

Audit Committee

Thursday 17 July 2014 at 6.00 pm

To be held at the Town Hall, Pinstone Street, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillors Ray Satur (Chair), John Campbell, Rob Frost, Helen Mirfin-Boukouris, Joe Otten and Sioned-Mair Richards.

Independent Co-opted Members

Rick Plews and Liz Stanley.

PUBLIC ACCESS TO THE MEETING

The Audit Committee is a key part of the Council's corporate governance arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2003 and consider the Annual Letter from the Auditor in accordance with the Accounts and Audit Regulations 2003 and to monitor the Council's response to individual issues of concern identified.

A copy of the agenda and reports is available on the Council's website at www.sheffield.gov.uk. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday. You may not be allowed to see some reports because they contain confidential information.

Recording is allowed at Audit Committee meetings 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.

If you require any further information please contact Dave Ross in Democratic Services on 0114 273 5033 or email dave.ross@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

**AUDIT COMMITTEE AGENDA
17 JULY 2014**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**
To identify items where resolutions may be moved to exclude the press and public.
- 4. Declarations of Interest** (Pages 1 - 4)
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meetings**
To approve the minutes of the meetings of the Committee held on:-
 - 5a 10 April 2014 (Pages 5 - 10)
 - 5b 4 June 2014 (Pages 11 - 12)
 - 5c 3 July 2014 (Pages 13 - 16)
- 6. Annual Governance Statement 2013/14** (Pages 17 - 30)
Report of the Interim Director of Legal and Governance.
- 7. Summary of the 2013/14 Statement of Accounts** (Pages 31 - 56)
Report of the Interim Executive Director, Resources.
- 8. Progress on High Opinion Audit Reports** (Pages 57 - 76)
Report of the Assistant Director of Finance (Business Partnering and Internal Audit).
- 9. Annual Audit Fee Letter 2014/15** (Pages 77 - 82)
To receive and note that Annual Audit Fee Letter 2014/15 from the Director KPMG.
- 10. Pensions Data Follow Up Report** (Pages 83 - 88)
Report of the Director KPMG.
- 11. Work Programme** (Pages 89 - 96)
Report of the Interim Director of Legal and Governance.
- 12. Dates of Future Meetings**
To note that meetings of the Committee will be held on the following dates at 6.00 p.m.:-

- 25 September 2014
- 13 November 2014
- 11 December 2014
- 8 January 2015
- 12 February 2015
- 12 March 2015
- 9 April 2015

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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 Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Interim Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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Audit Committee

Meeting held 10 April 2014

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

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

Eugene Walker (Interim Executive Director, Resources)
 Laura Pattman (Assistant Director of Finance, Business Partnering and Internal Audit)
 Kayleigh Inman (Senior Finance Manager, Internal Audit)
 Stephen Bower (Finance Manager, Internal Audit)
 David Phillips (Senior Manager, KPMG)
 Richard Garrad (Corporate Risk Manager)
 Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Martin Lawton.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest from members of the Committee.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 9 January 2014 were approved as a correct record.

Matters Arising

3.2 South Yorkshire Trading Standards

3.2.1 In response to a question from a member of the Committee, the Chair (Councillor Ray Satur) reported that he had been briefed by the Chief Executive on the progress in obtaining a settlement with the other South Yorkshire authorities arising from the closure of the South Yorkshire Trading Standards Unit.

3.2.2 The Interim Executive Director, Resources provided an update on the latest position and indicated that the Chief Executive and Interim Executive Director, Communities had been working hard to progress the matter. He outlined the discussions that had been taking place with the other local authorities and considered that there was reasonable scope for progress.

3.2.3 Councillor Satur had asked the Chief Executive that he be kept informed of progress and he would ensure that the Deputy Chair (Councillor Joe Otten) was updated.

3.2.4 **Resolved:** That the information now reported is noted.

3.3 Adult Social Care

3.3.1 In response to a question from a member of the Committee on why the report on Adult Social Care was not on the agenda, the Assistant Director of Finance (Business Partnering and Internal Audit) reported that the timescale for completing the report had slipped, partly due to a change in leadership in the Communities Portfolio and agreeing the implementation plan. She added that the report would be available for the next meeting of the Committee.

3.3.2 Members of the Committee raised concern at the delay with the report. The Interim Executive Director, Resources indicated that officers would work towards having the report completed by the end of May 2014.

3.3.3 **Resolved:** That the Committee:-

- (a) notes the information now reported and that the aim was for the report on Adult Social Care to be completed by the end of May 2014;
- (b) requests the Interim Executive Director, Resources to inform the Chief Executive of the Committee's concern on the delay with the report and ensure that he receives a copy of the minutes for this item; and
- (c) notes that when the report on Adult Social Care was completed, the Chair would write to members of the Committee asking whether the report should be submitted to a meeting of the Committee in June or July 2014.

4. **EXTERNAL AUDIT PLAN 2013/14**

4.1 The Senior Manager, KPMG introduced the External Audit Plan 2013/14 that described how KPMG would deliver the financial statements audit work for the Council and also set out the approach to value for money work.

4.2 In presenting the report, the Senior Manager outlined the assessment of the key risks for the audit of the financial statements relating to Digital Region Ltd, the Local Government Pension Scheme triennial revaluation, property, plant and equipment and changes in associated bodies. He also referred to the value for money audit approach and the audit fee that had been set for 5 years in 2012/13.

4.3 The Senior Manager, KPMG and Interim Executive Director, Resources responded to questions from members of the Committee relating to the audit fee, the City Region Combined Authority, pension data, the interim audit visit, Digital Region Limited and the contract for housing and other maintenance. It was

noted that a significant amount of work had gone into addressing the backlog of pension queries and the Committee had received updates previously. In relation to the interim audit visit, it was reported that there were no matters to bring to the attention of this Committee.

4.4 **Resolved:** That the Committee notes the External Audit Plan 2013/14.

5. ANNUAL AUDIT FEE LETTER 2014/15

5.1 The Senior Manager, KPMG reported that the Audit Commission had published the final audit fee scale and the fee would remain the same in cash terms. The grant fee had reduced to reflect reductions in claim certification work required in 2014/15. The Audit Fee Letter would be submitted to the next meeting of the Committee for information.

5.2 **Resolved:** That the Committee notes the information now reported

6. INTERNAL AUDIT PLAN 2014/15

6.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director of Finance (Business Partnering and Internal Audit) setting out the Internal Audit Plan and Strategy for 2014/15. The Plan summarised a risk based programme of work that demonstrated that the Council had made provision to discharge its statutory responsibilities. The format of the Plan had been amended to provide additional information on the scope of the audit reviews. Reference was made to the significant increase in the volume of unplanned work requested from Internal Audit in 2013/14.

6.2 The Senior Finance Manager and Interim Director of Resources responded to questions from members of the Committee. It was noted that the allocation for unplanned audit work was contained in the 229 days for Investigations and Benefits.

6.3 **Resolved:** That, in respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice, the Committee endorses the programme of audit work for 2014/15 set out in the appendix to the report now submitted.

7. PROGRESS ON HIGH OPINION AUDIT REPORTS

7.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director of Finance (Business Partnering and Internal Audit) on progress made against recommendations in Audit reports that have been given a high opinion. The report also recommended the removal of two audit reports from the future progress reports.

7.2 The Senior Finance Manager (Internal Audit) and Finance Manager responded to questions from members of the Committee. It was noted that there would be a follow-up audit for 'Projects – Risk Management and Reporting'.

7.3 **Resolved:** That the Committee:-

- (a) notes that contents of the report now submitted: and
- (b) approves the removal of the audits relating to Urban Traffic Control Special Investigation and Risk Management (Place) from future progress reports.

8. **PROTECTING THE PUBLIC PURSE ANNUAL FRAUD REPORT**

8.1 The Assistant Director of Finance (Business Partnering and Internal Audit) submitted a report informing the Committee of the key recommendations contained in the Audit Commission's 'Protecting the Public Purse 2013' report that provided a summary of detected fraud and identified key fraud risks affecting local government. The report also provided an update on fraud investigation activity within the Council during 2012/13. Attached to the report was the completed checklist for those responsible for governance.

8.2 The key messages from the Audit Commission's report on fraud in the public sector were:

- It is estimated that fraud costs the UK public sector more than £20 billion a year and local government more than £2 billion.
- In a time of austerity, preventing fraud is even more important to protect the public purse.
- Every pound lost through fraud cannot be spent on providing public services.

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

- (a) notes the contents of the report and the completed checklist for those responsible for governance;
- (b) requests the Finance Manager (Internal Audit) to provide members of the Committee with the figures on the number of investigations from the Annual Fraud Survey for 2013/14 when available later this year; and
- (c) requests the Director of Housing Services to provide members of the Committee with information on the number of Right to Buy fraud cases and the number of Right to Buy applications/sales.

9. **COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

9.1 The Assistant Director of Finance (Business Partnering and Internal Audit) submitted a report that highlighted that the Audit Committee can demonstrate to the External Auditors and a wider audience that it had exercised the required oversight in order to meet the requirements of the International Standards on Auditing. This report drew together much of the work that had been undertaken by the Committee in the past year.

9.2 **Resolved:** That the Committee confirms that:-

- (a) that the report gives an accurate reflection of the reports that it has received and considered throughout the year; and
- (b) it has an overview of the Council's systems of internal control so that it is assured that it is fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

10. EXCLUSION OF PUBLIC AND PRESS

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

11. STRATEGIC RISK MANAGEMENT

11.1 The Corporate Risk Manager submitted a report and gave a presentation that assessed:-

- the Council's current Risk Management arrangements and the measures being implemented to further strengthen and improve those arrangements
- the Risk management trend analysis since the previous report to the Committee on 14 November 2013; and
- the current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks.

11.2 Appended to the report was the Corporate Risk Management Plan for quarter 3 (December 2013). The Corporate Risk Manager also referred to the proposed risk management training for members of the Committee.

11.3 **Resolved:** That the Committee:-

- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
- (b) notes the improving trend in the management of risks;
- (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks; and
- (d) requests the Director of Human Resources to confirm which elements of the staff e-learning training are mandatory.

12. WORK PROGRAMME

12.1 The Interim Director of Legal and Governance submitted a report containing an outline work programme for the Committee for 2014/15 and for members of the Committee to identify any further items for inclusion. It was reported that the item on the review of the Adult Social care systems and processes would be considered at a meeting of the Committee in June or July 2014.

12.2 **Resolved:** That the Committee:-

- (a) approves the work programme for 2014/15 with the inclusion of an item on the review of the Adult Social Care systems and processes for a meeting of the Committee in June or July 2014; and
- (b) requests that members of the Committee inform the Chair or Deputy Chair of any potential items for inclusion in the work programme.

13. DATE OF FUTURE MEETINGS

13.1 It was noted that, subject to approval at the first meeting of the Committee on 4 June 2014 (Annual Council Meeting), meetings of the Audit Committee will be held on the following dates at 6.00 p.m.:-

- 17 July 2014
- 25 September 2014
- 13 November 2014
- 11 December 2014
- 8 January 2015
- 12 February 2015
- 12 March 2015
- 9 April 2015

14. COMMITTEE MEMBERS

14.1 It was reported Councillors Anders Hanson and Martin Lawton were not seeking re-election to the Council in May 2014.

14.2 **Resolved:** That the Committee places on record its thanks and appreciation to Councillors Anders Hanson and Martin Lawton for their contribution to the work of the Committee and offers them its best wishes for the future.

Audit Committee

Meeting held 4 June 2014

PRESENT: Councillors Ray Satur (Chair), John Campbell, Rob Frost, Helen Mirfin-Boukouris, Joe Otten and Sioned-Mair Richards.

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1. APPOINTMENT OF CHAIR AND DEPUTY CHAIR

Resolved: That Councillor Ray Satur be appointed Chair of the Audit Committee.

2. TO FIX DAY AND TIME OF MEETING

Resolved: That meetings of the Committee be held on the following dates at 6.00 p.m.

- 17 July 2014
- 25 September 2014
- 13 November 2014
- 11 December 2014
- 8 January 2015
- 12 February 2015
- 12 March 2015
- 9 April 2015

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Audit Committee

Meeting held 3 July 2014

PRESENT: Councillors Ray Satur (Chair), John Campbell, Rob Frost, Joe Otten and Sioned-Mair Richards.

Officers in attendance

John Mothersole (Chief Executive)
Eugene Walker (Interim Executive Director, Resources)
Laraine Manley (Interim Executive Director, Communities)
Laura Pattman (Assistant Director of Finance, Business Partnering and Internal Audit)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Andy Eckford (Interim Director of Finance)
Sue Sunderland (Director, KPMG)
Gill Duckworth (Interim Director of, Legal and Governance)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillor Helen Mirfin-Boukouris and Liz Stanley.

2. DECLARATIONS OF INTEREST

2.1 Councillor John Campbell declared a personal interest in the item on the Adult Social Care Management Review as he was an employee of the Sheffield Teaching Hospitals NHS Foundation Trust.

3. EXCLUSION OF PUBLIC AND PRESS

4.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business to be considered relating to the Adult Social Care Management Review on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 2 of Schedule 12A to the Local Government Act 1972, as amended, relating to information which is likely to reveal the identity of an individual.

4. ADULT SOCIAL CARE MANAGEMENT REVIEW

4.1 The Chief Executive introduced the report on the Adult Social Care Management Review regarding the overspend position of the Communities Portfolio. The report contained (a) an overview from the Assistant Director of Finance (Business Partnering and Internal Audit) on the outcomes of the management review, (b) a covering report from the Chief Executive and Executive Director of Resources giving consideration to how the issues

identified within the Communities Portfolio related corporately with regard to financial, management information and performance management and (c) the Internal Audit report on the Management Review.

4.2 The Assistant Director of Finance (Business Partnering and Internal Audit) presented the Internal Audit report and highlighted the key themes, overall conclusions and findings. Officers responded to questions from Members of the Committee on the report.

4.3 The Interim Executive Director of Communities presented a report that informed members of the actions and initiatives underway to address the findings and recommendations of the Management Review. Officers responded to questions from Members of the Committee on the report.

4.4 The Committee then discussed how it would monitor the implementation of the actions and initiatives arising from the Management Review.

4.5 The Director, KPMG (the Council's External Auditor) indicated that she had been kept informed of progress and the actions that were being taken. The issues raised would be considered as part of the audit of the 2013/14 accounts. She had also offered assistance to the Interim Executive Director of Communities.

4.6 **Resolved:** That the Committee:-

- (i) notes the report and the comments now made;
- (ii) requests the Assistant Director of Finance (Business Partnering and Internal Audit) to submit a progress report to the December 2014 meeting of the Committee and six monthly thereafter, or earlier if required;
- (iii) requests the Chief Executive to submit a report to the Committee in the autumn on a review of systems at a corporate level and in Portfolios;
- (iv) requests that information be circulated to members of the Committee on cost centre budgeting;
- (v) requests the Interim Executive Director, Resources to provide a verbal update to the next meeting of the Committee on the impact of the overspend on the 2014/15 budget; and
- (vi) notes that members of the Committee not present at the meeting would receive a briefing on the report from the Chief Executive and Interim Executive Director, Resources.

5. APPOINTMENT OF DEPUTY CHAIR

5.1 **Resolved:** That Councillor Joe Otten be appointed Deputy Chair of the Committee for 2014/15.

6. DATE OF NEXT MEETING

- 6.1 It was noted that the next meeting of the Committee would be held on 17 July 2014 at 6.00 p.m.

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Audit Committee Report

Report of: Director of Legal and Governance

Date: 17th July 2013

Subject: Annual Governance Statement 2013/14

Author of Report: Gillian Duckworth,
Interim Director of Legal & Governance

Summary: The attached is the Sheffield City Council Annual Governance Statement which forms part of the Councils Statutory Accounts

Recommendations:

The Council is required to produce and have signed off, as part of its annual accounts, an Annual Governance Statement. The statement is intended to identify any significant control weaknesses and also to set out how the council intends to address any weaknesses identified.

To note the contents of the Statement and that this has been signed by the Council Leader, Chief Executive and the Executive Director of Resources and that the statement forms part of the Annual Accounts.

Background Papers:

Category of Report: Open

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by: Eugene Walker
Legal Implications
NO Cleared by: Gillian Duckworth
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
Relevant Cabinet Portfolio Leader
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

SHEFFIELD CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

THE POSITION FOR THE FINANCIAL YEAR 2013/14

Scope of responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Sheffield City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Sheffield City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Sheffield City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website: <https://www.sheffield.gov.uk/your-city-council/constitution-and-governance/code-of-corporate-governance.html>. This statement explains how Sheffield City Council has complied with the code. It also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement..

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and also its activities through which it accounts to, engages with and leads the community. This framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sheffield City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sheffield City Council for the financial year ended 31 March 2014 and up to the date of approval of the Sheffield City Council annual report and statement of accounts.

The governance framework of the Council is constantly being updated to take account of changes in legislation and working practices.

The Sheffield City Council Governance Arrangements

The governance arrangements of the Council contains two key elements, the internal control arrangements of the Council and also how Sheffield City Council demonstrates these arrangements to its citizens and service users. We have documented the key elements of the control environment and how these are communicated below.

Internal Control Environment

The system of internal control as described below has been in place at Sheffield City Council for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

In discharging its responsibility, the Council has a published constitution that specifies the business of the Council, as well as establishing the role of the Cabinet, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation lays down the scheme of delegation by which Members of the Council and Officers can make decisions on behalf of the Council to ensure the smooth operation of business.

In order to illustrate the key elements of internal control, the control environment has been subdivided into six elements as outlined below;

1 - Establishing and monitoring the achievement of the Council's business

The Council has set out its vision and corporate priorities in its Corporate Plan 2011-2014 ("Standing Up for Sheffield") – agreed by Cabinet on 9 November 2011. The current plan has been developed to clearly show the link between the key aims of the Council and the corporate priorities to achieve these. The Council has a business planning process that is designed to align service activity and objectives to the corporate priorities. A quarterly performance monitoring process has been implemented to track progress against the Council's key priorities and to highlight any potential risks and issues in achieving these.

The Council's Executive Management Team (EMT) and elected Members have the responsibility for formulating the Council's medium term financial strategy in order to ensure that adequate resources are available to meet the Council's objectives.

Cabinet receives regular monthly budget monitoring reports in addition to the portfolio members. The Council's corporate systems for producing this information have been developed to provide timely and accurate reports for services and the Council as a whole on a consistent basis.

Performance management information about key corporate objectives is also provided regularly to Cabinet members, and may also be considered by Members at the Overview and Scrutiny Management Committee.

The Council has undertaken a number of initiatives to consult with interested groups and the wider citizens of Sheffield on its vision and priorities.

The Corporate Plan and minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2 - The facilitation of policy and decision-making

The Council's overall budget and policy framework are set by Full Council. Key decisions are taken by the Executive (Leader, Cabinet, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council.

The council has an Overview and Scrutiny function (including a call-in facility), which reports to the Cabinet and Full Council as appropriate.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that to the functions of the Council are undertaken efficiently and effectively. The scheme includes the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios.

3 - Ensuring compliance with established policies, procedures, laws and regulations

Procedures are covered by the Council's Constitution, backed up by Standing Orders, the Financial Regulations and Protocol, and procurement guidelines.

The Monitoring Officer carries overall responsibility for ensuring the lawfulness and fairness of decision-making and supporting and advising the Standards Committee. Her staff work closely with portfolios, to ensure the Council complies with its requirement to review and log all formal delegated decisions.

The Council has set out policies and procedures for people management in the managers' section of the Council's intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. The Interim Executive Director of Resources carries overall responsibility for financial issues, and her staff work closely with services to ensure that all reports are cleared for financial implications prior to submission to a Member forum.

The Council has a Risk Management Framework in place that has been agreed by Cabinet. The Council has appointed a Corporate Risk Manager who has reviewed and re configured the Council's risk management. He reports to the Audit Committee and EMT on a 6 monthly basis. All Council reports include a section dealing with risk management. The risk management framework has been significantly updated and the focus of attention is now on developing our risk management practice maturity both at an operational level and through close alignment and integration between risk and performance management processes in particular. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. Workshop training has been delivered to senior managers, and an e-training module has been developed that will be integrated into the manager learning and development curriculum.

The Council has a Standards Committee which oversees the Council's Code of Conduct for Members. The Council has a Members Code of Conduct and a procedure for dealing with complaints under the Code. Independent Persons have been appointed.

As part of the Council's commitment to the highest possible standards of openness, probity and accountability, the Council encourages employees and others with genuine concerns about any of the Council's work, to come forward and voice those concerns. A Whistle-blowing Policy is in place that is intended to encourage and enable employees to raise such concerns within the Council rather than overlooking a problem. This policy

document makes it clear that employees can do so without fear of reprisals. The procedure accords with the requirements of the Public Interest Disclosure Act 1998 and is compatible with the conventions in the Human Rights Act.

Reviews are undertaken on a periodic basis by Internal Audit and agencies including the Care Quality Commission (CQC) and the Office for Standards in Education (OFSTED).

4 - Ensuring the economical, effective and efficient use of resources

The Council has previously instigated the Modern Efficient Council (MEC) Programme. The programme has developed, leading our corporate plan ambition of putting the customer first and achieving better value for money. The principles were:

- be led and shaped by what the people of Sheffield want, and what matters to them most;
- provide excellent services to our citizens and businesses, first and every time;
- provide outstanding value for money.

The Council is currently putting together its plan for 2015 to 2018 which will update the current thinking on vision and key initiatives.

5 - The financial management of the Council

The effectiveness of the system of financial management is informed by:

- The work of Internal Audit.
- The external auditors' Audit letter and other reports.
- The role carried out by the Interim Executive Director of Resources under s151 Local Government Act 1972 responsibilities.
- The work of the Contracts Administration team in monitoring the work undertaken by Capita (the Council's contractor for financial business processes).

6 - Performance management and its reporting

The performance management regime is an integral part of the Council's business planning process. The business planning process ensures that the Council defines clear priorities and outcomes in its Corporate Plan, 'Standing up for Sheffield'. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Council has introduced an Individual Performance Review framework which requires scoring of individual staff and managers against the Council's Imperatives, which are set at Leadership, Service and Individual level. These scores will enable the Council to map performance distribution. The Imperatives were co-produced using a range of consultative techniques with staff groups in the organisation. Completed reviews will be collated by HR who will gather information which will then be used to identify and consolidate good performance and identify where there is less than optimum performance. Development interventions will be provided to support improvements, where necessary.

The Council has identified a core development programme for managers and employees to embed a consistent approach to management of resources, including its people, and to develop employee knowledge and skills across a range of subjects. Alongside this the Council is developing Portfolio Commissioning Groups to identify, commission and monitor specific development needs of its employees, and to consider the qualitative and quantitative data relating to Individual Performance Reviews.

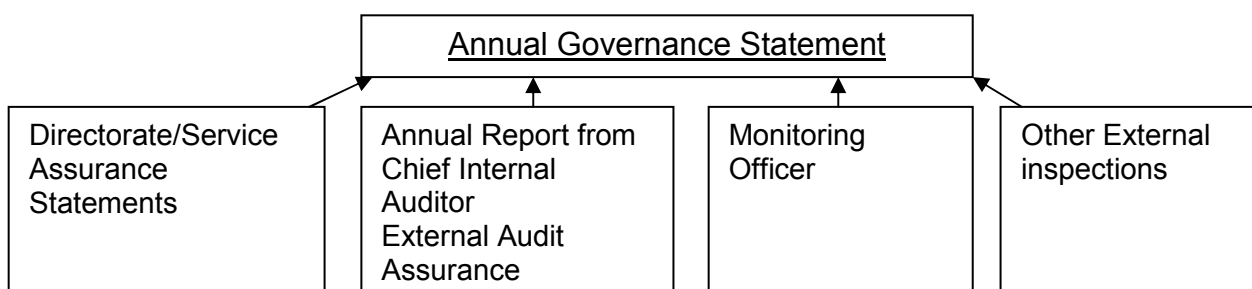
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

Review of Effectiveness

Sheffield City Council has a duty to conduct at least annually a review of the effectiveness of its governance framework including the system of internal control, and to publish an Annual Governance Statement (AGS).

The review of the effectiveness of the Council's governance framework is informed by the work of the internal auditors and the senior managers within the Council. Senior officers are responsible for the development and maintenance of the internal control environment. The process is also informed by comments made by the external auditors and other review agencies and inspectorates.

The Executive Management Team (EMT) agreed a process of positive verification of the system of internal control in order to formally fulfil the requirements of the Accounts and Audit Regulations. The overall process has been summarised in the diagram below:



All service Directors have provided written assurance to the effect that they are adhering to the Council's corporate policies, for example, those relating to health and safety and personnel procedures, and are maintaining adequate control over areas of Council activity for which they have responsibility, e.g. service areas and control of specific contracts. The review of internal control has been adopted as a positive way forward. Some areas of control weakness have been identified through this process and management action to address them initiated. Items raised by managers in the previous year's process have been followed up and confirmation has been received that action has been taken to progress the issues raised.

The role of the Council's internal auditors is to provide an independent appraisal function for the review of internal control systems. Internal Audit undertakes reviews of the main financial and operational systems of the Council, based on a risk analysis of the functions undertaken by service areas. Certain aspects of key financial systems are reviewed on an annual basis. The section also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of Internal Audit's work also contributes to the maintenance of a sound system of internal financial control. The section complies in all significant respects with the professional

standards required of the service as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA). The section also works closely with the external auditors (KPMG). The service has undertaken a programme of preventative work to mitigate the potential for fraud.

There are some areas of control weakness that have been included under the section relating to weaknesses. The Assistant Director of Finance (Business Partnering Communities and Internal Audit) has confirmed that she is unaware of any other significant control weaknesses that have not been considered when compiling this Statement. The Audit Committee is responsible for scrutinising the work undertaken by Internal Audit.

The Monitoring Officer has responsibility to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are working in practice. Such a review has taken place during the year. The Interim Director of Legal and Governance as the Council's Monitoring Officer, has not raised any issues of significance that are contrary to the findings within the statement.

The Council is responsible for setting the overall objectives of the Council and for undertaking statutory duties such as agreeing the budget and setting the level of Council Tax. In the year 2013/14 all these duties have been performed.

A significant part of SCC's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, HR, Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Head teachers SCC retains residual liability for maintained schools where SCC is the employer and the owner of property. During 13/14 following a serious incident at a school, a rigorous plan of action has been put in place to review control of Health and Safety in schools and rectify any areas where improvements are required.

During the financial year 2013/14 the Council has been inspected by a number of external agencies and a summary of their findings is noted in the following paragraphs. The reports of external inspection agencies are scrutinised to ensure that for any issues raised, the most appropriate senior officer within the Council has been given the responsibility to implement suitable corrective action.

The Council's external auditors, KPMG, anticipated issuing an unqualified opinion on the Council's Accounts in their 'Report to those charged with governance (ISA 260) 2012/13' and confirmed that opinion by 30/09/2013.

Individual Council services are the subject of external inspections. The following significant inspection reports were also received:

Department	Inspected by	Comments
CYPF – Children and Families	OFSTED	19/11/13 Requires improvement
CYPF - Lifelong Learning Skills & Communities	OFSTED	03/02/14 Grade 2 - Good
CYPF – Inclusion & Learning	Safeguarding Inspection	January 14 awaiting outcome

CYPF – Inclusion & Learning	New Arrivals and Roma Inspection	February 14 awaiting outcome
Customer Services	SGS - Customer Service Excellence	18/09/2013 Continued Accreditation
Finance	KPMG - Opinion on the Statement of Accounts	30/09/2013 Unqualified audit opinion on 2012/13 Statement of Accounts
Finance	KPMG - VFM conclusion	30/09/2013 Unqualified conclusion

In addition to the above, a number of schools within the city have been the subject of OFSTED inspections. The Children and Young People's Service's Advice and Inspection Service follow up on these reviews and give support to the schools.

For all of the above inspections, recommendations were made. Assurance has been received that appropriate management action is being taken.

The Council has an Audit Committee made up of 6 non-Executive elected Members. In May 2011, 2 non-voting independent co-opted members were also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work.

The Audit Committee has been set up to meet best practice guidelines. Its terms of reference include the need to consider the Council's arrangements for corporate governance and any necessary actions to ensure compliance with best practice. The Committee also considers the Council's compliance with its own and other published standards. The Committee has confirmed that it has a significant overview at the highest level of the Council's systems of internal control, so that it is assured that it fulfils the requirements of "those charged with governance" under the International Auditing Standards.

The Audit Committee meets approximately six times per year and has a programme of work based on its terms of reference (covering Audit activity, the Regulatory Framework and Risk Management and the Council's Accounts) and other issues identified by the Committee during the year. This includes monitoring the financial and commercial risks of the Council's major external relationships and a process for consideration of all High Risk Audit Reports. An Annual Report on the Committee's work is also submitted to Full Council. The papers and minutes for these meetings are available on the Council's website.

Development of the Governance Framework

The Council's control framework needs to evolve to take into account the changes that are taking place across the organisation. In the forthcoming year, several initiatives have been planned which will have an impact upon the control assurance mechanisms in place:

- The current financial climate has led to significant reductions in the money available for support services such as the finance service. However, the firm foundations laid in previous years of improvements to financial systems, controls and governance mean that the Council is relatively well placed to cope with these reductions and to report effectively on the budget and savings required.
- The Council continues to monitor closely its most significant external relationships in relation to risk and governance arrangements, with quarterly reports to both the Executive Management Team and twice yearly reports to the Audit Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

Significant Governance Issues

In a large and complex organisation such as Sheffield City Council, there will always be opportunities to improve services. In the financial year 2013/14, recommendations have been made by Internal Audit and agreed with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

As part of the 2013/14 Annual Governance Statement process, some significant control weaknesses have been identified. Two of these weaknesses were identified as part of the 2012/13 Annual Governance Statement and have been added again for the reasons set out below. These issues are significant in that they cover large parts of the Council and its activities and require a corporate solution.

Description of the Control Weaknesses	Officer Action
<p><u>Adult Social Care and Supporting Services</u></p> <p>This issue featured on last year's AGS and the service provided an update on progress in January 2014:</p> <p><i>A Programme Board is overseeing progress of the established recovery and medium term activity including the Adult Social Care plans to ensure service users are kept independent safe and well, their unmet eligible critical and substantial needs are met in the most cost effective way and ensuring services are efficient and that staff are deployed in an effective and efficient way.</i></p> <p><i>A number of interventions are being progressed focusing on Reviews and Reassessments, Continuing Health Care, Refining our Personalisation Offer, Direct Payments Monitoring and Management and Adult Provider Services' Savings Plans. Guidance and regular updates are provided to</i></p>	<p>Actions are being taken within the Portfolio and corporately to address these issues</p> <p>There was inconsistent performance in budget monitoring and operational and financial forecasting. Actions are being taken to ensure that better information and processes are in place.</p> <p>There was poor management information. Actions to put in robust management information and financial monitoring are being undertaken.</p>

<p><i>staff and we have hosted four stakeholder events.</i></p> <p><i>The forecast spend position is consistently reducing.</i></p> <p>It would seem that while improvements are being made there is a need to include this item again on the Statement as the measures carried out to rectify the issues raised in 2012/13 have highlighted issues with the support systems to Adult Social Care which may have contributed to the range of issues with the service in 2012/13.</p> <p>Issues were highlighted in service planning, management information, financial management and commissioning.</p>	
<p><u>Capital Project Management</u></p> <p>This featured on last year's AGS.</p> <p>In 2012/13 only 64.1% of forecasts were completed by the relevant managers.</p> <p>Concerns remain about the level of compliance with and the quality of monthly forecasting of schemes by project managers. Slippage remains to be a considerable problem across the Capital Programme.</p> <p>Of particular concern is the Delivery of Highway Schemes.</p> <p>An internal audit report concluded:</p> <p><i>There was ambiguity and overlap in relation to aspects of the implementation, scheduling, monitoring and delivery of the transport capital programme. The Service failed to apply the corporate Capital Approval procedures and was found to have inadequate financial monitoring, reporting & governance arrangements along with a lack of quality assurance regarding project management.</i></p> <p><i>There were high levels of slippage in to 2013/14 which amounted to £5.2m against a total capital allocation of £15.1m (35%) for the service.</i></p>	<p>Whilst there has been an improvement, performance remains short of where it should be.</p> <p>In the last half of 2013-14, between 85% and 92.5% of forecasts were completed. The accuracy of the forecast also improved such that the level of slippage declared at year-end fell from £43.3m in 2012/13 to £9.6m in 2013/14. Total slippage in the year fell from £87.7m to £54.2m.</p> <p>The Capital Programme Group has led the definition and clarification of the roles of Project Sponsor and Project Manager and is rolling this out through the Capital Delivery Service and Finance teams. The Council is now adopting a Gateway Approval process where the project business case has to be supported by a programme Board (Gateway 1 & 3), and reviewed by another cross portfolio officer group (Gateway 2) to ensure compatibility with the whole capital programme and deliverability before it is considered by CPG (Gateway 4) for financial and onward democratic approval.</p> <p>EMT has also recommended that project management should be concentrated</p>

<p><i>A Mid-Term Review of all South Yorkshire LTP and LSTF schemes was carried out in September 2013 by the SYLTP Central Partnership Team. This resulted in a total of £1m of funding being "scaled back" (i.e. re-allocated) away from existing Sheffield schemes on the basis that it was unlikely to be applied in the year. Over and above this, a further nine schemes (amounting to £915k) had been placed under "Special Measures, requiring more detailed programme management scrutiny and/or changes to management of the project".</i></p>	<p>within the Capital Delivery Service which will assume responsibility for monitoring the physical progress of the programme. The Capital Delivery Service is in the process of developing the Capital Hub which will deploy and operate the infrastructure needed to monitor and manage capital programme performance. This work will also enable more detailed performance reports to be provided to EMT and Cabinet.</p> <p>The rate of adoption and adherence to these principles varies across the Council, with the Place Portfolio starting to pilot many of the new ways of working.</p> <p>Notwithstanding that, the Highways service remains one of those services which needs to make the greatest change having moved on only a little since last year. However, the Director of the service is committed to change and is being supported by Finance, Commercial Services and the Capital Delivery Service to realise this.</p>
<p><u>Consistency of Corporate Issues</u></p> <p>A number of issues were raised relating to consistency with processes or procedures across the Council.</p> <p>Areas of concern are as follows:</p> <ol style="list-style-type: none"> 1. Projects - Risk management and reporting – an internal audit report highlighted the lack of a corporate approach to the reporting of risks in projects. 2. Contract management – whilst there is a contract management framework and clear processes for major contracts, there are a wide range of other contractual arrangements in the Council with varying degrees of effective management. 	<p>EMT will identify where it is appropriate for processes to be applied corporately and where Portfolios retain discretion on how to apply a process. An action plan will be devised to set out the reporting and monitoring requirements of EMT. EMT to reconsider its overview of project risk management as part of the business change agenda.</p> <p>The Interim Director of Commercial Services has raised this as an issue and is devising an action plan to rectify the position</p>

<p>3. A lack of consistency in services seeking early support from legal, financial and commercial teams to minimise risk, so that advice is sometimes reactive not proactive</p>	<p>This will be addressed as part of the action in 1.</p>
<p>4. HR people management – HR processes such as sickness absence procedures, Individual Performance Reviews, induction and exit processes and ID badges were identified as processes that although corporately prescribed and frameworks are in place were not always consistently applied across the organisation</p>	<p>Director of HR to review processes to make sure they are robust and assist EMT in preparing an action plan to address the inconsistencies in management as required ID badges have recently become the responsibility of the Director of Transport & FM. HR have not had any previous involvement but the Director of HR will as part of this review work with the Director of Transport & FM to put in place a robust process for allocation of ID badges</p>
<p>5. As part of a programme of work by the Information Governance Board a number of Services across different Portfolios acknowledged that they did not have adequate information retention/destruction policies meaning that they may be holding physical and/or electronic data unnecessarily.</p>	<p>The Information Governance Board has identified the need for guidance to be updated. The Council has recently appointed an Information Governance Officer to address any issues with consistency</p>

Statement

We have been advised on the review of the effectiveness of the governance framework by the relevant Officers and a plan to address weaknesses and ensure continuous improvement of the system is in place. Regular updates on progress will be made available to the Council Leader.

Sheffield City Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Signed:**Date:**.....
Eugene Walker – Interim Executive Director of Resources (Section 151 Officer)

Signed:**Date:**.....
John Mothersole - Chief Executive on behalf of Sheffield City Council

Signed:**Date:**.....
Julie Dore - Council Leader on behalf of Sheffield City Council

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Audit Committee Report

Report of:	Eugene Walker
Date:	17 July 2014
Subject:	2013/14 Statement of Accounts
Author of Report:	Allan Rainford (35108)
Summary:	The purpose of this report is to provide Members of the Audit Committee with a summary of the 2013/14 Statement of Accounts and explain the core statements and a number of the key notes to the accounts.
Recommendations:	The Audit Committee is asked to note the core statements and the key notes to the Statement of Accounts for 2013/14.
Background Papers:	None
Category of Report:	OPEN

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Cabinet Portfolio Leader
Ben Curran
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

AUDIT COMMITTEE – 17 JULY 2014

STATEMENT OF ACCOUNTS 2013/14

Purpose of the Report

1. The purpose of this report is to provide Members of the Audit Committee with a summary of the 2013/14 Statement of Accounts and explain the core statements and a number of the key notes to the accounts. A full set of the draft accounts is now available on the Council's website. A full set of the final audited accounts will be presented to the Audit Committee on 25 September 2014.
2. This report also outlines the approval process for the statement of accounts and the Audit Committee's role in this process.

Introduction

3. The Statement of Accounts has been prepared in accordance with the IFRS-based (International Financial Reporting Standards) 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 2011 sets out the procedures for certification, approval and publication of the Statement of Accounts. The approval process is as follows:
 - 30 June 2014 – Unaudited accounts to be certified by the Executive Director of Resources
 - July to September 2014 – The statement of accounts are subject to audit by the Authority's auditors, KPMG, and their findings will be reported to the Audit Committee in September. During this time there is a period where the public can inspect the accounts and related documents (18 July – 14 August 2014)
 - No later than 30 September 2014 – Accounts to be re-certified by the Executive Director of Resources.
 - No later than 30 September 2014 – Audit Committee considers and approves the statement of accounts. Following approval, the Chair of

the Audit Committee signs and dates the Statement of Accounts.

- No later than 30 September 2014 – Publish, on the Council’s website, the audited statement of accounts together with any certificate, opinion or report issued by the auditor.

Local authority accounting

5. 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.
6. Local authorities account for capital in line with IFRS on the face of the Comprehensive Income and Expenditure Statement (CI&ES). This means including figures relating to movements in the value/cost of assets, including depreciation, revaluation, disposal and impairment. These “adjustments between accounting basis and funding basis under regulation” are shown in Note 9 to the draft accounts.
7. 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 giving them, not when they are actually paid out. This includes showing movements in the value of pension scheme assets and liabilities.
8. 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 they are again reversed out in an adjustment between accounting basis and funding basis under regulation.
9. The report on the Council’s Revenue Outturn position at the end of the 2013/14 financial year was considered by Cabinet on 18 June 2014. This reported that there was an overall overspend on the General Fund of approximately £0.4m before movement on reserves. In contrast to this, the CI&ES reports a ‘surplus’ of £60.5m. 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:

	£'000
Overspend on General Fund Revenue Account (per outturn report)	416
Net contributions to revenue reserves	(8,378)
Surplus on Housing Revenue Account	(11,376)
Surplus on Schools Accounts	(921)
Total Underspend	(20,259)
Removal of debt charges	(28,087)
Removal of pension contributions	(44,589)
<i>Items that do not affect Council Tax:</i>	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	173,215
Gains and losses on Revaluation of Non-Current Assets, Pension Assets and other items	(140,738)
Surplus on Income & Expenditure Statement	(60,458)

10. The Statement of Accounts comprise several key statements:

- Movement in Reserves Statement – Appendix 1
- Comprehensive Income and Expenditure Statement – Appendix 2
- Balance Sheet – Appendix 3
- Cash Flow Statement – Appendix 4
- Key Notes to the Core Financial Statements – Appendix 5
- Housing Revenue Account Income and Expenditure Account – Appendix 6
- Collection Fund – Appendix 7

Movement in Reserves – **Appendix 1**

11. 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.

12. 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.
13. 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.

Comprehensive Income and Expenditure Statement – **Appendix 2**

14. 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). As stated earlier, local authorities raise taxation to cover expenditure in accordance with regulations and this is often different from the accounting cost.
15. The presentation of the cost of services is presented using the CIPFA Service Reporting Code of Practice (SeRCOP) classification, a statutory requirement. This is so comparisons between different local authorities can be made.

Consolidated Balance Sheet – **Appendix 3**

16. 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.
17. 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**

18. 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.
19. 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.

Key Notes to the Accounts – **Appendix 5**

20. 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.
21. Attached at Appendix 5 are some of the key notes to the accounts including the note on Officers remuneration (note 33). Full details are required for senior employees 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.
22. The Council's outturn position for 2013/14 reported a net overspend of £0.4m 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. The following two notes show the reconciliation between the outturn position and the Statement of Accounts CI&ES:
 - *Adjustments between accounting basis and funding basis under regulations* (Note 9) – 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.
 - *Amounts reported for resource allocation decisions* (Note 30) – this note reconciles the income and expenditure shown in the CIES to the budget outturn report. The note is in three parts:

Part 1 shows the income and expenditure for the Portfolios as reported in the outturn - £416k general fund overspend, £11.4m HRA

underspend, totalling £10.9m underspend.

Parts 2 and 3 reconcile the £10.9m outturn to the two key subtotals in the CIES, by detailing the adjustments made to arrive at the £488.9m subtotal Cost of Services and subtotal for the Deficit on Provision of Services £80.3m.

There are final adjustments, detailed in separate notes, for gains and losses on revaluation of assets and pensions to arrive at the final total of £60.5m deficit on the CIES.

Housing Revenue Account (HRA) – Appendix 6

23. The HRA Income and Expenditure Statement 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.
24. Authorities charge rents to cover expenditure in accordance with regulations, which may be different from the accounting cost.

Collection Fund – Appendix 7

25. 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 the Government of Council Tax and Business Rates.

Key Issues for 2013/14

Transferred Services

26. On 1 April 2013, Public Health responsibilities and staff were transferred to Local Authorities. A ringfenced grant supports the services (£29.7m in 2013/14).
27. Also on 1 April 2013, Council Housing Services were returned to the direct control of the Council. Over 1,000 staff transferred and the services were re-integrated with the Council, resulting in the wind up of Sheffield Homes Limited. A closing balance of £8.8m was transferred and has been added to HRA reserves.

Local Government Finance

28. 2013/14 saw significant changes to the system of local taxation, both relating to council tax and non-domestic rates. The introduction of the business rates retention system increased the complexity of collection fund accounting and placed additional risk on the authority. The changes to the system of council tax support forced the Council to change its assumptions about the collectability of debts and reorganized cash flows between the general and collection funds.

Net worth

29. The Council's net worth, as shown on the Balance Sheet (Appendix 3), has increased by the surplus from the CI&ES £60.5m (or 9%) in 2013/14; the major factor being the re-measurement of the pension fund, resulting in a £100m reduction in the estimated liability.

Usable Reserves

30. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (attached in Appendix 1) and notes 9 and 10. The balance on usable reserves as at 31 March 2014 was £212.4m, which includes the General Fund Balance (£10.8m), Earmarked General Fund Reserves (£86m), Housing Revenue Account Balances (£14.3m), Capital Receipts Reserve (£33m), Major Repairs Reserve (£43.8m) and Capital Grants Unapplied (£24.5m).
31. The table below provides a breakdown of the earmarked reserves balance (£86m). The movement of £17.5m is mainly due to the creation of a new reserve, to allow the Insurance Fund to be split between provision and reserve, and an increase in the PFI Reserve, which absorbs timing differences between grants received and used.

31/3/13		31/3/14
£000		£000
(16,435)	Schools Reserves	(16,277)
(529)	Revenue Grants and Contributions	(400)
	Other Earmarked Revenue Reserves:	
0	- Insurance Fund Reserve	(9,394)
(1,697)	- Local Growth Fund (LGF)	(1,555)
(15,865)	- Major Sporting Facilities	(17,996)
(5,311)	- PFI Future Expenditure	(12,175)
(6,626)	- Service Area Reserves	(7,569)
(22,056)	- Other Earmarked Reserves	(20,639)
(68,519)	Total	(86,005)

Financial Implications

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

Equal Opportunities Implications

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

Property Implications

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

Recommendations

35. The Audit Committee is asked to note the core statements and the key notes to the Statement of Accounts for 2013/14.

APPENDIX 1 – MOVEMENT IN RESERVES

2013/2014		25	25	25	25	25	25	25	25	26	2000																					
General Fund	Balance	£000	Farmed General	Fund Reserves	£000	Housing Revenue	Account Balance	£000	Farmed	Housing Revenue	Account Reserves	£000	Capital Receipts	Reserve	£000	Major Repairs	Reserve	£000	Capital Grants	Unapplied	£000	Total Usable	Reserves	£000	Unusable	Reserves	£000	Total Council	Reserves	£000		
Balance at 31 March 2013	(11,183)		(68,519)		(22,528)	0	(30,225)		(9,379)		(26,740)		(168,574)		(492,774)		(661,348)															
Movement in reserves during 2013/14:																																
(Surplus) / deficit on provision of services	114,228		0		(33,948)		0		0		0		80,280		0		80,280															
Other Comprehensive (Income) and Expenditure	0		(25)		(8,809)		62		0		0		(8,772)		(131,966)		(140,738)															
Total Comprehensive (Income) and Expenditure	114,228		(25)		(42,757)		62		0		0		71,508		(131,966)		(60,458)															
Adjustments between accounting basis and funding basis under regulations	9	(134,369)		0	31,774		(2,732)		(15,256)		5,199		(115,384)		115,384		0															
Net (increase) / decrease before transfers to earmarked reserves		(20,141)		(25)	(10,983)		(2,670)		(15,256)		5,199		(43,876)		(16,582)		(60,458)															
Transfers (to) / from earmarked reserves	10	20,508	(17,461)	20,468	(1,273)	(93)	(19,196)	(2,953)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
(Increase) / decrease in year		367	(17,486)	9,485	(1,273)	(2,763)	(34,452)	2,246	(43,876)	(16,582)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)	(60,458)
Balance at 31 March 2014	(10,816)		(86,005)		(13,043)		(32,988)		(43,831)		(24,494)		(212,450)		(509,356)		(721,806)															

APPENDIX 2 – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13			2013/14			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Continuing Operations:						
207,444	(67,956)	139,488	Adult Social Care	210,540	(56,600)	153,940
600,118	(434,642)	165,476	Children's and Education Services	489,743	(378,101)	111,642
62,412	(4,896)	57,516	Cultural and Related Services	78,726	(5,398)	73,328
43,381	(10,657)	32,724	Environment and Regulatory Services	34,818	(10,551)	24,267
100,450	(10,871)	89,579	Highways and Transport Services	103,976	(14,376)	89,600
110,214	(145,250)	(35,036)	Housing - HRA	109,801	(152,724)	(42,923)
213,371	(194,843)	18,528	Housing - Other Services	231,506	(207,536)	23,970
30,021	(7,070)	22,951	Planning Services	34,055	(17,644)	16,411
90,092	(63,366)	26,726	Central Services	33,297	(11,264)	22,033
18,050	(5,023)	13,027	Corporate and Democratic Core	22,170	(5,882)	16,288
234	(2)	232	Non-Distributed Costs (NDC)	(1)	0	(1)
1,475,787	(944,576)	531,211	Total Continuing Operations excluding Services Transferred	1,348,631	(860,076)	488,555
0	0	0	Services Transferred:	25,996	(25,583)	413
1,475,787	(944,576)	531,211	(Surplus) / Deficit on Continuing Operations	1,374,627	(885,659)	488,968
		288,669	Other Operating Expenditure			94,148
		65,775	Financing and Investment Income and Expenditure			95,993
		(573,471)	Taxation and Non-Specific Grant Income			(598,829)
		312,184	(Surplus) / Deficit on Provision of Services			80,280
		44,427	(Surplus) / deficit on revaluation of non-current assets			(20,404)
		141,449	Re-measurements of the pension net defined benefit liability			(111,539)
		25	Other (gains) / losses			(8,795)
		185,901	Other Comprehensive (Income) and Expenditure			(140,738)
		498,085	Total Comprehensive (Income) and Expenditure			(60,458)

* On the 1 April 2013 Public Health staff and services transferred from Primary Care Trusts (PCTs) to Local Authorities. See Note 8 for details.

APPENDIX 3 – BALANCE SHEET

As at 31 March 2013 £000		Notes	As at 31 March 2014 £000
2,360,846	Property, Plant and Equipment	14	2,336,467
63,757	Heritage Assets	15	62,754
2,210	Investment Properties		1,489
14,345	Long term Debtors	18	100,159
2,441,158	Long Term Assets		2,500,869
20,000	Short Term Investments	16	60,000
57	Inventories		125
97,160	Short Term Debtors	19	83,451
108,336	Cash and Cash Equivalents	16 / 20	32,802
3,834	Assets Held for Sale	21	10,856
229,387	Current Assets		187,234
(62,925)	Short Term Borrowing	16	(36,717)
(97,894)	Short Term Creditors	22	(125,582)
(36,599)	Short Term Provisions	23	(38,920)
(6,930)	PFI / PPP Finance Lease Liability	16 / 42	(8,312)
(19,347)	Capital Grants Receipts in Advance	38	(20,702)
(223,695)	Current Liabilities		(230,233)
(651,000)	Long Term Borrowing	16	(666,613)
(14,518)	Long Term Provisions	23	(9,458)
(283,874)	PFI / PPP Finance Lease Liability	16 / 42	(327,293)
(797,832)	Net Pension Liability	45	(697,558)
(23,912)	Other Long Term Liabilities	24	(21,392)
(14,366)	Capital Grants Receipts in Advance	38	(13,750)
(1,785,502)	Long Term Liabilities		(1,736,064)
661,348	Net Assets		721,806
(168,574)	Usable Reserves	25	(212,450)
(492,774)	Unusable Reserves	26	(509,356)
(661,348)	Total Reserves		(721,806)

APPENDIX 4 – CASH FLOW STATEMENT

2012/13 £000		Notes	2013/14 £000
(312,184)	Net (deficit) on the provision of services		(80,280)
	Adjust net (deficit) on the provision of services for:		
433,427	- Non-cash movements	27	247,840
(71,487)	- Items that are investing or financing activities	27	(50,161)
49,756	Net cash flow from operating activities		117,399
(78,514)	Investing activities	28	(178,504)
100,849	Financing activities	29	(14,429)
72,091	Net increase / (decrease) in cash and cash equivalents		(75,534)
36,245	Cash and cash equivalents at 1 April	20	108,336
108,336	Cash and cash equivalents at 31 March	20	32,802

APPENDIX 5 – KEY NOTES TO THE CORE FINANCIAL STATEMENTS

Note 34 - Officers' Remuneration

Under the Accounts and Audit Regulations 2011, 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.

The Chief Executive put in place an arrangement in March 2013 to forgo other fees due to him regarding elections. These fees foregone amount to £14,000 per year pro rata, having the effect of reducing the net salary cost by 7.5%.

2013/14						
Post Holder Information	Note	Salary - including Fees and Allowances	Expenses Allowances	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
		£	£	£	£	£
Chief Executive- John Mothersole		184,588	0	184,588	35,072	219,660
Executive Director - Communities	1	114,219	15	114,234	22,505	136,739
Executive Director – Communities (Interim)	1	129,217	0	129,217	24,551	153,768
Executive Director – Resources (Interim)	2	83,330	0	83,330	16,310	99,640
Executive Director - Place		123,066	170	123,236	23,383	146,619
Executive Director - Children Young People and Families		116,902	6	116,908	22,211	139,119
Director of Public Health – Jeremy Wight	3	151,103	69	151,172	18,056	169,228
Director of Policy and Performance	4	78,757	0	78,757	14,964	93,721
Total		981,182	260	981,442	177,052	1,158,494
Notes:						
<p>1 The Executive Director of Communities left on 28 February 2014. His full time equivalent salary was £129,217 in 2013/14. The interim replacement moved from the Executive Director of Resources post from 1 March 2014 but their full salary has been listed in their new interim post.</p> <p>2 An interim replacement for the Executive Director of Resources was appointed on 1 March 2014. The full time equivalent salary for this post would be £116,902. Only £10,792 of the salary listed above related to this post, the rest relates to his previous Director of Finance post.</p> <p>3 The public health function transferred to Council control due to the Health and Social Care Act 2012 requirement for Councils to support integration across health and social care and the phasing out of strategic health authorities and Primary Care Trusts.</p> <p>4 A new post as a result of the merger between the Performance and Corporate Planning and the Policy, Partnership and Research Director posts which now report directly to the Chief Executive.</p>						

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

2012/13			Remuneration Band	2013/14		
Teachers	Other	Total		Teachers	Other	Total
69	39	108	£50,000 - 54,999	58	40	98
51	33	84	£55,000 - 59,999	47	36	83
25	9	34	£60,000 - 64,999	33	8	41
21	11	32	£65,000 - 69,999	17	21	38
16	11	27	£70,000 - 74,999	11	6	17
5	14	19	£75,000 - 79,999	7	12	19
4	11	15	£80,000 - 84,999	2	7	9
4	4	8	£85,000 - 89,999	6	3	9
3	1	4	£90,000 - 94,999	4	1	5
3	3	6	£95,000 - 99,999	1	2	3
1	0	1	£100,000 - 104,999	2	0	2
1	0	1	£105,000 - 109,999	1	0	1
0	1	1	£120,000 - 124,999	0	2	2
203	137	340	Total	189	138	327
202	124	326	Total Excluding redundancies	184	109	293

Note: The "other" total excluding redundancies figure for 2013/14 includes an increase of 10 staff due to the incorporation in to the Council of the Public Health function and 8 staff due to the incorporation in to the council of Sheffield Homes. If these had been excluded the figure would have been 91.

Note 9 - Adjustments between accounting basis and funding basis under regulations

2013/14		General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	Note								26
	Reversal of items debited or credited to the CI&ES:								
	Depreciation of Non-current assets	(48,645)	0	0	(16,463)	0	(65,108)	65,108	0
	Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
	Revaluation losses charged to the CI&ES	(26,622)	(5,473)	0	0	0	(32,095)	32,095	0
	Movements in fair value of Investment Properties	0	0	0	0	0	0	0	0
	Capital grants and contributions credited to the CI&ES	33,842	0	0	0	5,199	39,041	(39,041)	0
	Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	0	0	0	0
	Revenue expenditure funded from capital under statute	(14,704)	0	0	0	0	(14,704)	14,704	0
	Costs of disposal funded from capital receipts	(131)	0	131	0	0	0	0	0
	Net gain / (loss) on sale of non-current assets	(95,148)	4,968	(16,307)	0	0	(106,487)	106,487	0
	Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance statutory requirements	(149)	1,066	0	0	0	917	(917)	0
	Reversal of items relating to retirement benefits debited or credited to the CI&ES	(61,943)	0	0	0	0	(61,943)	61,943	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	1,258	0	0	0	0	1,258	(1,258)	0

2012/13 (Continued)

	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
							25	
	Note					992	(992)	0
Amount by which council tax income and residual community charge adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation		0	0	0	0	992		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		0	0	0	0	3,219	(3,219)	0
Insertion of items not debited or credited to the CI&ES:								
Statutory provision for repayment of debt	28,471	0	800	0	0	29,271	(29,271)	0
Capital expenditure charged to the General Fund Balance	(154)	20,734	154	(20,734)	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(2,347)	0	2,347	0	0	0	0	0
Employer's contribution to pension scheme	52,213	0	0	0	0	52,213	(52,213)	0
Other:								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	14,921	0	0	14,921	(14,921)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	37,299	0	37,299	(37,299)	0
Other	(425)	0	425	0	0	0	0	0
Total	(323,852)	6,898	(2)	727	2,357	(313,872)	313,872	0

Note 30 - Amounts Reported for Resource Allocation Decisions

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year ended 31 March 2014 is as follows:

	Children, Young People and Families £000	Place £000	Communities £000	Policy, Performance and Communications £000	Resources £000	Corporate £000	Total General Fund £000	Housing Revenue Account £000	Total £000
Grants	(76,507)	(19,001)	(19,042)	(2,257)	(197,761)	0	(314,568)	0	(314,568)
Other reimbursements and contributions	(1,792)	(1,645)	(12,274)	(123)	345	0	(15,489)	(1,307)	(16,796)
Sales	(3,380)	(1,196)	(103)	0	(38)	0	(4,717)	(3,221)	(7,938)
Fees and charges	(22,664)	(25,788)	(28,810)	(456)	(24,601)	(522)	(102,841)	(3,581)	(106,422)
Other Income	(1,338)	(7,072)	(16,269)	(986)	(4,313)	(6,772)	(36,750)	(152,331)	(189,081)
Recharges	(33,079)	(12,948)	(5,483)	(2,073)	(83,467)	(299)	(137,349)	0	(137,349)
Total Income	(138,760)	(67,650)	(81,981)	(5,895)	(309,835)	(7,593)	(611,714)	(160,440)	(772,154)
Employees	71,937	40,653	61,059	4,067	47,227	0	224,943	27,009	251,952
Premises	2,929	11,301	3,072	5	56,385	0	73,692	48,745	122,437
Transport	6,412	2,165	2,446	17	1,742	0	12,782	879	13,661
Supplies and services	44,464	58,611	14,864	2,084	15,711	42,938	178,672	39,855	218,527
Third party payments	51,225	115,815	167,826	1,409	407	0	336,682	628	337,310
Transfer payments	526	0	5,419	0	191,882	0	197,827	0	197,827
Support Services	45,998	9,875	9,574	1,419	63,187	0	130,053	11,393	141,446
Other	0	9,561	0	1	127	(552,210)	(542,521)	20,555	(521,966)
Total Expenditure	223,491	247,981	264,260	9,002	376,668	(509,272)	612,130	149,064	761,164
Net Expenditure	84,731	180,331	182,279	3,107	66,833	(516,865)	416	(11,376)	(10,960)

Reconciliation to Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012/13		2013/14
£000		£000
(8,578)	Net Expenditure in the Portfolio Analysis	(10,960)
5,806	Additional segments not included in the analysis	921
79,294	Amounts not included in the analysis but included in the CI&ES	10,151
454,689	Amounts included in the analysis but not included in the CI&ES	488,856
531,211	Cost of Services in the CI&ES	488,968

Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of portfolios income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14

	Net Expenditure in the Portfolio Analysis	Additional segments not included in the analysis	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Allocation of Recharges	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(457,532)	(261,502)	10,194	225	146,070	(562,545)	(25)	(562,570)
Interest and investment income	(53)	0	0	53	0	0	(1,473)	(1,473)
Income from Council Tax	0	0	0	0	0	0	(165,991)	(165,991)
Non Domestic Rates Distribution	0	0	0	0	0	0	(95,673)	(95,673)
Government grants and contributions	(314,568)	(3,368)	(5,179)	0	0	(323,115)	(337,165)	(660,280)
Total Income	(772,153)	(264,870)	5,015	278	146,070	(885,660)	(600,327)	(1,485,987)
Employee expenses	251,952	203,733	(22,772)	0	0	432,913	0	432,913
Other service expenses	478,718	62,058	(54,807)	504,504	0	990,473	0	990,473
Support service recharge	0	0	0	0	(146,070)	(146,070)	0	(146,070)
Depreciation, amortisation, and impairment	17,105	0	80,207	0	0	97,312	0	97,312
Interest payments	14,693	0	0	(14,693)	0	0	64,914	64,914
Precepts and levies	478	0	0	(478)	0	0	478	478
Payment to housing capital receipt pool	0	0	0	0	0	0	2,709	2,709
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	90,180	90,180
(Surplus) / deficit of trading undertakings or other operations	(1,753)	0	2,508	(755)	0	0	667	667
Pension interest cost, administration expenses and expected return on pension assets	0	0	0	0	0	0	32,691	32,691
Total Expenditure	761,193	265,791	5,136	488,578	(146,070)	1,374,628	191,639	1,566,267
(Surplus) or deficit on the provision of services	(10,960)	921	10,151	488,856	0	488,968	(408,688)	80,280

APPENDIX 6 – HOUSING REVENUE ACCOUNT

Housing Revenue Account Income and Expenditure Statement			
2012/13		Note	2013/14
£000			£000
	Expenditure:		
32,898	Repairs and maintenance		33,739
51,079	Supervision and management		50,861
387	Rents, rates, taxes and other charges		951
24,803	Depreciation and impairment / losses of non-current assets	8 / 9	22,577
270	Debt management costs		241
777	Movement in the allowance for Bad or Doubtful Debts		1,432
110,214	Total Expenditure		109,801
	Income:		
(136,399)	Dwelling rents	11	(141,548)
(1,554)	Non-dwelling rents - garages, garage sites, shops	11	(1,544)
(6,131)	Charges for services and facilities		(8,151)
(1,073)	Contributions towards expenditure		(1,481)
(93)	HRA subsidy receivable		0
(145,250)	Total Income		(152,724)
(35,036)	Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		(42,923)
622	HRA share of Corporate and Democratic Core		430
(34,414)	Net Income / Cost of HRA Services		(42,493)
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:		
6,824	(Gain) or loss on sale of HRA non-current assets		(4,968)
13,475	Interest payable and similar charges		13,572
(53)	Interest and investment income		(59)
(849)	Capital grants and contributions receivable		0
(15,017)	(Surplus) / Deficit for the year on HRA services		(33,948)

Movement on the Housing Revenue Account Statement			
2012/13		Note	2013/14
£000			£000
(14,409)	Balance as at 1 April		(22,528)
(15,017)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(33,948)
0	Other Comprehensive Income and Expenditure	1	(8,809)
6,898	Adjustments between accounting basis and funding basis under regulation	2	31,774
(8,119)	Net (increase) / decrease before transfers to reserves		(10,983)
0	Transfer to reserves	3	20,468
(8,119)	(Increase) / decrease in year on the HRA		9,485
(22,528)	Balance as at 31 March		(13,043)

APPENDIX 7 – COLLECTION FUND STATEMENT

Non-domestic Rates £000	2012/13 Council Tax £000	Total £000	Notes	Non-domestic Rates £000	2013/14 Council Tax £000	Total £000
Income						
0	(186,634)	(186,634)	1	0	(198,996)	(198,996)
Council Tax Receivable						
Transfers from General Fund:						
0	(46,533)	(46,533)	1	0	0	0
- Council Tax Benefits						
0	(233,167)	(233,167)		0	(198,996)	(198,996)
(205,221)	0	(205,221)	2	(215,211)	0	(215,211)
Non-domestic Rates Receivable						
0	0	0		(15)	0	(15)
Non-domestic Transitional Payments Protection						
(205,221)	0	(205,221)		(215,226)	0	(215,226)
(205,221)	(233,167)	(438,388)		(215,226)	(198,996)	(414,222)
Total Income						
Expenditure						
Precepts and Demands:						
0	197,737	197,737		95,265	164,733	259,998
- Sheffield City Council						
0	21,153	21,153		0	18,254	18,254
- SY Police Authority						
0	9,618	9,618		1,944	8,167	10,111
- SY Fire and Rescue Authority						
198,298	0	198,298		97,154	0	97,154
- Central Government share of NNDR						
198,298	228,508	426,806		194,363	191,154	385,517
0	0	0		1,474	0	1,474
Non-domestic Transitional Protection Payments						
Non-domestic Rates Supplement:						
Impairment of debts:						
1,900	1,493	3,393	1	2,173	903	3,076
- Write Offs						
4,249	1,410	5,659		92	7,012	7,104
- Allowance for impairment						
Appeals:						
0	0	0		13,600	0	13,600
- Allowance for impairment						
774	0	774		775	0	775
Cost of Collection						
0	0	0		55	0	55
Enterprise Zone Relief						
0	597	597		0	0	0
Contributions towards previous years estimated Surplus / Deficit						
205,221	232,008	437,229		212,532	199,069	411,601
Total Expenditure						
0	(1,159)	(1,159)		(2,694)	73	(2,621)
Movement on the Fund						
0	(1,210)	(1,210)		0	(2,369)	(2,369)
Opening Fund Balance						
0	(2,369)	(2,369)		(2,694)	(2,296)	(4,990)
Closing Fund Balance						

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Audit Committee Report

REPORT OF	Assistant Director of Finance	DATE 17 th July 2014
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SUBJECT	Progress on High Opinion Audit Reports
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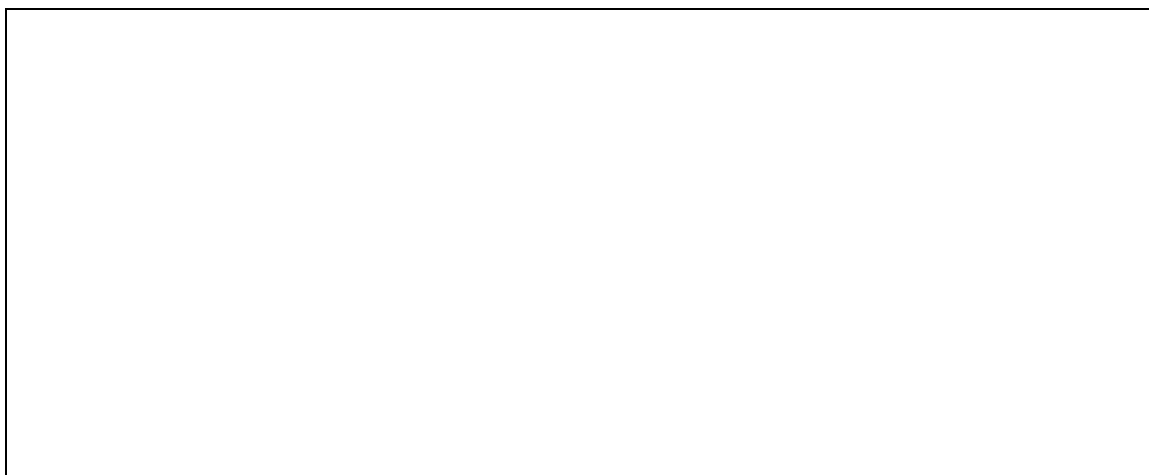
SUMMARY	The attached is the report of the Assistant Director of Finance providing an updated position on Audit Reports issued with a high opinion.
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RECOMMENDATIONS	Sheffield City Council Audit Committee to note the contents of the Report and agree to remove the audits highlighted from the tracker.
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FINANCIAL IMPLICATIONS CLEARED BY	No K Inman	PARAGRAPHS
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BACKGROUND PAPERS

CONTACT POINT FOR ACCESS	K Inman	TEL NO. 273 4435
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**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES /NO

**REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE
17 July 2014**

Internal Audit Report on Progress Against High Opinion Audit Reports.

Purpose of the Report

1. The purpose of this 'rolling' report is to present and communicate to members of the Audit Committee progress made against recommendations in audit reports that have been given a high opinion.

Introduction

2. An auditable area receiving a 'High Opinion' is considered by Internal Audit to be an area where the risk of the activity not achieving objectives is high and sufficient controls were not present at the time of the review.
3. This report provides an update to the Audit Committee on high opinion audit reports previously reported. Where Internal Audit has yet to undertake follow up work, the relevant Portfolio Directors were contacted and asked to provide Internal Audit with a response. This included indicating whether or not the recommendations agreed therein have been implemented to a satisfactory standard. Internal Audit clearly specified that as part of this response, Directors were to provide specific dates for implementation and that this was required by the Audit Committee.

This report also details those high opinion audits that Internal Audit plan to remove from future update reports. The Audit Committee is asked to support this.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

That the Audit Committee notes the content of the report.

That the Audit Committee agrees to the removal of the following reports from the tracker:

Self-Directed Support, Communities

That the Audit Committee agrees to receive an overarching report outlining the revised approach for capital delivery and reporting.

Laura Pattman

Assistant Director of Finance, Business Partner and Internal Audit

**SHEFFIELD CITY COUNCIL
UPDATED POSITION ON HIGH OPINION AUDIT REPORTS AS AT 17 July 2014**

1. Schools, using independent payroll services (CYPF). (Issued to the Audit Committee 22.04.14).

As at May 2014

Internal Audit: This report was issued to management on the 31.3.14, with the latest agreed implementation date of 30/09/2014. Therefore an update will be provided in the next high opinion update report.

2. Delivery of Highways Schemes (Place). (Issued to the Audit Committee 08.04.14).

As at May 2014

Internal Audit: This report was issued to management on the 19.03.14, with the latest agreed implementation date of 30/09/2014. Therefore an update will be provided in the next high opinion update report.

3. Schools, appointments, terminations and amendments to pay (CYPF). (Issued to the Audit Committee 22.04.14).

As at May 2014

Internal Audit: This report was issued to management on the 31.3.14. A number of recommendations were made relating to recruitment and termination of contracts, therefore these will be reviewed when Internal Audit carry out a follow up review in quarter 4. Three recommendations were agreed to be completed by the 30/04/2014, by the HR Service Manager (Schools Statutory and Strategic HR Service) and an update against these is reproduced below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Update provided from Jo Roy, Service Manager, Human Resources, 23.5.14.
3.1	Leaver's details should be promptly actioned on payroll once they cease working for the school. The 3 discrepancies identified should be verified and corrected if required, by the HR Service Manager (Schools Statutory and Strategic HR Service).	Medium	HR Service Manager (Schools Statutory and Strategic HR Service)	30.04.2014	All audit actions have now been completed. I have contacted our payroll provider and corroborated the information provided with the Business Manager or Head Teacher at each school.
3.2	Amendments / variations should be actioned promptly and correctly on payroll. The Head Teacher and / or HR Service Manager (Schools Statutory and Strategic HR Service) should follow up and ensure the 3 variations requested have been appropriately actioned either through a request to the payroll provider or via the monthly payroll summary reports.	High	HR Service Manager (Schools Statutory and Strategic HR Service)	30.04.2014	All audit actions have now been completed. I have contacted our payroll provider and corroborated the information provided with the Business Manager or Head Teacher at each school.

3.3	HR Service Manager (Schools Statutory and Strategic HR Service) should remind and refresh schools about HR / payroll procedures in relation to recruitment, termination and variations to pay. Providing advice and sample documents where necessary.	High	HR Service Manager (Schools Statutory and Strategic HR Service)	30.04.2014	Guidance on Schools appointments, terminations and amendments to pay has been included in the May Employment Bulletin which was circulated to Schools on 22/5/14. This included links to best practice guidance. The recommendations will be added as an addendum to the current Guidance Booklet and incorporated into the updated booklet which is circulated in September.
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4. Projects – Risk Management and Reporting (Place). (Issued to the Audit Committee 10.01.14).

As at April 2014

Internal Audit: This report was issued to management on the 23.12.13. Eight recommendations were agreed in the report and the updated position is produced below.

NB: The updated position was requested from the Head of Capital Delivery Service in February, which pre-dates the agreed implementation date for the recommendations. This was at the request of Audit Committee members who were keen to see the 'direction of travel'.

As at June 2014: Internal Audit undertook a follow up review in May 2014 and found that of the eight agreed recommendations, 1 had been satisfactorily implemented and 7 were considered ongoing and not fully actioned. It was acknowledged that fundamental changes to the capital delivery process have been made and recently launched and the audit recommendations have been incorporated into this wider strategic review. The Capital Programme Office process was under development, and once in place this will be supported by capital gateways/ reviews. The Head of Capital Delivery Service has agreed a revised timeframe (July 2014) for the implementation of the remaining 7 recommendations.

It is suggested that an overarching report be brought by the Head of Capital Delivery Service to the Audit Committee to outline the strategic change to Capital Delivery arrangements, rather than try to capture this on a recommendation by recommendation basis.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
4.1	The Head of Capital Delivery Service will need to follow up on the risk management and reporting arrangements for projects 90723 and 90731, and also ascertain the reasons for the slippage against the project. (90723 Abbey Lane Primary) (90731 Skinnerthorpe Road)	High	Head of Capital Delivery Service	31.03.14	<u>Update as at 19 Feb 2014:</u> A wider Capital Programme review for EMT is well under way and will be implemented for the new financial year. This will capture roles and responsibilities. There remains an issue regarding who is identified as "Project Manager" in QTier and this will be

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
					<p>addressed. In the meantime, risk registers for the two schemes had been prepared by the CDS Project Manager, Paul Turner, for the project. I have reviewed these with the CDS Project Manager and am confident that the risks are being managed and that an effective means of escalation is in place.</p> <p><u>As per Internal Audit follow up report May 2014:</u> The shared project risk registers were provided and reviewed by Internal Audit.</p> <p>Action complete</p>
4.2	<p>Project guidance should be followed and an initial risk management plan should be completed as part of the project start-up phase on all projects to ensure Sheffield City Council's (SCC's) exposure to risk is identified at an early stage, recorded and where appropriate mitigation strategies established and followed/ tracked.</p> <p>Project Managers for all future projects and projects currently at start-up phase should be reminded of this requirement. They should be directed to training and guidance available, i.e. E-Learning, guidance available on the Intranet, etc.</p>	High	Head of Capital Delivery Service	31.03.14	<p><u>Update as at 19 Feb 2014:</u></p> <p>This is part of the wider Capital Programme review.</p> <p>Additionally, the following actions to improve this are being implemented:</p> <ol style="list-style-type: none"> 1) Incorporating requirements for an initial risk review at the project start-up phase within the capital delivery process that has been developed by CDS. 2) Establishing a Capital Programme Office (CPO) to monitor the implementation of projects against the delivery process to ensure the necessary deliverables are completed. 3) Raising the issue at Capital Programme Group to ensure commissioning boards/ portfolios are aware of their responsibilities as Project Sponsors.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
				Revised implementation date: 31.07.14	<p><u>As per Internal Audit follow up report May 2014:</u> A statement was provided by Dan Ladbury, Head of Capital Delivery Service against this recommendation and the capital delivery process was provided to support the statement.</p> <p>“The Capital Delivery Process has been revised and launched. The CPO is under development and additional resource has been committed to develop this. I aim to have in place the guidance and review checklists that support the capital gateways. These will be used to ensure that the necessary risk management plans are in place at each stage as without them projects will not be able to proceed.”</p> <p>Action ongoing – revised implementation date in place.</p>
4.3	<p>Project guidance should be followed and appropriate risk strategies should be established as part of the project planning stage on all projects to ensure SCC's exposure to risk is reduced.</p> <p>Project Managers for all future projects and projects currently at the planning stage should be reminded of this requirement.</p>	High	Head of Capital Delivery Service	<p>31.03.14</p> <p>Revised implementation date: 31.07.2014</p>	<p><u>As per Internal Audit follow up report May 2014:</u> Please see response to 4.2 above.</p> <p>Action ongoing – revised implementation date in place.</p>
4.4	Project guidance should be followed and a route for identified risks to be communicated to the project teams established, ensuring risk reviews are a standard item on Project Board agenda's. This should be completed as part of the project delivery preparation stage on all projects to ensure SCC's exposure to risk is reduced and inconsistencies in	Medium	Head of Capital Delivery Service	<p>31.03.14</p> <p>Revised implementation date:</p>	<p><u>As per Internal Audit follow up report May 2014:</u> Please see response to 4.2 above.</p> <p>In addition Dan Ladbury stated “The establishment of Project Boards and their performance will be assessed as part of the</p>

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
	reporting are prevented.			31.07.14	gateway reviews". Action ongoing – revised implementation date in place.
4.5	Risk management plans should be completed for all projects with sufficient detail, consistent and complete data; feature a responsible officer, have appropriate timeframes and record a review date. The Head of Capital Delivery Service should discuss with the Corporate Risk Manager whether the Councils Corporate Risk Management Framework should be adopted for all projects. All Project Managers should be informed of this decision and requirement.	Medium	Head of Capital Delivery Service	31.03.14 Revised implementation date: 31.07.14	<u>As per Internal Audit follow up report May 2014:</u> Please see response to 4.2 above. Action ongoing – revised implementation date in place.
4.6	All projects should have transparent reporting arrangements in place to ensure risk management issues can be appropriately reported and discussed at the relevant area/level. All Project Managers should be informed of this requirement.	High	Head of Capital Delivery Service	31.03.14 Revised implementation date: 31.07.14	<u>As per Internal Audit follow up report May 2014:</u> Please see response to 4.2 above. Action ongoing – revised implementation date in place.
4.7	Project Board minutes need adequate detail to demonstrate sufficient and robust challenge to the risks of the project.	High	Head of Capital Delivery Service	31.03.14 Revised implementation date: 31.07.14	<u>As per Internal Audit follow up report May 2014:</u> Please see response to 6.2 above. Action ongoing – revised implementation date in place.
4.8	Project risk management plans should detail the escalation route and actions taken for all project risks. All project managers should be informed of this requirement.	Medium	Head of Capital Delivery Service	31.03.14 Revised implementation date: 31.07.14	<u>As per Internal Audit follow up report May 2014:</u> Please see response to 4.2 above. Action ongoing – revised implementation date in place.

5. Freedom of Information Arrangements (Resources). (Issued to the Audit Committee 02.12.13).

As at November 2013
Internal Audit: This report was issued to management on the 23.10.13.
As at 3rd March 2014: 13 recommendations were agreed in the original report, and the updated position is reported below. NB : A new process for Freedom of Information requests has been outlined which captures the recommendations raised in this audit report. The new process will be introduced from April 2014, and as a result 11 of the original recommendations made have revised implementation dates.

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
5.1	<p>A new model is proposed:</p> <p>1. A central point would be established and would be responsible for: - the customer facing interfaces within the process - receiving the requests, acknowledging requests, allocating requests to Portfolios, monitoring and reporting on the progress of requests, sending out the information once collated. - providing accurate and timely monitoring information to Officers to allow them to monitor the process effectively within the Portfolio.</p> <p>2. The Directors of Business Strategy would be responsible for: - ensuring that there are adequate processes in place across Portfolios to provide the information required and to ensure quality control processes. They should have in place a process and structure that ensures that FOI requests are responded to efficiently and effectively.</p> <p>3. The Information Governance Team would be responsible for:</p>	Critical	John Curtis	<p>31.01.14</p> <p>Revised Date 30.04.14</p>	<p><u>3rd March 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>A number of workshops have been held to assess and review the FOI process. A new process has been outlined and agreed with the Executive Management Team, and portfolio representatives. This new process establishes a new information Governance Model whereby all requests will initially be reviewed and handled centrally. This will be introduced in April 2014.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>A new process is now in place and to date we have seen a significant improvement in meeting our statutory duty (responding within 20 working days). This is currently at 93% which is significantly higher than what we achieved previously.</p> <p>A number of letter templates have been devised to support the process and consistency. This includes, letter templates where exemptions maybe appropriate. The Information and knowledge management team also provide assistance and advice and commonly draft the refusal notices. All refusal notices are being quality assured by the central team to ensure that they are correctly and appropriately used. A Standard Operating Procedure, Process Map and Policy</p>

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
	<p>- advising on complex cases (when requested) that are outside the skills/knowledge base of the Portfolio. This may include refusal notices etc.</p> <p>- Training on the requirements of the law.</p> <p>4. Individual officers would be responsible for:</p> <p>- cooperating with the process and providing the information required.</p> <p>All roles and responsibilities should be clearly defined, documented and shared with all relevant parties.</p>				support the overall process and outlines roles and responsibilities, as well as escalation.
5.2	Once the new process for FOI has been established, the Policy should be amended to reflect this.	High	John Curtis	31.01.14 Revised Date 31.03.14	<p>A new policy has been drafted and will be assessed at the next Information Governance Board (IGB). This will be presented to the IGB in March 2014.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>A new policy has been agreed.</p>
5.3	<p>Where Portfolios are not meeting the targets, this should now be fully investigated. Where there is clear evidence of complexity of process, this should be rectified by review and simplification wherever possible. Where there are clear resourcing issues, this needs to be monitored and reported to the appropriate manager. Gathering estimates of staff time allocated to answering the requests will aid the process of resourcing appropriately.</p> <p>It is important that the individual requesting the information is contacted upfront to acknowledge receipt of the Freedom of</p>	High	John Curtis	31.01.14 Revised Date 30.04.14	<p>The new information governance model to be adopted proposes the use of standard, workable and consistent templates to be used. This will support consistency in our approach around refusals. This will be developed in March/April 2014.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>The new tracker system records if a request is late what the reason has been. This will assist with understanding why something was delayed and should assist with reducing any reoccurrence. All requestors receive confirmation of their request. If it is anticipated that there may be a significant delay in response, the requestor will be informed.</p>

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
	<p>Information request and to explain the process. Where delays occur, the requestor should be informed of this as soon as possible as regular communication may stop complaints. As all FOI requests must be answered, it is important that resources are allocated appropriately as complaints tend to increase calls on resources.</p> <p>The implementation of a consistent and streamlined process across all Portfolios will ensure that all Portfolios can meet the desired target.</p>				
5.4	<p>The process for refusals needs to be workable, appropriate and consistent. The central team should know where previous similar requests have been refused and the reasoning behind this. This information can then be passed to the Portfolio (the Portfolio should know if any circumstances have changed that would facilitate the providing of the information). A nominated individual within the Portfolio should make an informed decision on whether a refusal is appropriate. A decision should be made on whether the Portfolio should prepare the refusal notice (and who will authorise this) or whether this is a role to be undertaken by the Information Governance Service. For consistency, once the refusals have been prepared and approved, these should be recorded and sent out by the central point. We need to clearly monitor when we make such decisions as the Council should provide information where it is available and should not discriminate</p>	High	John Curtis	<p>31.01.14</p> <p>Revised Date 30.04.14</p>	<p>A workshop was held with portfolio representatives which assessed overall what the council wide and portfolio requirements were. A requirements document was produced and has been assessed. A newly developed SharePoint site is being developed. This will be in March/ April 2014.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>All requestors are responded to in a fair and transparent way. Refusals are drafted commonly by the central team and all refusals are quality assured by the team to ensure consistency in approach. We will review where refusals have been used and develop further training in this area as appropriate.</p>

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
	against individuals. The question should be raised that if we are refusing a request from a member of the public, would we refuse the same request coming from an MP or the press.				
5.5	A review of how SharePoint is being used must be undertaken. Again, there needs to be a consistent approach applied that is fit for purpose. A review needs to be undertaken of what systems the Council already has in place that can monitor and report on activity and whether these would be more suitable for managing FOI requests. All staff involved in the FOI process should ideally use one system that can log and track the requests through the whole process. Staff should use this system consistently and be trained to do this.	High	John Curtis	31.01.14 Revised Date 30.04.14	A workshop has taken place looking at the councils requirements for a system to support the FOI process. A requirements specification was drafted and has been reviewed. Overall a newly developed SharePoint site has been created and is being modified for April 2014. <u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u> One council system is in place and is being used. Some changes have been made to develop the system further. A further meeting is taking place with all FOI representatives across the council to discuss the system and process.
5.6	The process for responding to information requests is similar in Portfolios but the level of staff involvement differs. A sample should be obtained of information request responses from each Portfolio and the cost of producing these responses. There should be a consistency of approach and cost. It is obvious that the cost of involving Directors is always significantly higher than utilising business support staff. It would appear appropriate that the process should be a business support role, within a framework, which highlights where decisions need to be escalated.	High	John Curtis	31.01.14 Revised Date 31.07.14	We are assessing what information can be collated and presented regarding FOI Requests. This will also try to assess the costs of responding to requests. A meeting has taken place with Communications to see if some information can also be made available via the internet. This will be developed Late Spring/ Early Summer. <u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u> This is ongoing. It will be challenging to assess the total cost relating to responding to requests is, but we will try to calculate indicative costs.
5.7	There should be a clear protocol for training requirements. Once the new process for FOI has been established, focused and	High	John Curtis	31.01.14 Revised Date	Training has been mandated for all Portfolio representatives and admin support. There will be a refresh of Information governance training for all staff. This will be developed over

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
	specialised training should be provided to the limited number of staff who manage and deliver the FOI processes within Portfolios and potentially, for staff who will form the central point for logging and closing the FOI requests.			31.12.14	2014/2015. <u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u> It is mandated in the standard operating procedure that any one acting as the portfolio rep should receive training.
5.8	The message of the importance of the Council's obligations under the Freedom of Information Act must be shared with staff across Portfolios. Having a Corporate system that monitors refusals can also help to establish any patterns of refusals which are not appropriate.	High	John Curtis	31.01.14	A meeting has taken place with Communications and messages will be within Managers brief and key brief for all staff. This messages outlines at high level the new process and our statutory responsibilities. The Intranet has also being updated to reflect this. This was sent on March 3 rd 2014. <u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u> This was undertaken as detailed above, and a more robust process has assisted in reminding staff that we have a legal responsibility to respond. A number of other councils have asked to see what SCC has set up.
5.9	Once the new process for FOI has been established, the issues surrounding the ownership of requests should be addressed and Portfolios should be clearly briefed. A 'hub and spoke' model with Portfolio representatives would appear to be a better way to manage this process The Council has 20 days to respond to an FOI request. The following is only an indicator of how this model could work: Day 1-2 - The central team receive, log and distribute the request to the Portfolio. They respond to the requester as appropriate. (This would appear to be a business support role).	High	John Curtis	31.01.14 Revised Date 30.4.14	A workshop has taken place with Portfolio representatives and outlining the new process that is being put into place for April 2014. <u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u> Overall the standard operating procedure outlines the process and includes a timeline where business support will send out reminders.

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
	<p>Day 3-4 - The request is rejected or accepted and is distributed to relevant Officers within service areas for information gathering.</p> <p>Day 5-6 - The request is accepted or rejected (for example, if it will take too long to collate the information etc.)</p> <p>Day 5-14 - The information is collated.</p> <p>Day 15-16 - The response is sent to Portfolio representatives for sense checking.</p>				
5.10	<p>As noted in previous recommendations, the set-up of a central point for logging all requests should now be fully evaluated. The Council should have a central email and postal address that the public can easily identify and use. All FOI requests, regardless of how they enter the Council, should be diverted to the central point for recording and monitoring.</p>	High	John Curtis	31.01.14	<p>An email address FOI@Sheffield.gov.uk has been established. A page also exists on the internet site to outline to the public this central point of access. This is already in place.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>See above, which is working well.</p>
5.11	<p>Going forward, information should be provided to the Portfolio representatives on the communications that have taken place with the Information Commissioners Office (ICO). Lessons learnt for the future should be shared with all relevant officers This could potentially be a role for the newly formed central team or for the Information Governance Service who lead on communications with the ICO. This role should be clearly established as part of the new process and the format of the contact set to suit requirements – this may simply be an email circular for example.</p>	High	John Curtis	<p>31.01.14</p> <p>Revised Date 31.12.14</p>	<p>The audit report has been shared to Portfolio Information Risk Owners and the Information Governance Board. Further updates will be provided regarding the implementation of the new FOI Process. This will be developed over 2014/15.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>The SharePoint FOI tracker now also records when the ICO has become involved with a request. This will provide greater knowledge of the history of the initial FOI request, Internal review and ICO judgement. This information will be shared with portfolios and other appropriate groups so that any trends / and learning can be shared, which may help with future requests and how they are handled.</p>

Ref	Recommendation	Priority	Original responsible officer	Original implementation date	Updated position
5.12	Training, as recommended in recommendation number seven, should incorporate the concerns raised by the ICO. Clear advice and guidance should be provided to all Portfolio representatives on what the process should be when a review of the FOI request is required. Any new FOI process should clearly identify how reviews will be dealt with and roles and responsibilities in relation to this should be clearly defined and documented.	High	John Curtis	31.01.14 Revised Date 30.04.14	<p>This will be clear within the guidance and process map. This will be developed in March/ April 2014.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>This is clearly outlined in the process map and standard operating procedure, and has been communicated and used within the training given to FOI representatives.</p>
5.13	Any new process introduced for answering FOI requests should clearly identify when it is appropriate to engage with the Information Governance Service and Legal Services. This links to the recommendation already raised on the roles and responsibilities of staff in the new process.	High	John Curtis	31.01.14 Revised Date 30.04.14	<p>This will be clear within the guidance and process map. This will be developed in March/ April 2014.</p> <p><u>Update as at 20th May 2014 provided from John Curtis, Head of Information and Knowledge Management.</u></p> <p>This is detailed within the standard Operating Procedure and Process map.</p>

6. Self-Directed Support (Communities). (Issued to the Audit Committee 23. 04.13).

<p>As at November 2013</p> <p>Internal Audit: 22 recommendations were agreed in the original report. As at Oct 31st 2013 the reported position was as follows:</p> <ul style="list-style-type: none"> • 14 actions had been implemented; • 8 actions were being progressed. <p>Service Management then attended the Audit Committee meeting in November to provide an update for the remaining 8 actions. The managers update report concluded that 20 of the 22 agreed recommendations had been implemented.</p>
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<p>As at April 2014</p> <p>Members requested that Internal Audit verify the position reported by the Customer Accounts Team Manager in the Update Paper submitted to the Audit Committee in November 13. For completeness, Internal Audit has included the follow-up report below, which includes the updated position as provided by management and the Internal Audit conclusion following verification testing. In summary, Internal Audit are satisfied that of 22 agreed recommendations :</p> <ul style="list-style-type: none"> • 18 had been implemented; • 1 recommendation was outstanding; • 2 recommendations had revised implementation dates • 1 recommendation was stated as being complete at the time of the original audit, but no supporting information was provided during the follow-up review.
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Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
6.1	A formal agreement between SCC and the Primary Care Trust (PCT) for the payment of Direct Payments should be put in place.	2 - High	Liz Orme - Assistant Director of Finance (Business Partnering Communities, Revenues & Benefits) Standing payment and reconciliation processes to be introduced.	30.04.13 Revised completion date: 28.02.14	Update Report 07/11/2013: Revised completion date: 28/02/2014 Process and protocols have been outlined and shared with Clinical Commissioning Group (CCG). Completion is subject to agreement between CCG and Social Care Accounting Services (SCAS). Negotiations under way. Philip Howson leading and reporting into SCAS Senior Management Team (SMT). Internal Audit Review April 2014: Action Incomplete Draft Protocol reviewed (see recommendation 4). Revised implementation date of 28/02/2014, therefore no further review undertaken.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
					<p><u>Update from Suzanne Allen, Head of Service, Care and Support, via Philip Howson, 11th June 2014:</u></p> <p>Agreement in place. Action Complete.</p>
6.2	<p>Management should develop procedures to ensure that all service users including those with managed accounts provide monitoring returns as per the Direct Payments guidance, i.e. for the previous quarter, to verify that all payments (expenditure) are in line with the outcomes in the support plans.</p> <p>If monitoring is not provided and all reasonable steps have been taken, then the Direct Payments Team should consider alternative measures, such as a Council arranged service. Any unverified past direct payments should be reclaimed.</p> <p>Persistent failure by a Direct Payment Agent to provide monitoring information on behalf of a service user should result in alternative options being explored and ultimately the withdrawal of payment. Any unverified past Direct payments should be reclaimed from the Agent.</p>	2 - High	<p>Ellie Crawford - Customer Accounts Team Manager</p> <p>The Customer Accounts Team Manager informed Internal Audit that procedures are currently under review and good practice is being developed.</p> <p>It was also established that the final decision is an Assessment and Care Management decision.</p> <p>Proactive measures are being explored including telephone contact with clients at the commencement of payment and 1st review.</p>	<p>31.07.13</p> <p>Revised completion date –30.06.14.</p>	<p>Update Report 07/11/2013: Action Complete</p> <p>“Since this Risk Review was completed the Customer Accounts Team (CAT) has contacted everyone who receives a direct payment to bring their financial monitoring up to date.</p> <p>Despite this contact there are currently 248 people who have not engaged with the team and who have not submitted financial monitoring.</p> <p>An action plan has been put in place to contact these people to resolve these problems or to put alternative services in place. This work is reporting to the Recovery Operations Group on a fortnightly basis.</p> <p>The CAT does not have the authority to stop a direct payment if a person does not submit financial monitoring. This is because the making of this payment meets Sheffield City Council’s (SCC) duty of care to that person and before a payment can be stopped arrangements need to be made to meet the persons assessed eligible needs in an alternative way.</p> <p>Following a lean exercise completed by the CAT in August 2013 Standard Operating Practices (SOP) have been introduced. In summary the new process is:</p>

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
					<p>1. Person receives a pre-reminder when their monitoring is due (mid implementation)</p> <p>2. Person receives a 1st reminder letter and a telephone call once their monitoring becomes overdue (implemented)</p> <p>3. Person receives a final warning letter once their monitoring becomes a month overdue (implemented)</p> <p>4. Person is referred to Assessment & Care Management (A&CM) if their monitoring is not received within a further 28 days (implemented)</p> <p>5. A&CM should contact the person to resolve the problem or to arrange alternative services”.</p> <p>Internal Audit Review April 2014: Action Incomplete</p> <p>Revised implementation date of 30/06/2014.</p> <p><u>Update from Suzanne Allen, Head of Service Care and Support, via Philip Howson, 11th June 2014:</u></p> <p>Action Complete.</p> <p>“Full process of reminders in place. Direct links now in place with the reassessment and review project to ensure Direct Payment (DP) concerns are addressed in the reassessment. (Note that the DP Monitoring team don't have the authority to withdraw payment, which is why cases are referred into reassessment teams in A&CM.)”.</p>
6.3	An accreditation system for organisations that receive Direct Payments from SCC should be	2 - High	Ellie Crawford - Customer Accounts Team Manager	31.07.13	<p>Update Report 07/11/2013: Action Complete. Money Management Protocol signed off and</p>

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
	developed, implemented and subsequently evaluated. This should include financial checks and the controls in place to monitor these companies after they receive Direct Payments.		This is being reviewed as part of the Non Contract Providers Money Management Protocol, which is part of the Market Development Programme.		<p>released 16/9/13. 13 money management organisations (MMO) have Recognised Provider Status and other organisations are being encouraged to apply in round 2 of the application process.</p> <p>Internal Audit Review April 2014: Action Incomplete Incorrect information provided. At the time of the Audit Update only 10 providers (although it is acknowledged that this covers 58% of Direct Payment accounts) had Recognised Provider Status. A further update in January 2014 states that there is potential for 15 providers to have Recognised Provider Status, however there is no intention to open the scheme to further applications in the future.</p> <p>Update from Suzanne Allen, Head of Service Care and Support, via Nicola Afzal, Contracts Manager, 11th June 2014:</p> <p>Action Incomplete.</p> <p>“The reason we stopped accepting applications from MMOs to the Recognised Provider List (RPL) is because we are expecting a tender opportunity to come up for this work in the near future.</p> <p>Once the contract is in place, we would expect all direct payment management business to go through that contract (although there may be a small number of clients who remain with their current providers for very specific reasons).</p> <p>In addition, there was the intention of reducing the number of people needing to use a MMO</p>

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position
					<p>in the first place. Putting MM providers on the RPL was an interim position and continuing to accept MMO applications was seen to be wasting our and provider time with a process that was expected to have only a short life span.</p> <p>It may be that the tender won't go out now and the current situation, with people choosing their own providers, will become a longer term arrangement. If this is the case, we would consider re-opening the RPL application process to MMOs.</p> <p>There are currently 15 MMOs on the RPL.</p> <p>In relation to the tender, a report is being taken to the Joint Leadership Team on 17th June 2014. This report is to decide whether to proceed to tender and if so agree the timescales. Until decisions have been made, I am unable to provide further clarity on a tender. If a decision is that we are not going to tender for this work, we will be looking to reopen and manage the MM market through the RPL.</p> <p>We are currently managing risk by pro-actively monitoring MM organisations regardless of whether on the RPL or not".</p>

Internal Audit proposes to remove this item from the tracker.

Agenda Item 9

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Our ref DP/SCC/fl

4 April 2014

Dear John

Annual audit fee 2014/15

I am writing to confirm the audit work and fee that we propose for the 2014/15 financial year at Sheffield City Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2013/14 the audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative audit and certification fees for 2014/15 are shown below, along with a comparison to the prior year's audit. All fees are exclusive of VAT.

Audit area	Planned fee 2014/15	Planned fee 2013/14
Code of Audit Practice audit fee – Sheffield City Council	£247,860	£247,860
Certification of grant claims & returns	26,450	46,100

The audit fee is unchanged from the planned fee for 2013/14 and is in line with the scale fee recommended by the Audit Commission.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission. Subject to confirmation, we expect these new arrangements to apply to 2014/15 claims and returns and therefore the following schemes to fall outside the Commission's arrangements:

- Pooling of housing capital receipts (CFB06); and
- Teachers' pensions return (PEN05).

The Department for Work and Pensions (DWP) has asked the Audit Commission to prepare auditor guidance for the certification of housing benefit subsidy for 2014/15. We will therefore continue to certify the housing benefit subsidy claim under the Audit Commission's arrangements. The estimated indicative certification fee above therefore only covers this work. It is expected that arrangements for 2015/16 onwards will be made on the same basis by an independent private company to be set up by the Local Government Association, which will take on transitional responsibility for the management of the Audit Commission's audit contracts following its closure in March 2015.

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with Eugene Walker, and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of Sheffield City Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

The key members of our audit team for the 2014/15 audit are:

Name	Role	Contact details
David Phillips	Senior Manager	david.phillips@kpmg.co.uk 0114 205 3054 or 0113 231 3623
Atta Khan	Assistant Manager	atta.khan@kpmg.co.uk 0114 205 3055 or 0113 231 3625

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely



Sue Sunderland
Director

cc: Eugene Walker, Director of Finance

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2013/14;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2014/15 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998. If additional work is required to address these areas, then we will discuss and agree the additional fees we will require to discharge our responsibilities.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	February 2015
Report to those charged with governance (ISA260 report)	September 2015
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2015
Opinion on Whole of Government Accounts return	September 2015
Annual audit letter	November 2015
Certification of grant claims and returns	January 2016

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cutting through complexity™

**Sheffield City
Council –
Pensions
payments follow
up report**

Summary report

25 June 2014

Contents

**The contacts at
KPMG
in connection with
this
report are:**

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1. Background and purpose/scope

Background

The previous external auditors of Sheffield City Council (the 'Council') took a report to the December 2010 Audit Committee containing the results of a review of data flows between the Council and South Yorkshire Pensions Authority (SYPA). This review covered the flows of electronic and manual data from the Council to SYPA to support SYPA's administration of the LG pensions scheme (LGPS) for current and former Council employees.

The report concluded that *"Reports presented to South Yorkshire Pensions Authority's (SYPA's) Corporate Planning and Governance (CP&G) Board show that Sheffield City Council (SCC) does not provide SYPA with timely and accurate pension data. The risks of this to the Council and SYPA include:*

- *the annual benefits statement for SCC staff may be wrong;*
- *new retirees may not receive the correct pension or it may be late; and*
- *SCC may be paying the wrong amount in contributions to SYPA due to inaccurate actuarial valuations."*

The report also noted that *"The underlying statistics were not recognised by officers of SCC as the raw data had to be worked on by SYPA staff who are based at the local SCC office prior to being sent to SYPA. No communication appears to exist to confirm the reasons for the differences and thus help SCC officers to rectify the situation."*

It concluded that *"The Council and SYPA should work together to understand and deal with the discrepancies between the data presented by the Council and that which is received by SYPA. In doing so this should provide the formula to eliminate the late provision of data being reported at SYPA's CP&G Board and ensure that pensions information is provided in accordance with the service level agreement."*

Purpose and approach

The Audit Committee requested at its April 2014 meeting that it received an update on whether the issues identified in 2010 had been addressed.

The Director of Finance therefore contacted SYPA and received an update from them on the current position. We subsequently contacted our audit team at SYPA and confirmed that this update was consistent with their knowledge of the position.

2. Findings

Findings

The Head of Pensions Administration at SYPA provided the following informal update in April 2014.

The current position is that the situation is improving. For a number of years there have been issues with the timely issue of pensions data to SYPA mainly concerning New Starters, Contract Changes and Early Leavers. Retirements that require immediate payments to scheme members have generally been good. Overall performance against our SLA has generally been poor. Performance is reported to our Corporate, Policy and Governance Board on a quarterly basis.

“For SCC there are two main issues,

- 1. The electronic interface does not include all relevant changes,*
- 2. Year-end reconciliation queries not being answered.*

Following a particularly bad quarter last year an action team was created comprising representatives of SCC, Capita and SYPA. Through working together an action plan was created to improve the electronic interfaces and clear the 4000 + year-end queries by 31st March 2014. To assist the project SYPA provided Capita with experienced resource for 3 days per week.

Although the project overran it was reported to me last week that all the year-end queries are now cleared. This means that for the first time in many years that the year-end file which is due to be issued to us before the end of May will be able to be promptly investigated with the potential for it to be fully resolved before annual forecasts are issued to members at the end of August. All will depend on the quality of the annual file though.

The latest report I have on the electronic interfaces is that they are running normally - which is good.

Overall performance is improving but the performance rating will not improve significantly in the short-term as work on clearing the year-end queries unearthed cases that have not previously been notified and are therefore out of time. However once the backlogs are clear and providing the electronic interfaces do contain all relevant information the overall performance rating will start to improve.

Despite the improving performance it is intended that the action team continue to meet to discuss issues and monitor progress.”

A report on the annual position went to SYPAs Corporate Planning and Governance Board on 19 June 2014. This report said the following:

The submission of annual contribution data returns requires that reconciled data is received by the Pensions Authority by 31st May (following the year end 31st March). As at 2nd June the year-end file was almost fully complete for Sheffield, the delay in receiving the information relating to one academy school prevented it being fully complete by 31st May 2014 [later update from officers at Sheffield CC – the information for this school has now been submitted].

2. Findings (cont.)

Sheffield's performance against the SLA in respect of producing all relevant information within specified target days shows that, overall, for 2013/14 there has been some deterioration in performance compared to last year. Performance has improved in the latter quarter but not enough to demonstrate an overall improvement year on year. However, it is noted that overall performance has been affected by a significant increase in caseload in 2013/14. Whilst Sheffield is the largest employer and therefore expected to have the highest caseload, Sheffield has seen a significant increase in caseload, particularly in the last quarter (a record number of cases). Much of this is due to concentration being placed on clearing the large backlog – overall performance will continue to be affected by this until all old cases are fully cleared. For current cases, the introduction of electronic interfaces are now reporting on more events at the time they occur – this should contribute to better performance on current cases going forward, however there is still some manual work required. Meetings between the Pensions Authority, Sheffield CC and Capita are continuing periodically to discuss data issues and monitor the situation.

Conclusion

Some progress has been made since 2010, particularly in immediate past, and officers are optimistic that progress has been made in addressing the underlying issues. However this remains an area where improvements are required, so further work remains to be done.

Recommendations

R1 The Council should liaise with SYPA to ensure that continuing action is taken to address the issues in respect of data flows, and take further action if performance does not improve.

R2 The Audit Committee at the Council should continue to monitor the position.

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Audit Committee Report

Report of: Interim Director of Legal and Governance

Date: 17 July 2014

Subject: Work Programme 2014/15

Author of Report: Dave Ross

Summary:

The report provides details of a proposed outline work programme for the Committee for 2014/15

Recommendations:

That the Committee:

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

Background Papers:

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by:
Legal Implications
NO Cleared by:
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Relevant Cabinet Portfolio Leader
NOT APPLICABLE
Relevant Scrutiny Committee if decision called in
NOT APPLICABLE
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

WORK PROGRAMME

1. Purpose of Report

1.1 To consider an outline work programme for the Committee for 2014/15 and to identify any further items for inclusion.

2. Work Programme

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. The work programme is based around the attached terms of reference and 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.

2.2 An outline programme for 2014/15 is set out below. Members are asked to identify any further items for inclusion.

Date	Item	Author
25 September 2014	Annual Governance Report	Sue Sunderland (Director, KPMG)
25 September 2014	2013/14 Statement of Accounts	Allan Rainford (Deputy Director of Finance)
25 September 2014	Internal Audit Annual Report	Laura Pattman (Assistant Director of Finance)
25 September 2014	Financial/Commercial Monitoring of External Relationships - Progress Report	Director of Finance/Andrew Kidder
13 November 2014	Annual Audit Letter 2013/14	Sue Sunderland (Director, KPMG)
13 November 2014	Systems Review (arising from the Management Review of Adult Social Care)	Chief Executive
13 November 2014	Strategic Risk Management/ Corporate Risk Register	Richard Garrad (Corporate Risk Manager)

11 December 2014	Adult Social Care Management Review Progress Report	Laura Pattman (Assistant Director of Finance)
8 January 2015	Progress report on the recommendations from the External Auditor's Annual Governance Report	Allan Rainford (Deputy Director of Finance)
8 January 2015	Annual Grants Report 2013/14	Sue Sunderland (Director, KPMG)
8 January 2015	Annual Governance Statement Progress Report	Gillian Duckworth (Interim Director of Legal and Governance)
8 January 2015	Progress on Audit Reports with a High Opinion	Laura Pattman (Assistant Director of Finance)
8 January 2015	Financial/Commercial Monitoring of External Relationships - Progress Report	Director of Finance/Andrew Kidder
12 February 2015	Additional meeting if required	
12 March 2015	Additional meeting if required	
9 April 2015	External Audit Plan 2014/15	Sue Sunderland (Director, KPMG)
9 April 2015	Annual Audit Fee Letter 2015/16	Sue Sunderland (Director, KPMG)
9 April 2015	Internal Audit Plan 2015/16	Laura Pattman (Assistant Director of Finance)
9 April 2015	Audit Commission Report on Protecting the Public Purse/Update on Counter fraud initiatives	Laura Pattman (Assistant Director of Finance)
9 April 2015	International Auditing Standards – Compliance with Internal Control/counter Fraud	Laura Pattman (Assistant Director of Finance)
9 April 2015	Strategic Risk Management/ Corporate Risk Register	Richard Garrad (Corporate Risk Manager)
Item to be arranged	Digital Region Review Report	

3. Recommendation

3.1 That the Committee:-

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

Interim Director of Legal and Governance

Audit Committee Terms of Reference (Revised February 2012)

- (1) To approve the Council's Statement of Accounts (which includes the Annual Governance Statement) in accordance with the Accounts and Audit Regulations 2003 as amended.
- (2) To consider and accept the Annual Letter from the Auditor or the Audit Commission in accordance with the Accounts and Audit Regulations 2003 as amended and to monitor the Council's response to any issues of concern identified.

Audit Activity

- (3) To consider the Chief Internal Auditor's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- (4) To consider summaries of specific internal audit reports as requested.
- (5) To consider reports dealing with the management and performance of the internal audit service.
- (6) To consider any report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- (7) To consider specific reports as agreed with the external auditor.
- (8) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (9) To liaise with the Audit Commission over the appointment of the Council's external auditor.

Regulatory Framework and Risk Management

- (10) To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (except in relation to those matters which are within the Terms of Reference of the Standards Committee e.g. code of conduct and behaviour of Members).

- (11) To monitor the effective development and operation of risk management and corporate governance in the Council.
- (12) To monitor Council policies on “Raising Concerns at Work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.
- (13) To oversee the production of the Council’s Annual Governance Statement and monitor progress on any issues.
- (14) To consider the Council’s arrangements for corporate governance and any necessary actions to ensure compliance with best practice.
- (15) To consider the Council’s compliance with its own and other published standards and controls.

Accounts

- (16) To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

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