an element of judgment and estimation involved we do consider there to be a higher inherent risk.</p> <p>We identified a number of audit findings in our PPE valuations procedures in the prior year. In addition, as the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated impacting on their valuation in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Sample test asset valuations, utilising the support from EY valuation specialists where it is considered appropriate to do so, considering assumptions underpinning the valuation and to provide expected valuations of assets selected;</li> <li>▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. Also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct;</li> <li>▶ Test accounting entries have been correctly processed in the financial statements; and</li> <li>▶ Review the classification of assets and ensure the correct valuation methodology has been applied.</li> </ul>
<p><b>Investment Property valuation</b></p> <p>Investment property assets are valued at fair value. Whilst there is a greater estimation risk associated with these assets, and more judgement exercised by property valuers, the Council's portfolio comprises of two assets, which in total are less than our planning materiality, but are still significant at a value of £19 million. As there is still an element of judgment and estimation involved we consider there to be a higher inherent risk associated with their valuation.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Test asset valuations, utilising the support from EY valuation specialists, considering assumptions underpinning the valuation and to provide expected valuations of assets selected; and</li> <li>▶ Review the classification of assets and ensure the correct valuation methodology has been applied.</li> </ul>

## Other areas of audit focus

### What is the risk/area of focus?

#### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by South Yorkshire Pension Authority. The Council's pension fund accounting deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £1,040 million (£941 million at 31 March 2020). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying these estimates.

#### PFI and Service Concession arrangements

The Council has a number of PFI and service concession arrangements which include several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.

### What will we do?

We will:

- ▶ Liaise with the auditors of South Yorkshire Pension Authority, to obtain assurances over the information supplied to the actuary in relation to the Council and their work over the valuation of the pension fund's assets;
- ▶ Assess the work of the Pension Fund actuary (Mercers) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Consider the reasonableness of the actuary's estimate of the asset returns applied in rolling forward the asset position from the prior year; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Our approach will focus on:

- ▶ We will review (with the support of EY specialists) the accounting judgements and models to ensure that we are comfortable with the judgements and related accounting treatment in the financial statements.
- ▶ For each of the material schemes we will undertake testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end outputs from each of the models.
- ▶ Review associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.

## Other matters

### What is the risk/area of focus?

#### Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit & Standards Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

### What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, they are a Major Local Audit (MLA), we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.





03

# Value for Money Risks





# Value for Money

## Sheffield City Council's responsibilities for value for money

Sheffield City Council are required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

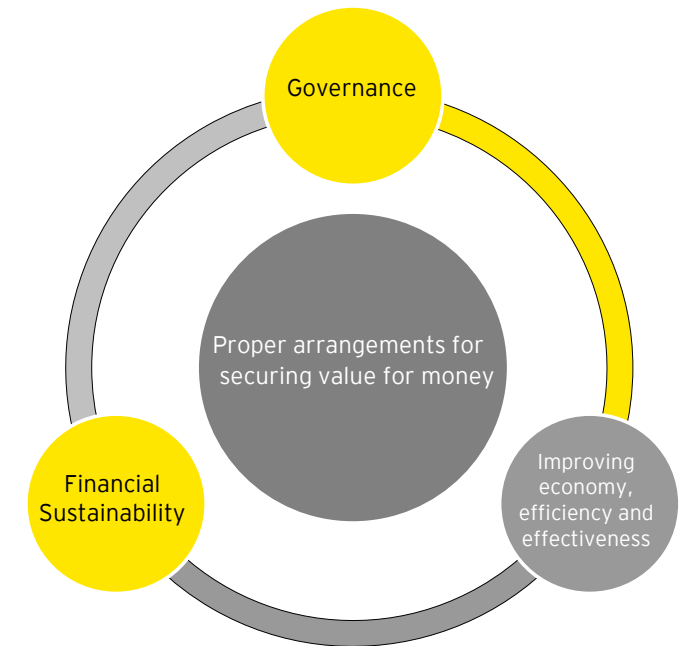
As part of the material published with its financial statements, Sheffield City Council are required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the organisation tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the organisation has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the organisation a commentary against specified reporting criteria (see below) on the arrangements the organisation has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**  
How the organisation plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**  
How the organisation ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**  
How the organisation uses information about its costs and performance to improve the way it manages and delivers its services.





# Value for Money Risks

### Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the bodies arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and;

Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the organisation has had to respond to the issue.



# Value for Money Risks

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit & Standards Committee.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the organisation's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

### Status of our 2020/21 VFM planning

We have recently started our VFM assessment and have identified the risks set out on the subsequent page to date. In line with the 2020 Code, we will inform the committee if we identify any significant weaknesses in the Council's arrangements.



## Value for Money Risks

### What is the risk of significant weakness?

### What reporting criteria does the risk affect?

### What will we do?

#### Financial sustainability

#### Financial sustainability

#### Our approach will focus on:

The financial environment in which the Council operates continues to be challenging with continued reductions in funding and increasing demand for services.

Whilst the Council does generally have a good track record of delivering financial performance the council has significant budgetary pressures in the medium term. The Council continues to face significant financial challenges in relation to the adult social care and children's services driven by historic overspends and difficulties in achieving recurrent savings due to increasing demand for services. In addition to this, the Council is now experiencing a significant demand for financial support to maintain leisure services within the city.

The forecast use of reserves and overall budget gap in the medium term is not sustainable and as indicated by the Council in their reporting of the MTFS, ensuring the ongoing viability will have to involve the prioritisation of resources, identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves.

- ▶ Considering current financial standing and the availability of reserves to fund future expenditure.
- ▶ Considering the 2020/21 outturn performance and impact on the current MTFS.
- ▶ Considering the appropriateness of key assumptions used by the Council in setting the budget and Medium Term Financial Strategy.

#### Regeneration programmes

#### Governance

#### Our approach will focus on:

The Council continues to invest significantly in the regeneration of the city. This has included the underwriting of a 40 year lease at West Bar and the ongoing Heart of the City redevelopment.

With national declines in the value of office and retail space, it is important that the Council has appropriately assessed the risks to their regeneration plans both prior to approving them, and then throughout, to ensure that they remain fit for purpose and emerging risks are being identified and mitigated.

- ▶ Reviewing the decision making process for the approval of investment in West Bar.
- ▶ Reviewing whether the risks associated with regeneration schemes are appropriately being reflected on the risk register and mitigating actions are being taken.



04

# Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2020/21 has been set at £26.2m. This represents 1.8% of the Council's 2020/21 Draft Accounts' gross expenditure on provision of services. It will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit & Standards Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £13.1m, which represents 50% of planning materiality. When determining the amount to be used as performance materiality we take into account considerations such as the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting. Given the misstatements identified in the prior year, we have determined that performance materiality needs to be set at 50% of planning materiality. This has an impact on the level of work we are required to perform, and therefore the audit fee.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit & Standards Committee, or are important from a qualitative perspective.

**Specific materiality** - we have set a materiality for remuneration disclosures, related party transactions and councillor allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



05

# Scope of our audit





## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

Addressing the risk of fraud and error;

- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

#### Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

### Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Standards Committee.

Internal audit:

We will review internal audit plan and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



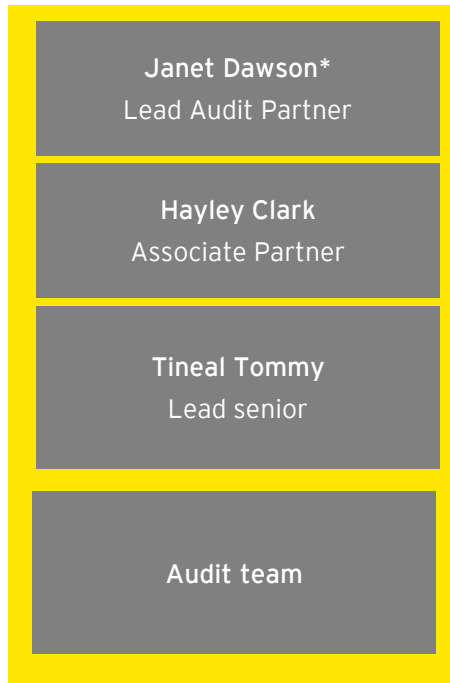
06

Audit team



## Audit team and use of specialists

### Audit team structure:



\* Key Audit Partner

### Use of specialists:

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries
PFI	EY Internal PFI Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



**07** **Audit timeline**





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit & Standards Committee and we will discuss them with the Audit & Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit & Standards Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	June - July	Audit & Standards Committee	Audit Planning Report
Sample selection and initial audit procedures	July		
Year end audit	September	Audit & Standards Committee	
Year end audit	October	Audit & Standards Committee	
Audit Completion procedures	November		
	December	Audit & Standards Committee	Audit Results Report Audit opinions and completion certificates
	February	Audit & Standards Committee	Annual Audit Report

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Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 25%. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. The table below sets out the self review threats that exist as the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.



## Relationships, services and related threats and safeguards

Description of service	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
<p>Housing benefit work no longer forms part of the work required by PSAA and we are separately engaging with the Council on the appointment for this work in 2020/21. Our anticipated fees are £35k. In 2019/20 these were £35k.</p>	<p>Self review threat - figures included in the return are also included in the financial statements.</p>	<p>Year ended 31 March 2021 and for all subsequent accounting periods. However, this will be assessed annually.</p>	<p>The specific testing of individual benefit claims and associated subsidy calculations undertaken in respect of the Housing Benefits agreed upon procedures engagement is distinct and separate to any work we have or will undertake on the financial systems of the Council. The results of the testing is not reflected in the amounts included/disclosed in the financial statements.</p> <p>In respect of the checking of benefit system parameters, this work is common across our external audit procedures and this engagement. Our external audit is concluded prior to this engagement. The external audit conclusion is therefore not reliant upon the conclusion of the Housing Benefit engagement. No advice will be given in relation to accounting treatment.</p> <p>The report we provide will be prepared or given solely for the purposes of the agreed upon procedures engagement for Housing Benefits and will not be used or relied upon for any other purposes.</p>

In relation to the above we are yet to be appointed by the Council and will therefore provide an update in our Audit Results Report if engaged.

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and applies to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- ▶ Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
  - ▶ A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
  - ▶ A narrow list of permitted services where closely related to the audit and/or required by law or regulation
  - ▶ Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - ▶ Tax advocacy services
    - ▶ Remuneration advisory services
    - ▶ Internal audit services
    - ▶ Secondment/loan staff arrangements
- ▶ An absolute prohibition on contingent fees.
- ▶ Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- ▶ Permitted services required by law or regulation will not be subject to the 70% fee cap.
- ▶ Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
  - ▶ A requirement for the auditor to notify the Audit & Standards Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
  - ▶ A requirement to report to the Audit & Standards Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which has been effective from 1 April 2020. We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf)



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Appendices



## Appendix A - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Fee 2020/21 £	Final Fee 2019/20 £
Scale fee (Note 1)	143,988	143,988
Additional fees: (Note 2)	TBC	121,517
<b>Total audit</b>	<b>TBC</b>	<b>265,505</b>
Non-audit services : - Housing Benefits	TBC	35,500
<b>Total non-audit services</b>	<b>TBC</b>	<b>35,500</b>
<b>Total fees</b>	<b>TBC</b>	<b>265,505</b>

All fees exclude VAT

As highlighted in the recent Redmond Report, local government external audit fees have not kept pace with regulatory change. We believe that changes in the work required to address professional and regulatory requirements and scope changes associated with the risk of the organisation mean that the scale fee for the Council should more realistically set at a level that reflects the complexity and risk profile of the Council, and the resulting hours required to delivery the audit. The scale fee is set by PSAA Limited.

(1) We wrote to management and the Audit & Standards Committee Chair on 10 February setting out our considerations on the sustainability of UK local public audit. A base fee of £143,988 was prescribed by PSAA for the 20/21 audit but as set out in our discussions with management and the Audit and Standards Committee for, the scale fees are impacted by a range of factors which result in additional work. We are still in the process of agreeing the 2020/21 fees with management and will provide an update once this process has been finalised. We expect fee levels to be broadly consistent with those for 2019/20 for the financial statements work. The change in requirements of the Code in relation to VFM arrangements may also result in a fee variation. The fees will also be subject to approval by the PSAA.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.




(2) In 2019/20 the additional fees, that are subject to approval by PSAA, are related to:

1. Pensions - £4,662
2. PFI - £9,155
3. PPE valuation - £26,025
4. WGA - £1,656
5. Debtors/Creditors - £4,884
6. Payroll system implementation - £4,378
7. VFM - £11,690
8. Covid-19 including going concern - £17,399
9. Reduced materiality - £33,755
10. Schools - £5,860
11. Misstatements and adjustments - £2,053

## Appendix B




# Required communications with the Audit & Standards Committee

We have detailed the communications that we must provide to the Audit & Standards Committee.

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Audit & standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report	
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report	
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report	




## Appendix B

# Required communications with the Audit & Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit &amp; Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:               <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul> </li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report

## Appendix B

# Required communications with the Audit & Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit &amp; Standards Committee possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit &amp; Standards Committee may be aware of</li> </ul>	Audit results report
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Management letter/audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
VFM assessment and commentary	<ul style="list-style-type: none"> <li>▶ Our risk assessment in line with the NAO 2020 Code of Audit Practice</li> <li>▶ Our Commentary on the arrangements in place to achieve value for money during 2020/21</li> </ul>	VFM Update Annual Audit Report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report Annual Audit Report

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## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit & Standards Committee reporting appropriately addresses matters communicated by us to the Audit & Standards Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Sheffield City Council

Annual Audit Letter for the year  
ended 31 March 2020

June 2021

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing downwards.

Building a better  
working world

Agenda Item 10

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Section 1

# Executive Summary

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# Executive Summary

We are required to issue an annual audit letter to Sheffield City Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
<b>Impact on the delivery of the audit</b>	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
<b>Impact on our risk assessment</b>	
▶ Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's internal and external valuers. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment. Given the risks already identified in relation to the fair value/market value assets we extended the risk to include assets held for sale.
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Annual Governance Statement and Narrative Report	We considered whether the Annual Governance Statement captured if and how the control environment changed during the period and what steps were taken to maintain a robust control environment during the disruption. We also considered the narrative report and whether it reflected the impact of COVID-19 on the 2019/20 financial statements, the related risks and as part of the future outlook.
<b>Impact on the scope of our audit</b>	
▶ Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk: <ul style="list-style-type: none"> <li>▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li> <li>▶ Agree IPE to scanned documents or other system screenshots.</li> </ul>
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources. However, we raised recommendations in relation to issues impacting 2020/21 and beyond.

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Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
▶ Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report on inconsistencies between the Annual Accounts and the WGA return.

# Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 23 November 2020 and 16 April 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 28 May 2021. We certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act of 2014 and the Code of Audit Practise issued by the NAO.

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We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Janet Dawson  
Partner  
For and on behalf of Ernst & Young LLP



Section 2

# Purpose and Responsibilities



# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the 26 November 2020 and 22 April 2021 Audit and Standards Committees, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 10 March 2020, and update provided to the Audit and Standards Committee on 15 October 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Undertaking any other work specified by the Code of Audit Practice or as agreed with yourselves.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

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# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 April 2021.

Our detailed findings were reported to the 22 April 2021 Audit and Standards Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Misstatements due to fraud or error</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>We consider the specific risks to be focussed predominantly on the same areas we have set out in the significant risk of expenditure recognition (being the Inappropriate capitalisation of expenditure). We have reported on this separately and have not repeated that information here.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and tested journals meeting certain risk criteria.</p> <p>We have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be the valuation of Property, Plant and Equipment and investment property and the valuation of the net pension liability. These have been reported separately within this report. We evaluated the remainder of the Council's estimates including those related to NNDR, accruals, bad debt provision, depreciation and those related to PFIs, as a low risk of material misstatement.</p> <p>We have not identified any transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of fraud in expenditure recognition - inappropriate capitalisation of expenditure</b></p> <p>Under auditing standards there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>As the Council is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Council's standard income and expenditure streams except for the capitalisation of expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme. We consider this to impact on the valuation of PPE balances.</p>	<p>We reviewed the appropriateness of expenditure recognition and capitalisation accounting policies;</p> <p>We used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that moved expenditure to PPE balance sheet general ledger codes; and</p> <p>We performed sample testing on PPE additions to ensure that they have been correctly classified as capital and included at the correct value to identify any expenditure items that have been inappropriately capitalised.</p> <p>Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure. Our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

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# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Valuation of investment properties, property, plant and equipment and non-current assets held for sale</b></p> <p>Property, Plant and Equipment ( PPE) and investment properties (IP) represent significant balances in the Council's accounts. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years with investment property valued annually . Valuations are carried out by the Council's own specialist valuer, with external support as required and must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/ overstated impacting on their valuation in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>The assets that fall within this risk are council dwellings, other land &amp; buildings, surplus assets and investment properties. We also included assets held for sale as a result of our risk assessment process for those areas impacted by COVID-19.</p>	<p>We tested the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work and sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre, income streams and yields). We engaged internal EY valuation specialists to review the approach of the Council valuers, consider assumptions underpinning the valuations and to provide expected valuations for a sample of assets valued during the year.</p> <p>We reviewed the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP and AHFS. We have also challenged if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. We reviewed the classification of assets and ensured the correct valuation methodology has been applied.</p> <p>We tested assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct.</p> <p>We corroborated valuation movements to external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the area where relevant.</p> <p>We have identified a number of issues in completing our procedures on this risk. The most significant of these are shown below:</p> <ul style="list-style-type: none"> <li>▶ <b>Council dwellings:</b> More up to date data became available in relation to the Housing Price Index as at 31 March 2020 which resulted in a £19.3 million understatement of council dwellings. We also identified several instances where the beacon variants used for types of property were not consistent with our expectations resulting in a judgemental misstatement of £2.1 million.</li> <li>▶ <b>Depreciated replacement cost (DRC) valuations:</b> A number of the council's assets are overvalued due to a formula error when applying the physical depreciation factor resulting in an overstatement of £18.4 million.</li> <li>▶ <b>Assets under construction:</b> We identified an upward revaluation movement of £5.1 million had been incorrectly classified within this category of assets as opposed to surplus assets.</li> <li>▶ <b>Major Sporting Facilities:</b> In assessing the valuation of the MSF assets included in long term debtors we identified that these should have been valued using the discounted redemption value in 2024 when these assets are expected to be returned to the Council resulting in an estimated difference of £1.5m.</li> <li>▶ <b>Other:</b> We identified assets previously recorded as having a nil net book value that had been revalued upwards during the year, that should have been revalued in prior years. The combined impact of the above means that there is an estimated £23.6m of upward valuation movements recorded in 2019/20. As this amount is below overall materiality, represents a very small proportion of other land and buildings (4%) and PPE as a line item on the balance sheet (0.8%) and the valuation movement do not have an impact on useable reserves we concluded that no prior period restatement is required.</li> </ul>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Higher inherent risks and other areas of audit focus	Conclusion
<p><b>Accounting for valuation of the Local Government Pension Scheme</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by South Yorkshire Pension Authority. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £853.5 million (£930.7 million at 31 March 2019). The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We liaised with the auditors of South Yorkshire Pension Authority, Deloitte, to obtain assurances over the information supplied to the actuary in relation to the Council.</p> <p>We assessed the work of the Pension Fund actuary (Mercer) including the assumptions they have used.</p> <p>We understood and considered how the actuary treated the impact of McCloud and Sargeant in calculating the IAS 19 liability and for any impact on the triennial revaluation.</p> <p>We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</p> <p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.</p> <p>In calculating the scheme assets as at 31 March 2020 the actuary performs a roll forward technique using investment returns and cash flow data since the last triennial. We have considered the reasonableness of the reported asset position and note that the actuary have used the actual investment returns as at 31 March 2020. However, an updated asset return was reported by the fund in April 2020. The impact of this was a reduction in asset values of £5.7m.</p>
<p><b>PFI and service concession arrangements</b></p> <p>The Council has a number of PFI and service concession arrangements which include several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.</p>	<p>We reviewed (with the support of EY specialists where relevant) the accounting judgements and models to test key judgements and the related accounting treatment in the financial statements.</p> <p>We have tested the in-year inputs to the accounting models and agreed relevant entries in the financial statements to year-end outputs from each of the models.</p> <p>We reviewed associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.</p> <p>We identified one misstatement of £6.6 million in relation to the waste PFI and one further misstatement related to other schemes.</p>



# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Higher inherent risks and other areas of audit focus	Conclusion
<p><b>Change in payroll system</b></p> <p>The Council transitioned to a new payroll system in July 2019. There was a risk that the data had not been migrated correctly between the two systems and interfaced with the general ledger.</p>	<p>We gained an understanding of the new IT environment and the impact this has on the processes associated with significant classes of transactions.</p> <p>We reviewed the pattern of payroll costs incurred on a monthly basis across the financial year for any unusual movements or activity around the time of the transfer and system go live date and tested the migration of the data between the two systems to ensure it remains complete and accurate.</p> <p>We reviewed the mapping of data between the two systems. We reviewed the data migration reconciliations between the two systems for the three months prior to the system change (April, May and June 2019), testing a sample of items in each reconciliation to confirm its completeness and accuracy.</p> <p>Based on the results of our testing, we identified no significant issues.</p>
<p><b>Going concern</b></p> <p>There is presumption that the council will continue as a going concern. However, the current and future uncertainty over government funding and other sources of council revenue as a result of COVID-19 increases the need for the Council to undertake a detailed going concern assessment to support its assertion. From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. The council will need to revise its financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. Specific disclosures are also required within the financial statements on going concern and in particular any material uncertainties.</p>	<p>We reviewed Management's going concern assessment, including the cash flow forecast and the Council's need to borrow over the going concern period. We challenged key assumptions and sensitivity analysis performed.</p> <p>We reviewed and challenged the disclosures management have made in the financial statements with respect to the applicability of the going concern basis of accounting and the impact of COVID-19 on the Authority.</p> <p>Typically, management use the medium-term financial strategy to support their use of the going concern basis of accounting, and the fact that there is no known governmental decision to cease the services of the council. In light of the global COVID-19 pandemic, Management have considered the additional cash flow and cost/income implications through to 30 April 2022 which is 12 months from the expected accounts approval date.</p> <p>The lowest forecast cash balance occurs in April 2022 when the balance is at £98 million. This is a combination of both cash and investments. The cash balance is regulated to as low a balance as possible with short term deposits and investments being utilized to maximise returns. Even if the cash were to dip negative for a short period (before routine grant/council tax/NNDR receipts came in), the council has the ability to borrow in the short term. We therefore do not consider there to be a significant liquidity concern which would give rise to a material uncertainty in respect of the going concern basis of accounting.</p> <p>We note that the council has confirmed via its analysis that they have sufficient reserves throughout the going concern period. Based on our review of management's assessment and consideration of cash/liquidity throughout the period to 30 April 2022 and the available reserves, we conclude that the going concern basis of accounting in the production of the 31 March 2020 financial statements is appropriate and there is no material uncertainty in this regard.</p>

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £26.8m (2018/19: £24.5m), which is 1.8% of gross expenditure on provision of services reported in the accounts of £1.5 billion.</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit and Standards Committee that we would report to the Committee all audit differences in excess of £1.3m (2018/19: £1.2m)</p>

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We also identified areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include remuneration disclosures, related party transactions and councillor allowances.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

# Value for Money



# Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

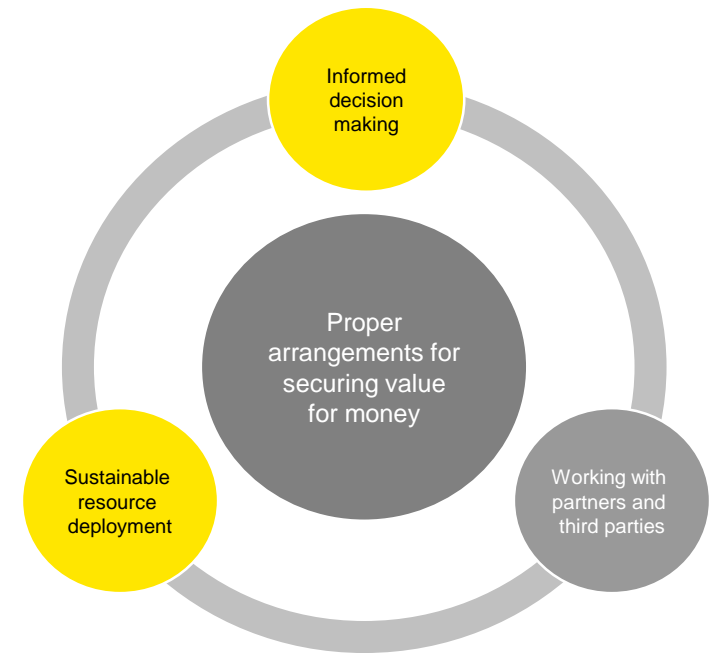
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider LG bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified two significant risks around these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 30 April 2021.



# Value for Money (cont'd)

Significant Risk	Conclusion
<p><b>Regeneration programmes</b></p> <p>The Council continues to invest significantly in the regeneration of the city. This has included the underwriting of a 40 year lease at West Bar.</p> <p>With national declines in the value of office and retail space, it is important that the Council has appropriately assessed the risks to their regeneration plans both prior to approving them, and then throughout, to ensure that they remain fit for purpose and emerging risks are being identified and mitigated.</p>	<p>As part of our audit procedures we:</p> <ul style="list-style-type: none"> <li>▶ Reviewed the decision making process for the approval of the West Bar agreement, including any associated due diligence. We noted that the Council prepared a base case and worst case scenarios.</li> <li>▶ Confirmed that no associated transactions have been included in the current MTFS associated with West Bar.</li> <li>▶ Confirmed that no associated risks have been included in the risk register associated with West Bar.</li> </ul> <p>Whilst the council entered into a conditional agreement for the West Bar development this includes a long stop date whereby the council can terminate the agreement within 12 months of signing it which would incur a termination fee of £500,000.</p> <p>Per our discussions with management we understand that as the Council has not entered into the agreement on an unconditional basis then it does not have any direct risk in relation to the scheme except for the termination costs of £500,000 which have been earmarked for funding from the Corporate Investment Fund.</p> <p>The council are planning to undertake a risk based analysis of the relative risk of entering into the 40 year lease against the risk to economic regeneration of the West Bar area and the city as a whole. The decision will be subject to Cabinet Approval in early '21. Should the agreement go ahead then a detailed risk register will be maintained.</p> <p><b>Given the recent pressures created by COVID-19 and ongoing uncertainty in relation to funding and the medium term financial position (see below) we recommend that management ensure that the agreement is thoroughly reviewed and risk assessed as currently planned. The analysis should ensure robust due diligence, financial analysis and consideration of the other regeneration schemes underway such as Heart of the City. This should be reviewed and approved by Cabinet and be completed within the 12 month longstop date.</b></p>

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*Take informed decisions / Deploy resources in a sustainable manner*

# Value for Money (cont'd)

Significant Risk	Conclusion
<p><b>Securing Financial Resilience:</b></p> <p>The financial environment in which the Council operates continues to be challenging with continued reductions in funding and increasing demand for services. The Council has responded well to challenges and delivered significant and continued levels of savings whilst maintaining services for the local population. As at 31 December 2019 the Council was forecasting a £5.5m overspend for 2019/20. This included a £6.8m overspend within the Children and Families Service which was expected to improve over the course of the rest of the year, as measures to control demand and spending have further effects. The 2019/20 Budget approved £29.7m of savings of which the overall amount of savings considered at risk of non-delivery was £5.0m, representing 17% of the original approved amount. This amount worsened by 2% from 15% at Month 6. At Month 9, work was ongoing to secure the delivery of challenging savings and to identify other mitigations. The reported financial performance highlighted the importance of increased focus on delivery of savings in overspending areas, service transformation and ongoing investment in key areas. Whilst the Council has a good track record of delivering savings and currently has a reasonable level of reserves, the current trajectory of overspending is not sustainable in the medium to long term and services will need to be tackle pressures and meet savings requirements, supporting the Council to bring the budget back to balance.</p> <p><i>Deploy resources in a sustainable manner</i></p>	<p>Our approach focused on considering the 2019/20 outturn performance and impact on the current MTFs; considering the appropriateness of key assumptions used by the Council in setting the budget and Medium Term Financial Strategy; and considering current financial standing and the availability of reserves to fund future expenditure.</p> <p>The Council's revenue budget as at 31st of March was underspent by £534k. This includes an overspend of £6.2 million for Children and Families Service and overspends due to pressures on leisure services and lost car parking income following the impact of COVID-19. Additional government funding received prior to the end of the financial year as well as a reduction in spend in other areas meant that the impact was off-set.</p> <p>The Council has prepared several assessments since the start of the pandemic in the UK. Due to additional government funding received during 2020/21, management were expecting to be able to achieve close to breakeven by 31 March 2021. However, any overspend would need to be met through reserves.</p> <p>The council have updated the MTFs for the latest financial forecasts for the period 2021/22 to 2024/25. COVID-19 has increased the Council's costs, both in meeting the immediate costs of the crisis, but also expected higher costs in the future e.g. additional longer-term costs of care services, support for leisure providers and reduced council tax and business rates income. The cumulative gap increases over the next 4 years to £108.5m. After savings, the gap remains close to £71.7m. The 2021/22 net gap is currently forecast at £38.8m despite a release of the £19.4m of corporate contingencies. The council have developed two scenarios:</p> <ul style="list-style-type: none"> <li>▶ A best-case assumes that SCC will receive inflationary uplifts to its government funding and business rates income, as well as the ability to raise a Social Care Precept in each of the years of the MTFA. It also assumes some additional, above inflation budget support for 2021/22. This reduces the budget gaps significantly, from a 4-year total of £71.7m in the base case to £18.6m.</li> <li>▶ The worst-case assumes that an economic downturn reduces the resources available to Local Authorities. This planning assumption anticipates a reduction in RSG from £37m to zero over the years 2022/23 to 2024/25. This increases the 4-year budget gap to £108.7m.</li> </ul> <p><b>Whilst there are a number of risks, the arrangements in place in 2019/20 are considered to be adequate. As can be seen from the above, management have a process for budget setting and financial monitoring that occurs regularly throughout the year. The council has an understanding of its pressure points and actively monitors and adjusts not only the in year forecasts but those for the medium term as well. Whilst the Council faces continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivering savings plans has not identified any significant matters around the arrangements in place during 2019/20. Based on the factors and consideration of arrangements set out above, we consider: <i>The Council's arrangements for securing value for money, in relation to its arrangements for deployment of resources to achieve planned and sustainable outcomes are adequate.</i></b></p>

# Value for Money (cont'd)

## Looking forward/ Recommendations

During our audit we have identified the following significant future challenges that may impact the council's ability to demonstrate 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Whilst the Council does generally have a good track record of delivering financial performance the council has significant budgetary pressures in the medium term. The council continues to face significant financial challenges in relation to the people portfolio driven by historic overspends and difficulties in achieving recurrent savings due to increasing demand for services. In addition to this, the council is now experiencing a significant demand for financial support to maintain leisure services within the city. This is only being amplified by the impact of COVID-19 and uncertainty of future government funding.

The forecast use of reserves and overall budget gap in the medium term is not sustainable and as indicated by the council in their reporting of the updated MTFS, ensuring the ongoing viability will have to involve the prioritisation of resources, identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves.

Overall the Executive Director of Resources and Section 151 officer has reviewed the adequacy of reserves, and, on the basis of the information currently available, he feels the impacts on reserves would only be sustainable through to 2022/23. Therefore, the medium to long term financial position is, in his view, not sustainable without further savings or additional funding.

We also note that over the past few months the council has seen changes in its leadership via a new Chief Executive and Leader of the Council.

Given the above we have made the following recommendations:

- ▶ Robust monitoring and challenge will need to be maintained over the council's forecasting for in year financial performance and also in the medium term. The robustness of assumptions underpinning the savings will need to be kept under review, delivery monitored and where appropriate mitigating actions identified.
- ▶ Whilst the council currently has adequate reserves the extent of financial challenge puts these at risk. The scale of the council's operations means that reserves have the ability to diminish quickly and in the current environment it will be difficult for these to be rebuilt. Therefore, its important that the council ensures that decisions being made now are robustly challenged and supported by clear analysis to ensure that they are future proofing the finances of the council whilst continuing to transform and deliver services.
- ▶ Increasing pressures associated with leisure services and people portfolios need to be kept under review, with consideration given to how services can be transformed to manage financial pressures whilst maintaining services to the public. The increased risks associated with leisure services which have become more prevalent in 2020/21 will need to be reviewed carefully given the broader implications of the arrangements with service providers.
- ▶ Decision making within the council will be incredibly important. The council has been subject to change through the appointment of a new leader and CEO which means that there needs to be clear decision making and ownership of the MTFS by Cabinet and Council.

A photograph of a business meeting in progress. Several people are seated around a large wooden conference table, looking at documents. A woman with blonde hair is in the foreground, resting her chin on her hand and looking intently at the papers. Other participants are visible in the background, some standing and some seated. The scene is brightly lit, suggesting a modern office environment.

Section 5

# Other Reporting Issues



# Other Reporting Issues

## **Whole of Government Accounts**

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We completed this work and had no issues to report and had no matters to report on inconsistencies between the Annual Accounts and the WGA return.

## **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

## **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We did not identify any issues which required us to issue a report in the public interest.

## **Written Recommendations**

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.

## **Objections Received**

We did not receive any objections to the 2019/20 financial statements from members of the public.

## **Other Powers and Duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Audit and Standards Committee on 22 April 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

# Other Reporting Issues (cont'd)

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

We did not identify any significant control deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements. The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported. We have not repeated below those that were assigned as having a low risk rating.

Description	Impact	Management response
Page 122 PPE	<p>The accounting of capital balances within the financial statements is a complex area which involves a number of judgements and estimates. It is also a significant balance within the financial statements. Whilst we note that the property services and finance teams have provided a significant amount of time facilitating the audit of these balances we have identified the following observations:</p>	<p>The asset portfolio is significant in size, both in terms of value and volume, and is largely made up of professional valuations which are subject to various judgements, estimation uncertainty and information often not available at the time of the accounts preparation.</p>
	<ul style="list-style-type: none"> <li>▶ There are some assets that have been included in the asset register on a portfolio basis. However, the nature of the assets are different and therefore they should be separated out and revalued individually. In addition, during our review of some of these assets we have identified that the valuations are contingent on future events or decisions by members that should not be taken into account unless there is robust evidence to support otherwise.</li> <li>▶ A number of assets have been identified in the current year where they have had nil values previously, or the assets classification was previously incorrect.</li> <li>▶ In our review of beacons we identified several instances where the variants used for type of property were not consistent with our expectations. This was due to additions or assets that had fallen outside of the normal valuation cycle.</li> <li>▶ We have identified that a number of the council's assets are overvalued due to a formula error when applying the physical depreciation factor.</li> <li>▶ Consideration should be given to a more thorough review of the balances being included in the financial statements to ensure that they logically make sense and are code compliant, especially where figures are received directly from the property team. This should also be extended to manual adjustments made to the fixed asset register to meet the presentational requirements of the PPE note.</li> </ul>	<p>We will work closely with our experts in Property Services to improve our joint understanding of the accounting requirements and appraise what factors are permissible in making reasonable judgements. We will consider new techniques to value large numbers of low value assets, where it is not always practical or cost effective to value individually.</p> <p>We will also improve our review processes, especially around the rolling programme of valuations, categorisation and completeness of assets within the asset register, noting this must be achieved within the constraints of the statutory accounts closure timetable.</p>

# Other Reporting Issues (cont'd)

Description	Impact	Management response
PFI	During our testing of PFI we have held a number of conversations with management over the course of the year, including a number with our PFI specialist. Accounting for PFIs and the underlying models can be complex. Therefore we recommend that management ensures that they have members of the team who fully understand the models and related Code guidance to ensure that too much reliance is not placed on the audit process to identify errors in the models in the first instance.	PFI accounting models are very complex. Following staff changes and handover this year, new members of the team are being trained in the Code guidance. Over the last couple of years, staff have worked with and welcomed advice from the EY audit team and PFI specialist, which identified and resulted in the correction of some transactions.
Debtors and creditors listings	Consistent with the prior year we have experienced difficulties in obtaining a list of year end balances at the transaction level for debtors and creditors, with numerous iterations being received before being able to select our samples. Whilst we understand that the listing are compiled from various sources, additional review procedures should be put in place to ensure that information being provided for audit is complete., accurate and represents the transactions outstanding at the end of the financial year.	We recognise the information we provide to audit has not been consistent or sufficiently detailed and welcome this audit recommendation to help us improve our procedures and review processes.
Supporting information for key judgements	During our testing of provisions we identified instances where judgements applied by management were not wholly supportable. For example, an additional adjustment of 49% was applied to the NDR provision in the current year without sufficient evidence to support this being appropriate. Whilst we have been able to undertake alternative procedures to gain reasonable assurance over the accuracy of the provision, management should ensure that all estimates and judgements are robustly evidenced and supported.	We accept that the information required by audit to evidence judgements can be improved and welcome this audit recommendation to help us better demonstrate our appraisal and challenge processes.
Senior officer information and related parties	During our audit work we identified and number of errors and omissions in the compilation of the senior officer remuneration and related party transactions notes. Additional procedures should be put in place to ensure the completeness and accuracy of the information to be included in the financial statements. Councillors and Officers should also ensure that all potential related parties are disclosed on their declaration of interests.	We note the audit finding and will work with the necessary teams involved to improve the completeness and accuracy of the data collection and review processes.

# Other Reporting Issues (cont'd)

Description	Impact	Management response
Schools balances	Consistent with the prior year we have experienced some difficulties in obtaining evidence in relation to school balances included within the financial statements. This has meant that in a number of instances we have been required to perform alternative procedures to gain assurances over the material accuracy of balances included in the financial statements.	<p>In recent years the statutory deadline for closing the accounts has been brought forward to May, with Councils encouraged to use estimates to help achieve this much-reduced reporting timetable. The Easter holidays in Sheffield are fixed to the first two weeks in April every year, meaning schools are not open for most of the accounts' closedown period, so it was previously agreed with external audit that schools would estimate and accrue for any remaining transactions in month 12, and update month one of the following year with differences in actuals.</p> <p>For the 2020/21 year-end, the statutory deadline has been extended to June 2021 due to the ongoing working pressures associated with COVID. Therefore a review step has been built in the accounts' closure timetable to review and adjust for differences between estimates and actuals if needed. However, if in future years the deadline reverts to May, this additional step will not be achievable in the time allowed and estimates will need to be relied upon again.</p> <p>We will support schools to assist the auditors in evidencing balances and bank statements.</p>
Starters and leavers testing	<p>During our testing of starters and leavers we identified:</p> <ul style="list-style-type: none"> <li>▶ a contract for a new starter which shows the employee signed it on the 26th November 2019, however the employee started their role on the 14th October 2019.</li> <li>▶ a new starter who commenced work and had been paid prior to a contract being issued and signed.</li> </ul>	We will work with HR and Payroll to improve processes and ensure robust review / assurance steps are in place.

Section 6

# Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Standard	Issue	Impact
<b>Code of Audit Practice 2020</b>	<p>The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.</p>	<p>The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed.</p> <p>Further updates will be provided when possible.</p>

Section 8

# Audit Fees

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# Audit Fees

Our fee for 2019/20 includes the scale fee set by the PSAA and an additional 'scale fee variation' to reflect the additional one-off matters requiring additional audit effort during the audit.

	Fee 2019/20 £	Final Fee 2018/19 £
Scale fee (Note 1)	143,988	143,988
Additional fees: (Note 2)	121,517	36,372
<b>Total audit</b>	<b>265,505</b>	<b>180,360</b>
Non-audit services :		
- Housing Benefits	35,500	27,400
- Teachers Pensions	-	9,500
<b>Total non-audit services</b>	<b>35,500</b>	<b>36,900</b>
<b>Total fees</b>	<b>301,005</b>	<b>217,260</b>

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As highlighted in the recent Redmond Report, local government external audit fees have not kept pace with regulatory change. We believe that changes in the work required to address professional and regulatory requirements and scope changes associated with the risk of the organisation mean that the scale fee for the Council should more realistically set at a level that reflects the complexity and risk profile of the Council, and the resulting hours required to delivery the audit. The scale fee is set by PSAA Limited.

(1) We wrote to management and the Audit & Standards Committee Chair on 10 February setting out our considerations on the sustainability of UK local public audit. A base fee of £143,988 was prescribed by PSAA for the 2019-20 audit but as set out in our discussions with management and the Audit and Standards Committee for 2019/20, the scale fees are impacted by a range of factors which have resulted in additional work. We are still in the process of discussing and agreeing these with management and will provide an update once this process has been finalised. The fees will also be subject to approval by the PSAA.

In addition, as a result of the impact of the COVID-19 pandemic, there has also been additional work required in respect of our consideration of the going concern basis of accounting, as well as increased risks and work as set out in our update to the committee in October 2020. The impact of remote working has created additional time and costs in completing the audit.

(2) The 18/19 Code work includes an additional fee of £36,372, which relates to additional work reviewing the listed areas in the table. Of this £18,647 is payable by the authority with the remaining £17,725 being agreed with the PSAA.

In 2019/20 the additional fees, that are subject to approval by PSAA, are related to:

1. Pensions - £4,662
2. PFI - £9,155
3. PPE valuation - £26,025
4. WGA - £1,656
5. Debtors/Creditors - £4,884
6. Payroll system implementation - £4,378
7. VfM - £11,690
8. Covid-19 including going concern - £17,399
9. Reduced materiality - £33,755
10. Schools - £5,860
11. Misstatements and adjustments - £2,053



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ED None

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## Audit and Standards Committee Report

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**Report of:** Director of Legal and Governance

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**Date:** 29<sup>th</sup> July 2021

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**Subject:** Work Programme

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**Author of Report:** Sarah Cottam, Democratic Services  
(Tel - 0114 273 4015)

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**Summary:**

The report provides details of an outline work programme for the Committee.

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**Recommendations:**

That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion;  
and

(b) approves the work programme.

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**Background Papers:** None

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO Cleared by:
<b>Legal Implications</b>
NO Cleared by:
<b>Equality of Opportunity Implications</b>
NO Cleared by:
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
NONE
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

## **WORK PROGRAMME**

### **1. Purpose of Report**

1.1 To consider an outline work programme for the Committee.

### **2. Work Programme**

2.1 It is intended that there will be at least five meetings of the Committee during the year with additional meetings arranged if required. The work programme includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee. In addition, it also includes standards related matters, including an annual review of the Members Code of Conduct and Complaints Procedure and an Annual Report on the complaints received.

2.2 An outline programme is attached and Members are asked to identify any further items for inclusion.

### **3. Recommendation**

3.1 That the Committee:-

- (a) considers the Work Programme and identifies any further items for inclusion; and
- (b) approves the work programme.

**Gillian Duckworth  
Director of Legal and Governance**

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Audit and Standards Work Programme 2021-22

Date	Item	Author
23 September 2021	Strategic Risk Management	Helen Molteno (Corporate Risk Manager)
	Annual Internal Audit Opinion Report	Linda Hunter (Senior Finance Manager)
	Annual Governance Statement	Gillian Duckworth (Director of Legal & Governance)
21 October 2021	Final Accounts Audit Progress	Ernst and Young (External Auditor)
	Progress on High Opinion Audit Reports	Linda Hunter (Senior Finance Manager)
	Annual Ombudsman Report	Corleen Bygraves-Paul (Service Delivery Manager)
	National scheme for local auditor appointments from April 2023	Dave Phillips (Head of Strategic Finance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
16 December 2021	Statement of Accounts 20/21	Dave Phillips (Head of Strategic Finance)
	Education Healthcare Plan Update	Andrew Jones (Director of Education and Skills)
	Report of those Charged with Governance (ISA 260)	(External Auditor) Ernst & Young
	Whistleblowing Policy Review	Claire Corneile (Head of HR)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
20 January 2022	Formal Response to Audit (ISA 260) Recommendations	Dave Phillips (Head of Strategic Finance)

Audit and Standards Work Programme 2021-22

	Annual Audit Letter 2020/21	Ernst and Young (External Auditor)
	Review of Members' Code of Conduct	Gillian Duckworth (Director of Legal and Governance)
	Review of Standards Complaints Procedure	Gillian Duckworth (Director of Legal and Governance)
	Annual Standards Report	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
24 February 2022	(Additional meeting if required)	
24 March 2022	(Additional meeting if required)	
28 April 2022	Internal Audit Plan 2022/23	Linda Hunter (Senior Finance Manager)
	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
	Compliance with International Auditing Standards	Dave Phillips (Head of Strategic Finance)
	Certification of Claims and Returns Annual Report 2020/21	External Auditor (EY)
	External Audit Plan 2021/22	External Auditor (EY)
	Annual Audit Fee Letter 2021/22	External Auditor (EY)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)



## Audit and Standards Work Programme 2021-22

June 2022	Audit Training	External Facilitator (Gary Bandy)
16 June 2022	Summary of Statement of Accounts	Dave Phillips (Head of Strategic Finance)
	Internal Audit Annual Fraud Report	Linda Hunter (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
21 July 2022	Work Programme	Gillian Duckworth (Director of Legal and Governance)

### IMPORTANT INFORMATION FOR REPORT WRITERS

The Audit and Standards Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sheffield City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Committee also cover Standards and is primarily responsible for promoting and maintaining high standards of conduct by councillors, independent members, and co-opted members. It is responsible for advising and arranging relevant training for members relating to the requirements of the code of conduct for councillors. The Committee also monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

The Committee is not an operational committee, so is not focussed on the day to day running of your service. However, its focus is on risk management and governance, so it will want to understand how you manage your key risks, and how you are responding to new challenges and developments. In particular the Committee will be interested in the progress on implementing agreed recommendations from inspection and audit reports and will want to review your services' outputs and actions in response. You can expect some challenge if deadlines for implementing agreed actions have been missed. Please ensure

Audit and Standards Work Programme 2021-22

breakdowns of information are included in your report, as the Committee is interested in the key facts and figures behind areas.

Most Audit and Standards papers are public documents, so use everyday language, and use plain English, don't use acronyms, or jargon and explain any technical terms. Assume the reader knows little about your subject.

Think about how the paper will be interpreted by those who read it including the media.

Use standard format - don't subvert it.

**Ensure** – You convey the key message in the first paragraph not the last.

The report should include –

- **Summary**
- **Recommendation (s)**
- **Introduction**
- **Background**
- **Main body of the report (in. legal, financial and all other relevant implications)**

**(report templates are available from Democratic Services)**