

Audit Committee

Meeting held 14 July 2016

PRESENT: Councillors Josie Paszek (Chair), David Barker, Dianne Hurst and Paul Scriven.

Co-opted Independent Members

Liz Stanley.

Officers in attendance

John Mothersole (Chief Executive)
Vicky Clayton (Business Information Manager)
Dave Phillips (Interim Head of Finance)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Clair Sharratt (Acting Senior Finance Manager, Strategic Finance)
Atta Khan (Assistant Manager, KPMG)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Penny Baker.

2. EXCLUSION OF PUBLIC AND PRESS

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

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETINGS

4.1 The minutes of the meetings of the Committee held on 14 April and 18 May 2016 were approved as correct records.

5. ANNUAL GOVERNANCE STATEMENT 2015/16

5.1 The Director of Legal and Governance submitted a report containing the Annual Governance Statement (AGS) for 2015/16 that formed part of the Council's statutory accounts. The Statement was intended to identify any significant control weaknesses and also set out how the Council intended to address any weaknesses identified.

5.2 The Business Information Manager introduced the report and informed the Committee that for the first time no significant control weakness had been identified through the AGS process. She also referred to the seven issues that

had been reported to the Council's Executive Management Team (EMT) as part of the AGS process and would be reported back to EMT as required. These related to:-

- Project Management
- Human Resources – Sickness and Management Information
- Fraud Awareness
- Information Governance
- External Funding
- Business Continuity
- Development Services

5.3 A member of the Committee sought assurance that there had been sign-off, particularly for the seven issues, and asked whether those issues were systematic across the Council. The Chief Executive stated that assurance could be provided from EMT in a further report but there was the possibility that if the Committee sought assurance on a range of issues it could receive too much information. With regard to the seven issues, these occurred in different service areas and there could be a separate discussion on how to bring systematic issues to the attention of this Committee. The Senior Finance Manager added that the AGS was used as part of the development of the Internal Audit Plan and this could include a review of any of the seven issues.

5.4 **Resolved:** That the Committee notes the contents of the Annual Governance Statement 2015/16 that forms part of the statutory Annual Accounts and that the Statement has been signed by the Council Leader, Chief Executive and Interim Executive Director of Resources.

6. SUMMARY OF THE STATEMENT OF ACCOUNTS 2015/16

6.1 The Interim Head of Finance informed the Committee that the Statement of Accounts was produced annually and the statutory deadlines required the Accounts to be produced by the end of June and externally audited by the end of September. They had been produced a month earlier this year and the audit was underway. A summary and a full set of the Accounts were available on the Council's website.

6.2 The Acting Senior Finance Manager (Strategic Finance) introduced the report that provided the Committee with a summary of the 2015/16 Statement of Accounts and explained the core statements and a number of the key notes to the Accounts. She outlined the approval process for the Accounts that included the audit of the Accounts being submitted to the meeting of the Committee on 15 September 2016. It was proposed that there would be a training session on the Accounts in advance of the September Committee meeting. She was confident that the Council could meet the change to the statutory deadline for approval and publication of the final accounts that would move from 30 September to 31 July from 2017/18, with the accounts to be certified at the July Committee meeting.

6.3 In response to a question from a member of the Committee relating to net worth and the increase of £32.1m in the Council's liabilities with respect to Private

Finance Initiatives, the Acting Senior Finance Manager indicated that the additional capital in the first 6 years of the Streets Ahead scheme had increased the Council's liabilities.

6.4 The Interim Head of Finance responded to a question relating to the increase in reserves and indicated that this was due to the sporting facilities debt and the £80m upfront pension payment for the next three years. With regard to the reasons for the draw on the Housing Revenue Account (HRA), the Chief Executive indicated that this had been approved as part of the 25 year HRA Business Plan.

6.5 **Resolved:** That the Committee:-

- (a) notes the core statements and the key notes to the Statement of Accounts for 2015/16; and
- (b) requests the Acting Senior Finance Manager (Strategic Finance) to circulate details of the proposed training session on the Accounts to members of the new Audit and Standards Committee.

7. **PROGRESS ON HIGH OPINION AUDIT REPORTS**

7.1 The Senior Finance Manager (Internal Audit) introduced a report that gave details of progress made against recommendations in audit reports that had been given a high opinion. She explained that when all the recommendations are implemented the high opinion audit is removed from the action tracker. It was proposed that five audits were removed. The Senior Finance Manager indicated that Internal Audit had discussed with the Head of Service the outstanding actions on the audit of the Delivery of Highway Schemes and these would be finalised by the end of August 2016 and be captured as part of a wider service review.

7.2 In respect of the Delivery of Highway Schemes audit report, a member of the Committee referred to the timescale involved and sought assurance that the risks were being addressed. The Senior Finance Manager indicated that this was being addressed as part of the wider service review but if no progress was made then this would be reported to the Committee.

7.3 A member of the Committee highlighted the slippage of 8 to 12 months for a number of the audit recommendations and the need for arrangements to be in place to ensure that there is no further slippage. In response, the Chief Executive indicated that slippage of that period was not acceptable but he was satisfied that this was not due to the service not taking the recommendations seriously. The action tracker report was considered by the Executive Management Team and there was also a need to be mindful when other factors affected the delivery of the timescale. He suggested that there was a need for an early discussion with Internal Audit to provide early warning where implementation dates for recommendations were to be extended. However, there was a need to reduce any further slippage.

7.4 **Resolved:** That the Committee:-

- (a) notes the report;
- (b) agrees that the audits relating to Outcome Planning, Activity Sheffield, Petty Cash Controls, the Waste Management Contract and Parking Services are removed from the action tracker; and
- (c) requests the Chief Executive and Interim Head of Finance to give consideration to an approach for dealing with cumulative slippage on the implementation of high opinion audit recommendations.

8. WORK PROGRAMME

8.1 The Director of Legal and Governance submitted a report setting out a proposed work programme for 2016/17.

8.2 A member of the Committee referred to the potential implications of the vote to leave the European Union on City Council funding. The Chief Executive indicated that the risk register had been updated that week and he provided details of work that was taking place in assessing the impact on the Council's budget, communities, partners and the economy. He suggested that a report on the implications could be submitted to the September meeting of the Committee.

8.3 **Resolved:** That the Committee:

- (a) approves the work programme for 2016/17; and
- (b) requests the Chief Executive to submit a report to the next meeting of the Committee on the implications for Sheffield arising from the vote to leave the European Union.

9. DATES OF FUTURE MEETINGS

9.1 It was noted that following the decision of the Council Meeting on 6 July 2016 to merge the Audit and Standards Committees with effect from 1 September 2016, meetings of the new Committee would be held at 5.00 p.m. on:-

- 15 September 2016
- 16 November 2016
- 8 December 2016 (additional meeting if required)
- 12 January 2017
- 16 February 2017 (additional meeting if required)
- 9 March 2017 (additional meeting if required)
- 27 April 2017
- 13 July 2017